

# Manchester Building Society (Appellant) v Grant Thornton UK LLP (Respondent)

Case ID: UKSC 2019/0040

## Case summary

### Issue

Was the Court of Appeal was right to hold that the break costs claimed by the Appellant fell outside the scope of the Respondent's duty of care as professional accountants?

### Facts

The Appellant is a small mutual building society whose main activity is the provision of mortgage products, while the Respondent was its auditor. The Respondent negligently advised the Appellant that an accounting treatment, "hedge accounting", could be applied to reduce the volatility of the market-to-market (MTM) value of swaps in its accounts.

In reliance on that advice, the Appellant entered into various fixed rate mortgages hedged against long term swaps under which it paid a fixed rate but received a variable rate.

The 2008 global financial crisis led to a fall in interest rates, with the effect that the MTM value of the swaps became negative. When the Respondent's negligence was realised, the Appellant ceased to apply hedge accounting, closed out the swaps and, in consequence, had to pay the MTM losses on the swaps and transaction fees for breaking the swaps early.

The Appellant brought a claim in negligence against the Respondent. The issue was whether the Respondent was liable for the MTM losses as well as the transaction fees. In the Commercial Court, the judge concluded that the Respondent was not liable for the MTM losses. The Court of Appeal dismissed the Appellant's appeal.

The Appellant now appeals to the Supreme Court.

### Judgment appealed

[\[2019\] EWCA Civ 40](#)

### Parties

#### Appellant(s)

Manchester Building Society

#### Respondent(s)

Grant Thornton UK LLP

# Appeal

## Justices

Lord Reed, Lord Hodge, Lady Black, Lord Kitchin, Lord Sales, Lord Leggatt, Lord Burrows.

## Hearing start date

14 Oct 2020

## Hearing finish date

15 Oct 2020

### Watch hearing

14 October [Morning session](#) [Afternoon session](#)

15 October [Morning session](#) [Afternoon session](#)