

An appeal

- by -

Eiler Pedersen, a Director or Officer of CathayOnline (Canada) Inc.,  
CathayOnline Inc., CathayOnline (HK) Technologies Ltd., CathayOnline  
(BVI), Beijing CathayOnline Technologies Co. Ltd, Lothian Bancorp Ltd.,  
Sichuan CathayOnline Technologies Co., Ltd., Torchmail.com Inc. and Via  
Technology Inc. Associated Corporations under Section 95 of the ES Act  
(“Levy”)

- of a Determination issued by -

The Director of Employment Standards  
(the "Director")

pursuant to Section 112 of the  
*Employment Standards Act* R.S.B.C. 1996, C.113

**ADJUDICATOR:** Norma Edelman, Vice-Chair

**FILE No.:** 2002/038

**DATE OF DECISION:** May 30, 2002

## DECISION

### OVERVIEW

This is an appeal by Eiler Pedersen ("Pedersen") under Section 112 of the *Employment Standards Act* (the "Act") of a Determination, which was issued against him as a director or officer of CathayOnline (Canada) Inc., CathayOnline Inc., CathayOnline(HK) Technologies Ltd., CathayOnline (BVI), Beijing CathayOnline Technologies Co. Ltd., Lothian Bancorp Ltd., Sichuan CathayOnline Technologies Co. Ltd., Torchmail.com Inc. and Via Technology Inc., Associated corporations under Section 95 of the Act (collectively, the "Associated Corporations") by a delegate of the Director of Employment Standards on January 11, 2002. The Determination requires Pedersen to pay \$53,149.15 as a result of a finding that he is personally liable for wages owing to 7 individuals (collectively, the "Respondents"). That liability arises from Section 96 of the *Act*. Counsel for Pedersen says the Determination should be cancelled because the delegate is mistaken in law in finding Pedersen liable under Section 96 of the *Act* and he is mistaken in mixed law and fact in finding Via Technology Inc. was associated with CathayOnline (Canada) Inc.

### ISSUE TO BE DECIDED

Did the Delegate err in determining that Pedersen is liable to pay wages in the amount of \$53,149.15 to the Respondents and in deciding Via Technology Inc. was associated with CathayOnline (Canada) Inc?

### FACTS AND ARGUMENTS

On September 25, 2001, the Delegate issued a Determination against the Associated Corporations. I shall refer to this Determination as the corporate Determination. The delegate found the Associated Corporations owed the Respondents \$66,252.47.

CathayOnline (Canada) Inc. appealed the corporate Determination. On December 20, 2001 the Tribunal issued a Decision ( BC EST # D682/01) which confirmed the corporate Determination in all respects, including the Section 95 declaration, except for the calculation of wages, where it was varied to show an amount owing of \$64,367.06, plus interest.

On January 11, 2002, as a result of not receiving full payment of the corporate Determination, the delegate issued Determinations against 8 persons identified as officers/directors, including Pedersen.

In the Determination issued against Pedersen, the Delegate says Pedersen was a director/officer of Via Technology Inc. at the time wages were earned or should have been paid to the Respondents. He also says that Pedersen was a director/officer of the Associated Corporations at the time wages were earned and became payable to the Respondents and therefore he is liable under Section 96 of the Act for unpaid wages in the amount of \$53, 149.15.

The Tribunal received appeals against 5 of the "officer/director" Determinations, including this appeal. I am issuing, concurrent with this Decision, separate Decisions with respect to the other 4 appeals.

Counsel for Pedersen says Via Technology Inc. did not employ any of the Respondents. The actual employer of the Respondents was CathayOnline (Canada) Inc. Further, although Pedersen was a director or officer of Via Technology Inc., he was never, nor has he been found to be, a director or officer of CathayOnline (Canada) Inc., CathayOnline Inc., CathayOnline (HK) Technologies Ltd., CathayOnline (BVI), Beijing CathayOnline Technologies Co. Ltd., Lothian Bancorp Ltd., Sichuan CathayOnline Technologies Co. Ltd., or Techmail.com Inc. Counsel says even if Via Technology Inc. is associated with CathayOnline (Canada) Inc. (and, he says it is not because Via Technology Inc. never functioned as an operational corporation) Pedersen cannot at law be held liable under Section 96 of the Act for unpaid wages owed by Cathay Online (Canada) Inc. because he was not a director or officer of the employer, CathayOnline (Canada) Inc. Further Pedersen was not personally designated in the Section 95 corporate Determination as being "associated" and, for this reason as well, he cannot be held liable under Section 96 of the Act. Counsel cites, in support of his position, the following Tribunal Decision: *ICON Laser Eye Centers Inc.* et al BC EST # D649/01.

The Delegate and the Respondents were invited to respond to the appeal. Only the Delegate responded and the totality of his response is as follows:

I believe that my determinations stand and that the Employment Standards Tribunal should deny these appeals.

## ANALYSIS

Under Section 96 of the Act, corporate officers and directors can be held personally liable for up to 2 months unpaid wages for each employee. Under Section 95 of the Act, the Director of Employment Standards can treat several separate entities as one person in which case each entity is jointly and separately liable for any unpaid wages that are owed to an employee of any of the entities.

In *ICON, supra*, (which was recently upheld by the Tribunal on reconsideration in Decision BC EST # RD201/02) the Tribunal addressed the interrelationship between Section 96 and Section 95 of the Act. In that Decision the Adjudicator stated:

(D)irectors and officers of associated firms are not liable for employees' unpaid wages absent their being personally designated in the section 95 declaration itself.

The personal liability imposed on directors and officers under section 96(1) is predicated on there being an employment relationship between the employee and the corporation of which the individual is a director or officer...As I have previously observed, a section 95 declaration does not make an associated firm an "employer" of the employees in question. Section 95 is unlike, say, section 38 of the Labour Relations Code which specifically states that several entities may be treated as one "employer" for purposes of the Code. Indeed, as I have also noted, if the associated firm is an "employer", there is no need for a section 95 declaration -- liability for unpaid wages can be imposed directly without having to resort to section 95. The personal liability imposed on directors and officers under section 96(1) flows from their having been a director or officer of the corporate employer when the employees' unpaid wage claims crystallized.

Given that section 96 must be construed narrowly, I fail to see how directors or officers of an associated corporation can be held personally liable for unpaid wages owed by another employer even if that other employer was "associated" with the firm of which the individual is a director of officer.

I agree with the Adjudicator's analysis and conclusions in the above decision concerning the issue of whether directors and officers of "associated corporations" are personally liable for the unpaid wages owed by the employer firm. In my view, unless the associated corporation can be characterized as the "employer" of the employees in question, the directors and officers of the associated corporation are not personally liable for the employees' unpaid wages, unless they were personally designated in a Section 95 declaration.

In this case, Pedersen was not personally designated as being "associated" in the corporate Determination.

Further, I accept that the Respondents' sole employer was CathayOnline (Canada) Inc. There is absolutely no information before me to show otherwise. As noted above, none of the Respondents replied to the appeal and the delegate's response contains no rebuttal to the Appellant's arguments. As well, in the corporate Determination the delegate appears to single out CathayOnline (Canada) Inc. as the employer insofar as he makes the point that it issued the Respondents' paycheques and, in his calculation sheets, he lists the employer as CathayOnline (Canada) Inc.

In addition, although there is no question that Pedersen was a director or officer of Via Technology Inc., there is no evidence to support the position that he was appointed, elected or functioned as a director or officer of any of the other Associated Corporations, including the employer corporation, CathayOnline (Canada) Inc.

In light of the above, I am satisfied Pedersen is not liable for the wages set out in the Determination.

Regarding the issue of whether Via Technology Inc. is associated with CathayOnline (Canada) Inc., the Tribunal has already decided that matter in the appeal of the corporate Determination and I will not revisit it on this appeal. If Via Technology Inc. wanted to dispute the delegate's findings regarding the Section 95 declaration it should have appealed the corporate Determination.

## **ORDER**

I order under Section 115 of the *Act* that the Determination dated January 11, 2002 be cancelled.

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**Norma Edelman, Vice-Chair  
Adjudicator  
Employment Standards Tribunal**