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Court Reaffirms Business Names Lack Legal Personality

- Business name is not a separate legal entity
- Proprietor trading under a business name has locus standi to sue
- Unincorporated entities lack capacity to institute proceedings
- High Court decision overturned

Background

On 24 December 2025, the Court of Appeal of Tanzania delivered its judgment in Civil Appeal No. 76 of 2025 arising from a loan facility advanced to a sole proprietor trading under a registered business name.

In 2019, a Borrower operating under a business name obtained a loan of TZS 10M from a Bank, secured by, among other securities, a motor vehicle owned by the Borrower. Following default in repayment, the Bank seized the motor vehicle and initiated steps for its disposal through an auction. Before the vehicle was sold, the Borrower fully repaid the outstanding loan. Thereafter, upon attempting to repossess the vehicle, the Borrower declined to take possession due to mechanical defects and subsequently instituted proceedings seeking either restoration of a roadworthy vehicle or compensation equivalent to its value, together with damages.

The District Court held the matter in favour of the Borrower and awarded damages. However, on appeal, the High Court overturned the decision on the basis that the Borrower lacked locus standi (capacity to sue), holding that the loan agreement had been entered into in the name of the business and not in the Borrower's personal capacity. Aggrieved by that finding, the Borrower appealed to the Court of Appeal.

The Court's Decision

The Court of Appeal allowed the appeal and set aside the High Court's judgment. In its judgment, the apex Court clarified that registration of a business name under the Business Names (Registration) Act does not create a separate legal entity distinct from its proprietor/owner. Unlike a company incorporated under the Companies Act, a business name is merely a style, name or external packaging under which an individual conducts business.

Further, the Justices emphasized that an unincorporated business name has no legal capacity to sue or be sued in its own name. Consequently, all rights, obligations, and liabilities arising from transactions conducted under such business name vest in the proprietor personally. The Court of Appeal found that the Borrower, being a natural person who obtained the loan, pledged his personal asset as security, repaid the loan, and whose proprietary interest was affected by the continued detention of the vehicle, had a direct and enforceable interest sufficient to confer locus standi.

In reaching its decision, the Court of Appeal cemented that locus standi depends on whether a party's legal or enforceable interest has been interfered with. Since the Borrower's property rights were directly implicated, it was held that he properly approached the Court and was entitled to maintain the suit. Accordingly, the appeal was allowed with costs and restored the Borrower's right to pursue the claim.

It is worth noting that, this decision serves as an important reminder that business names do not enjoy legal personality, and treating them as entities distinct from their proprietors is legally wrong. Contractual and proprietary rights arising from business name transactions remain enforceable by and against individuals behind the business.

To read the judgment [click here](#)

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