

**THIRD SUPPLEMENT TO THE GIBRALTAR
GAZETTE**

No. 3,865 of 21st July, 2011

B. 22/11

INSOLVENCY BILL 2011

ARRANGEMENT OF CLAUSES

PART 1

PRELIMINARY

Clause

1. Title and commencement.
2. Interpretation.
3. Companies and individuals subject to insolvency proceedings.
4. Unauthorised financial services business.
5. Meaning of “director”, “directors” and “shadow director”.
6. Definition of “liability”.
7. Provable debts.
8. Liabilities that are not provable debts and postponed debts.
9. Definition of “creditor” and “secured creditor”.
10. Definition of “insolvent”.
11. Public documents.

PART 2

COMPANY VOLUNTARY ARRANGEMENTS

Preliminary

12. Interpretation for this Part.
13. Arrangement.
14. Authorised persons.
15. Proposal for an arrangement.
16. Proposal made by the directors.
17. Appointment of interim supervisor by directors.
18. Interim supervisor, company in administration or liquidation.
19. Time when appointment as interim supervisor takes effect.
20. Notification of appointment of interim supervisor.
21. Functions of interim supervisor and power to obtain information.

22. Amendment of proposal before creditors' meeting.

Creditors' Meeting

23. Calling of creditors' meeting.
24. Interim supervisor may require persons to attend creditors' meeting.
25. Attendance of members and directors at meetings.
26. Business to be conducted at creditors' meeting.
27. Amendment or withdrawal of proposal at creditors' meeting.
28. Interim supervisor to report on outcome of creditors' meeting.
29. Notice of appointment.
30. Effect of approval of proposal.
31. Supervisor's functions and powers.
32. Supervisor's duty to keep financial records.
33. Supervisor to prepare and send out regular accounts and reports.
34. Completion or premature termination of arrangement.

Modification of Arrangement

35. Supervisor may propose modification of arrangement.
36. Modification of arrangement.

Remuneration

37. Remuneration of interim supervisor and supervisor.
38. Fixing of remuneration by Court.
39. Appointment of interim supervisor or supervisor by Court.
40. Application where arrangement approved or modified.
41. Application on grounds of unfair prejudice.
42. Application to Court by former supervisor or interim supervisor.

Offences

43. False representations.

PART 3

ADMINISTRATION

Preliminary

44. Meaning of "interested person".

- 45. Appointment of administrator.
- 46. Objectives of administration.
- 47. Limitations on scope.

Appointment of Administrator by Holder of Floating Charge

- 48. Holder of floating charge may appoint administrator.
- 49. Restrictions on power to appoint.
- 50. Notice to Court of appointment.
- 51. Commencement and effect of administration, appointment by holder of floating charge.
- 52. Notification and advertisement of administration.
- 53. Indemnity for invalid appointment.
- 54. Application of sections 65 to 96.

Administration Order

- 55. Administration Order.
- 56. Application for administration order.
- 57. Grounds for, and restrictions on, making of administration order.
- 58. Application made by holder of floating charge.
- 59. Powers of Court on application.
- 60. Effect of administration order.
- 61. Notification and advertisement of administration order.
- 62. Discharge or variation of administration order.
- 63. Appointment of liquidator or dissolution of company on discharge.
- 64. Filing copy of discharge order with Registrar.

Moratorium

- 65. Moratorium period.
- 66. Effect of moratorium.
- 67. Preservation of charged and other assets.
- 68. Disposal of perishable assets during moratorium period.

Duties, and Powers of Administrator

- 69. General duties of administrator.
- 70. Administrator acts as agent of company.
- 71. General powers of administrator.
- 72. Power to make distributions.
- 73. Directors and conflicting powers.

- 74. Power to deal with assets subject to floating charge.
- 75. Application to Court to deal with other charged assets.
- 76. Disclaimer.

Investigation of Company's Affairs

- 77. Statement of affairs.
- 78. Duty to prepare report.
- 79. Duty to report to Commission.
- 80. Administrator's proposals and creditors meeting.
- 81. Attendance at meeting of directors and others.
- 82. Consideration of proposals by creditors.
- 83. Amendment of proposals at creditors' meeting.
- 84. Modification of proposals.

Conduct of Administration

- 85. Meetings of creditors.
- 86. Administrator's duty to keep accounting records.
- 87. Administrator to prepare and send out regular accounts and reports.

Appointment, Remuneration and Release of Administrator

- 88. Removal and resignation of administrator.
- 89. Appointment of replacement administrator.
- 90. Remuneration of administrator.
- 91. Administrator to have charge over assets of company.
- 92. Release of administrator.

Protection of Interests of Creditors and Members

- 93. Application in respect of moratorium period.
- 94. Application on grounds of unfair prejudice.

Miscellaneous

- 95. Notice to Commission where company an Authorised person.
- 96. Notification of administration on public documents.

PART 4

RECEIVERSHIP

Preliminary

- 97. Scope of this Part.
- 98. References to a “company”.
- 99. Persons not eligible to be appointed or act as receiver.
- 100. Appointment of joint receivers.
- 101. Notice of appointment.
- 102. Notification of receivership on public documents.
- 103. Vacation of office.
- 104. Assistance to be provided by receiver vacating office.
- 105. Resignation of receiver.
- 106. Removal of receiver.
- 107. Co-operation with receiver.
- 108. Duty to report to Commission.
- 109. Agency.
- 110. Powers of receiver, other than administrative receiver.
- 111. General duties of receivers.
- 112. Powers of sale and proceeds of sale.
- 113. Liability of receivers.
- 114. Payment of debts out of assets subject to a floating charge.
- 115. Court directions.
- 116. Remuneration and expenses of receivers.
- 117. Accounting records.
- 118. Receivership accounts to be filed with Registrar.
- 119. Enforcement of duty to make returns.
- 120. Completion of receivership.
- 121. Release of Court appointed receiver.

Receivers Appointed out of Court

- 122. Appointment of receiver out of court.
- 123. Execution of documents.
- 124. Invalid appointment.

Administrative Receivers

- 125. Meaning of “administrative receiver”.

- 126. Appointment of administrative receiver by Court.
- 127. Powers of administrative receiver.
- 128. Power to dispose of charged assets.
- 129. Review of open market value.
- 130. Filing Court order.
- 131. Statement of affairs.
- 132. Report by administrative receiver.
- 133. Application for permission not to call meeting of creditors.

PART 5

PROVISIONS APPLICABLE TO LIQUIDATION AND BANKRUPTCY

- 135. Insolvency set-off.
- 136. Exclusions from section 135.
- 137. Validity of agreements to subordinate debt.
- 138. Quantification of claims in liquidation and bankruptcy.
- 139. Interest on claims.
- 140. Claim in currency other than pounds.
- 141. Statutory demand.
- 142. Application to set aside statutory demand.
- 143. Hearing to set aside statutory demand.

PART 6

LIQUIDATION OF COMPANIES

Preliminary

- 144. Scope of this Part and jurisdiction.
- 145. Commencement and duration of liquidation.

Appointment of Liquidator by Members

- 146. Members' resolution.
- 147. Restrictions on appointment of liquidator by members.
- 148. Notice to liquidator.

Appointment of liquidator by the Court

- 149. Grounds for appointment of liquidator of company.

- 150. Applicants for order appointing liquidator of company.
- 151. Restrictions on applications.
- 152. Application by the Minister.
- 153. Application by Commission.
- 154. Withdrawal of application.
- 155. Advertisement of application.
- 156. Substitution of applicant.
- 157. Period within which application shall be determined.
- 158. Restrictions on company's opposition to application.
- 159. Power to stay or restrain proceedings.
- 160. Court's powers on hearing application.

Provisional Liquidator

- 161. Application for appointment of provisional liquidator.
- 162. Rights and powers of provisional liquidator.
- 163. Remuneration of provisional liquidator.
- 164. Termination of appointment of provisional liquidator.

Consequences of Appointment of Liquidator

- 165. Effect of liquidation.
- 166. Expenses of an arrangement.
- 167. Restrictions on enforcement process already commenced.
- 168. Duties of officer in execution process.

Notice of Appointment and Initial Meeting of Creditors

- 169. Notice of appointment.
- 170. Liquidator to call first meeting of creditors.
- 171. Application to Court by members.
- 172. Application of sections 170 and 171.
- 173. Restrictions on powers of liquidator appointed by members.
- 174. Court appointed liquidator may dispense with creditors' meeting.

Liquidators

- 175. Status of liquidator.
- 176. General duties of liquidator.
- 177. General powers of liquidator.
- 178. Removal of liquidator.
- 179. Resignation of liquidator.

- 180. Appointment of replacement liquidator.
- 181. Remuneration of liquidator.
- 182. Notification of liquidation on public documents.
- 183. Vesting of assets in liquidator.

Liability of Members and Former Members

- 184. Settlement of list of members.
- 185. Rectification of register of members.
- 186. Liability of members and former members.
- 187. Liability of members limited.
- 188. Liability of former members limited.
- 189. Liability where limited company becomes unlimited company.
- 190. Liability where unlimited company becomes limited company.
- 191. Liability of personal representative.
- 192. Effect of member or former member becoming bankrupt.
- 193. Status of personal representatives or bankruptcy trustee.
- 194. Insurance and other contracts not affected.
- 195. Power of liquidator to enforce liability of member or former member.
- 196. Summary remedy against members and former members.
- 197. Order under section 196 to be conclusive evidence.

Claims

- 198. Distribution of assets of company.
- 199. Sums due to members.
- 200. Claims having priority over floating charges.
- 201. Claims by unsecured creditors.
- 202. Variation, withdrawal and expunging of claims.
- 203. Claims by secured creditors.
- 204. Redemption of security interest by liquidator.
- 205. Realisation of security interest by secured creditor.
- 206. Surrender for non-disclosure.
- 207. Interest after commencement of liquidation.

Distributions

- 208. Power to exclude creditors not claiming in time.

Disclaimer

- 209. Liquidator may disclaim onerous property.
- 210. When disclaimer takes effect.
- 211. Notice to liquidator to elect whether to disclaim.
- 212. Effect of disclaimer.
- 213. Vesting orders and orders for delivery.
- 214. Vesting orders in respect of leases.
- 215. Land subject to rentcharge.
- 216. Disclaimer presumed valid.

Investigation of Assets and Affairs of Company

- 217. Statement of affairs.
- 218. Preliminary report.
- 219. Duty of Official Receiver concerning report under section 218.

Miscellaneous Provisions

- 220. Liquidator to call meetings of creditors.
- 221. Rescission of contracts by the Court.
- 222. Inspection of books by creditors.
- 223. Enforcement of liquidator's duties.

Termination of Liquidation

- 224. Termination of liquidation.
- 225. Order terminating liquidation.
- 226. Completion of liquidation.
- 227. Release of liquidator.
- 228. Dissolution.

PART 7

LIQUIDATION OF UNREGISTERED COMPANIES

- 229. Grounds for appointment of liquidator of unregistered company.
- 230. Part 6 to apply subject to Rules.

PART 8

**GENERAL PROVISIONS WITH REGARD TO COMPANIES
THAT ARE INSOLVENT OR IN LIQUIDATION**

General

- 231. Interpretation.
- 232. Application to Court concerning office holder.
- 233. Company's books.
- 234. Order to deliver assets and documents.

Statement of Affairs

- 235. Notice to be given by office holder.
- 236. Statement of Affairs.
- 237. Affidavit of concurrence.
- 238. Release from duty to submit statement of affairs.
- 239. Application for order of limited disclosure.

Investigation of Insolvent Company's Affairs

- 240. Power to obtain information.
- 241. Examination by office holder or Official Receiver.

Examination Before Court

- 242. Application for examination before Court.
- 243. Order for examination.
- 244. Conduct of examination.
- 245. Incriminating answers and admissibility of record.
- 246. Offence.

Supplies of Utilities

- 247. Limitations on restrictions imposed by suppliers of utilities.

PART 9

VOIDABLE TRANSACTIONS

- 248. Interpretation for this Part.
- 249. Unfair preferences.
- 250. Undervalue transactions.
- 251. Voidable floating charges.
- 252. Extortionate credit transactions.
- 253. Orders in respect of voidable transactions.
- 254. Limitations on orders under section 253.
- 255. Recoveries.
- 256. Remedies not exclusive.

PART 10

MALPRACTICE

- 257. Interpretation for this Part.
- 258. Summary remedy against delinquent officers and others.
- 259. Fraudulent trading.
- 260. Insolvent trading.
- 261. Recoveries under sections 259 and 260.
- 262. Ancillary orders.
- 263. Fraudulent conduct.
- 264. Restriction on re-use of company names.
- 265. Personal liability for debts, following contravention of section 264.

PART 11

DISQUALIFICATION ORDERS AND UNDERTAKINGS

- 266. Interpretation for this Part.
- 267. Disqualification orders and undertakings.
- 268. Application for disqualification order.
- 269. Hearing of application for disqualification order.
- 270. Matters for determining unfitness of directors.
- 271. Disqualification undertaking.
- 272. General provisions concerning disqualification orders and undertakings.
- 273. Variation of disqualification order or undertaking.

- 274. Offence provisions.
- 275. Liability for engaging in prohibited activity.
- 276. Official Receiver to appear on certain applications.
- 277. Register of Disqualification Orders and Undertakings.
- 278. Duties of office holders.

PART 12

INDIVIDUAL VOLUNTARY ARRANGEMENTS

Preliminary

- 279. Interpretation for this Part.
- 280. Arrangement.
- 281. Authorised persons.

Proposal and Appointment

- 282. Proposal.
- 283. Procedure for proposal.
- 284. Notification of appointment of interim supervisor.
- 285. Functions of interim supervisor and power to obtain information.
- 286. Amendment of proposal before creditors' meeting.

Moratorium

- 287. Application for moratorium order.
- 288. Court may grant stay.
- 289. Moratorium order.
- 290. Duty of interim supervisor to report certain matters to the Court.
- 291. Effect of moratorium order.

Consideration of Proposal

- 292. Interim supervisor's report on debtor's proposal.
- 293. Extension of moratorium.
- 294. Calling creditors' meeting.
- 295. Business to be conducted at creditors' meeting.
- 296. Amendment or withdrawal of proposal at creditors' meeting.
- 297. Report of decisions to Court.
- 298. Effect of approval of proposal.
- 299. Arrangement ceasing to have effect.

Implementation of Arrangement

- 300. Supervisor's functions and powers.
- 301. Supervisor to be given possession of assets included in arrangement.
- 302. Supervisor's duty to keep accounting records.
- 303. Supervisor to prepare and send out regular accounts and reports.
- 304. Completion or premature termination of arrangement.

Modification of Arrangement

- 305. Supervisor may propose modification of arrangement.
- 306. Modification of arrangement.

Remuneration

- 307. Remuneration of interim supervisor and supervisor.
- 308. Fixing of remuneration by Court.

Applications to Court

- 309. Appointment of interim supervisor or supervisor by Court.
- 310. Application in respect of moratorium.
- 311. Application where arrangement approved or modified.
- 312. Application on grounds of unfair prejudice or material irregularity.

Miscellaneous

- 313. Register of arrangements.
- 314. Deeds of Arrangement Act disapplied.

Offences

- 315. False representations.

PART 13

BANKRUPTCY

Preliminary

- 316. Interpretation for this Part.

- 317. Jurisdiction of the Court.
- 318. Meaning of bankruptcy order.
- 319. Commencement and duration of bankruptcy.

Application for and Making of Bankruptcy Order

- 320. Grounds for making bankruptcy order.
- 321. Persons who may apply for a bankruptcy order.
- 322. Consolidation of applications.
- 323. Leave required to withdraw application.
- 324. Application by debtor.
- 325. Creditor's application.
- 326. Substitution of applicant.
- 327. Application by secured creditor.
- 328. Secured creditor failing to disclose security interest.
- 329. Hearing of creditor's application.
- 330. Application where individual voluntary arrangement in place.
- 331. Court's powers on hearing of application for bankruptcy order.
- 332. Appointment of bankruptcy trustee.
- 333. Period within which application shall be determined.

Interim Receiver

- 334. Protection of assets after application for bankruptcy order.
- 335. Restrictions whilst order under section 334 in place.
- 336. Termination of appointment of interim receiver.
- 337. Remuneration of interim receiver.
- 338. Examination.

Effect of Bankruptcy

- 339. Effect of bankruptcy order.
- 340. Power to stay or restrain proceedings.

Bankrupt's Estate

- 341. Definition of bankrupt's estate.
- 342. Acquisition by trustee of control of bankrupt's estate.
- 343. Goods subject to pledge, pawn or other security.
- 344. Duties of bankrupt in relation to his assets and affairs.
- 345. Delivery up by other persons.
- 346. After-acquired assets.

- 347. Vesting in trustee of certain items of excess value.
- 348. Money provided in lieu of sale.
- 349. Time limit for notice under sections 346 or 347.
- 350. Income payments orders.

Bankrupt's and Matrimonial Home

- 351. Rights of occupation of bankrupt.
- 352. Payments in respect of premises occupied by bankrupt.
- 353. Charge on bankrupt's home.
- 354. Bankrupt's home ceasing to form part of estate.
- 355. Saving for bankrupt's home.

Bankruptcy Trustee

- 356. Bankruptcy trustee officer of Court.
- 357. General duties of trustee.
- 358. Powers of trustee.
- 359. Notice of appointment.
- 360. Appointment of trustee in place of Official Receiver.
- 361. Removal of trustee.
- 362. Resignation of trustee.
- 363. Appointment of replacement trustee.
- 364. Remuneration of trustee.
- 365. General control of trustee by the Court.

Administration by Trustee

- 366. Meetings of creditors.

Claims and Distribution of Estate

- 367. Distribution of bankrupt's estate.
- 368. Debts to spouse.
- 369. Claims by unsecured creditors.
- 370. Variation, withdrawal and expunging of claims.
- 371. Claims by secured creditors.
- 372. Redemption of security interest by trustee.
- 373. Realisation of security interest by secured creditor.
- 374. Surrender for non-disclosure.
- 375. Interest after commencement of bankruptcy.
- 376. Distribution by means of dividend.

- 377. Claims by unsatisfied creditors.
- 378. Distribution of assets in specie.
- 379. Final distribution.
- 380. No action for dividend.
- 381. Right of bankrupt to surplus.
- 382. Final Meeting.

Prior Transactions

- 383. Contracts to which bankrupt is a party.
- 384. Enforcement procedures.
- 385. Distress.
- 386. Unenforceability of liens on books, papers and records.

General Powers of Court

- 387. General control of Court.
- 388. Power of arrest.
- 389. Seizure of bankrupt's assets.
- 390. Re-direction of bankrupt's mail.

Disclaimer

- 391. Trustee may disclaim onerous property.
- 392. When disclaimer takes effect.
- 393. Notice to trustee to elect whether to disclaim.
- 394. Effect of disclaimer.
- 395. Vesting orders and orders for delivery.
- 396. Vesting orders in respect of leases.
- 397. Land subject to rentcharge.
- 398. Disclaimer presumed valid.

Investigation of Bankrupt's Affairs

- 399. Statement of assets and liabilities.
- 400. Preliminary report.
- 401. Duty of Official Receiver concerning report under section 400.
- 402. Application for examination of bankrupt and others.
- 403. Order for examination.
- 404. Conduct of examination.
- 405. Examinee shall answer questions put to him.
- 406. Examinee failing to appear for his examination.

407. Court's enforcement powers.

Discharge and Annulment of Bankruptcy

- 408. Bankrupt ineligible for automatic discharge.
- 409. Automatic discharge.
- 410. Application by bankrupt concerning order for suspension of discharge.
- 411. Application for discharge by Court order.
- 412. Court order on application for discharge.
- 413. Effect of discharge.
- 414. Discharged bankrupt to give assistance.
- 415. Annulment of bankruptcy order.
- 416. Release of trustee.
- 417. Liability of trustee.

Second or Subsequent Bankruptcy

- 418. Stay of distribution in case of second bankruptcy.
- 419. Adjustment between earlier and later bankruptcy estates.

PART 14

BANKRUPTCY OFFENCES

- 420. Definitions.
- 421. Defence of innocent intention.
- 422. Non-disclosure.
- 423. Concealment of assets.
- 424. Concealment of books and papers; falsification.
- 425. False statements.
- 426. Fraudulent disposal of assets.
- 427. Absconding.
- 428. Fraudulent dealing with asset obtained on credit.
- 429. Obtaining credit; engaging in business.
- 430. Failure to keep proper accounts of business.
- 431. Gambling.
- 432. Supplementary provisions.

PART 15

VOIDABLE TRANSACTIONS

- 433. Interpretation for this Part.
- 434. Unfair preferences.
- 435. Undervalue transactions.
- 436. Voidable general assignment of book debts.
- 437. Extortionate credit transactions.
- 438. Orders in respect of voidable transactions.
- 439. Limitations on orders under section 438.
- 440. Recoveries.
- 441. Remedies not exclusive.

PART 16

BANKRUPTCY RESTRICTIONS ORDERS AND UNDERTAKINGS

- 442. Interpretation for this Part.
- 443. Bankruptcy restrictions orders and undertakings.
- 444. Application for and hearing of application for bankruptcy restrictions order.
- 445. Duration of bankruptcy restrictions order.
- 446. Interim bankruptcy restrictions order.
- 447. Bankruptcy restrictions undertaking.
- 448. Variation of disqualification order or undertaking.
- 449. Offence provisions.
- 450. Official Receiver to appear on certain applications.
- 451. Register of disqualification orders.
- 452. Annulment of bankruptcy order.

PART 17

**GENERAL PROVISIONS WITH REGARD TO INSOLVENCY
PROCEEDINGS UNDER THIS ACT**

Preliminary

- 453. Interpretation for and scope of this Part.

Creditors' Committee

- 454. Establishment of creditors' committee.
- 455. Notice of establishment of committee.
- 456. Functions and powers of creditors' committee.
- 457. Composition of committee and eligibility to act.
- 458. Committee member's designated representative.
- 459. Resignation and termination of committee member.
- 460. Vacancies and appointment of new members.
- 461. Proceedings of creditors' committee.
- 462. Members dealing with company.
- 463. Formal defects.

Remuneration

- 464. Remuneration of administrator, liquidator or bankruptcy trustee.
- 465. Application by creditors for reduction of remuneration.

- 466. General principles to be applied in fixing remuneration.
- 467. Time for fixing remuneration and interim payments.

PART 18

OFFICIAL RECEIVER

- 468. Appointment of Official Receiver.
- 469. Deputy Official Receiver and staff.
- 470. Official Receiver as officer of the Court.
- 471. Functions of Official Receiver.
- 472. Right of audience.
- 473. Application of this Act to Official Receiver.

PART 19

INSOLVENCY PRACTITIONERS

Preliminary

- 474. Interpretation for this Part.
- 475. Persons having responsibility for the licensing, regulation and supervision of insolvency practitioners.

476. Prohibition on acting as insolvency practitioner without a licence.

Licensing

477. Application for licence.
478. Issue of licence.
479. Persons disqualified from holding a licence.

Control of Licensees and Enforcement

480. Production of accounts and records.
481. Suspension and revocation of licence.
482. Right to make representations.
483. Directives.

Obligations of Licensees

484. Filing of returns and other documents.

Eligible Insolvency Practitioners

485. Eligible insolvency practitioner.

Miscellaneous

486. Insolvency Practitioners Regulations.
487. Insolvency Practitioners Code.
488. Approved forms.
489. Insolvency Surplus Account.

PART 20

MISCELLANEOUS PROVISIONS

490. Appointment of 2 or more office holders.
491. Use of prescribed forms.
492. Notices.
493. Time.
494. Resolutions.
495. Insolvency Rules.
496. Insolvent partnerships.
497. Insolvent estates.

- 498. Offences by corporate bodies.
- 499. Transitional provisions.

SCHEDULE 1

Powers of administrator and administrative receiver

SCHEDULE 2

Powers of liquidator

SCHEDULE 3

Powers of bankruptcy trustee

**THIRD SUPPLEMENT TO THE GIBRALTAR
GAZETTE**

No. 3,865 of 21st July, 2011

B. 22/11

BILL

FOR

AN ACT to provide for the administration, receivership and liquidation of companies and the bankruptcy of individuals, to enable companies and individuals to enter into arrangements with their creditors, to provide for the licensing of insolvency practitioners and to provide redress for malpractice in relation to insolvent persons, for the avoidance of certain transactions, cross-border insolvency and connected issues.

ENACTED by the Legislature of Gibraltar.

PART 1

PRELIMINARY

Title and commencement.

1. This Act may be cited as the Insolvency Act 2011 and comes into operation on the day appointed by the Minister by notice in the Gazette and different days may be appointed for different purposes.

Interpretation.

2.(1) In this Act, unless the context otherwise requires—

“administration order” means an order appointing an administrator of a company made under section 59(1);

“administrator”, in relation to a company, means the person appointed as the administrator of the company;

“administrative receiver” has the meaning specified in section 125(1);

“arrangement”–

- (a) in relation to a company voluntary arrangement, has the meaning specified in section 13(1); and
- (b) in relation to an individual voluntary arrangement, has the meaning specified in section 280(1);

“asset” includes money, goods, things in action, land and every description of property wherever situated and obligations and every description of interest, whether present or future or vested or contingent, arising out of, or incidental to, property;

“Authorised person” has the meaning specified in the Financial Services Commission Act 2007;

“bankrupt” means an individual against whom a bankruptcy order is made under Part 13;

“bankruptcy offence” means an offence under Part 14;

“bankruptcy order” has the meaning specified in section 318;

“bankruptcy trustee” means the person appointed by the Court to be the trustee of the assets of a bankrupt;

“centre of main interests” has the same meaning as in the EC Insolvency Regulation;

“charge” includes a mortgage, charge and a floating charge, whether crystallised or not;

“chargee” means the holder of a charge and includes a person in whose favour a charge is to be given or executed under an agreement, whether on demand or otherwise;

“Commission” means the Financial Services Commission established under the Financial Services Commission Act 2007;

“company” means–

- (a) in Part 4, a company that is formed and registered under the Companies Act;
- (b) in relation to any other Part of this Act—
 - (i) a company that is formed and registered under the Companies Act;
 - (ii) a company incorporated in an EEA State that is subject to the EC Insolvency Regulation, other than Gibraltar; or
 - (iii) a company not incorporated in an EEA State that is subject to the EC Insolvency Regulation, but having its centre of main interests in an EEA State;

“connected person” has the meaning specified in the Rules;

“Court” means the Supreme Court;

“creditor” has the meaning specified in section 9(1);

“director” has the meaning specified in section 5(1) and “directors” is to be construed in accordance with section 5(2);

“EC European Company Regulation” means Council Regulation (EC) No. 2157/2001;

“EC Insolvency Regulation” means Council Regulation (EC) No. 1346/2000;

“EEA State” means a Member State of the European Communities or any other State which is a Contracting Party to the Agreement on the European Economic Area signed at Oporto on 2 May 1992, as amended or adjusted for the time being, but does not include Gibraltar;

“eligible insolvency practitioner” means an insolvency practitioner who is eligible to act in relation to a company, an unregistered company, partnership or individual in accordance with section 485;

“floating charge” means a charge created by a company which is or, as created, was a floating charge;

“group”, in relation to a company (the “first company”) means the first company and any other company that is–

- (a) a parent of the first company;
- (b) a subsidiary of the first company;
- (c) a subsidiary of a parent of the first company; or
- (d) a parent of a subsidiary of the first company;

“insolvency practitioner” means a person acting in a capacity specified in section (1);

“Insolvency Practitioners Code” means the Code issued under section 487.;

“Insolvency Practitioners Regulations” means the Regulations made under section 486.;

“insolvent” has the meaning specified–

- (a) in relation to a company in section 10(1); and
- (b) in relation to an individual in section 10(2);

“Insolvent Partnerships Regulations” means the Regulations made under section 496

“interim supervisor” means the person appointed as the interim supervisor under a proposal for an arrangement;

“judgment rate” means the rate of interest that, for the time being, is carried on judgments for the purposes of section 36 of the Supreme Court Act;

“liability” has the meaning specified in section 6;

“licensed insolvency practitioner” means a person holding a licence to act as an insolvency practitioner issued under section 478;

“liquidator”, in relation to a company means a liquidator appointed under section 146 or section 160, as the case may be;

“Minister” means the Minister responsible for financial services;

“moratorium period”, in relation to the administration of a company, has the meaning specified in section 65(1) or (3);

“Official Receiver” means the Official Receiver appointed under section 468;

“parent”, in relation to a company, has the meaning specified in the Rules;

“preferential debt” means a debt of a type prescribed by the Rules as a preferential debt;

“preferential creditor” has the meaning specified in subsection (2);

“prescribed form” means a form in such form as is prescribed by the Rules;

“prescribed priority” means

- (a) in a liquidation, the priority for the payment of the costs and expenses of a liquidation prescribed by the Rules, and
- (b) in a bankruptcy, the priority for the payment of the costs and expenses of a bankruptcy prescribed by the Rules;

“provable debt” has the meaning specified in section 7;

“public document has the meaning specified in section 11;

“receiver” means the receiver of the whole or any part of the assets of a company and includes—

- (a) a manager and a receiver and manager;

- (b) a receiver of income; and
- (c) an administrative receiver;

“receiver appointed out of court” means a receiver appointed—

- (a) in the exercise of a power conferred by a debenture or other instrument; or
- (b) in the exercise of a power which, by virtue of any enactment, are implied in and have effect as if contained in an instrument;

“Registrar” has the meaning specified in the Companies Act;

“related person” has the meaning specified in the Rules;

“relevant time” means—

- (a) in the case of an administration that is not immediately preceded by a liquidation, the commencement of the administration;
- (b) in the case of an administration that is immediately preceded by a liquidation, the commencement of the preceding liquidation;
- (c) in the case of a liquidation that is not immediately preceded by an administration, the commencement of the liquidation;
- (d) in the case of a liquidation that is immediately preceded by an administration, the commencement of the preceding administration; and
- (e) in the case of a bankruptcy, the commencement of the bankruptcy;

“retention of title agreement” means an agreement for the sale of goods under which the seller retains title to the goods until the price has been paid in full, but excludes an agreement which constitutes a charge on the goods;

- “SE” has the meaning specified in the EC European Company Regulation;
- “secured creditor” has the meaning specified in section 9(2);
- “security interest” means a mortgage, charge, lien or other security;
- “shadow director” has the meaning specified in section 5(3);
- “special resolution”, in relation to a company, means a resolution passed as a special resolution in accordance with section 163(2) of the Companies Act;
- “statement of affairs” means a statement of the affairs of a company complying with section 236;
- “statutory demand” means a demand made under section 141(1);
- “supervisor” means the person appointed to act as the supervisor of an arrangement;
- “subsidiary” has the meaning specified in the Rules;
- “Supervisory Act” has the meaning specified in the Financial Services Commission Act 2007;
- “the Rules” means the Insolvency Rules made under section 495.;
- “unauthorised financial services business” has the meaning specified in section 4;
- “unregistered company” includes–
- (a) a company or other corporation that is not incorporated under the Companies Act; or
 - (b) any association of persons;
- “unsecured creditor” has the meaning specified in section 9(3);
- “verified statement of affairs” means a statement of affairs that has been verified by affidavit;

“voluntary liquidator” means a liquidator appointed by the members of a company under Part VI of the Companies Act; and

“wages or salary” includes–

- (a) a sum payable in respect of a period of holiday, the sum being treated as relating to the period by reference to which the entitlement to holiday accrued;
- (b) a sum payable in respect of a period of absence through illness or other good cause;
- (c) a sum payable in lieu of holiday;
- (d) in respect of a period, a sum which would be treated as earnings for that period for the purposes of any enactment concerning social security; and
- (e) a contribution to an occupational pension scheme.

(2) A creditor who has a preferential debt is a preferential creditor in relation to that debt.

(3) The definitions in sections 3 to 11 have effect for the purposes of this Act.

Companies and individuals subject to insolvency proceedings.

3.(1) A company is–

- (a) “in administration” during the period from the commencement of the administration of the company to its termination;
- (b) “in receivership” during the period when a receiver is appointed in respect of any of its assets;
- (c) “in administrative receivership” during the period when an administrative receiver is appointed in respect of the company; and

(d) “in liquidation” during the period from the commencement of the liquidation of the company to its termination.

(2) An individual is “in bankruptcy” during the period from the date that a bankruptcy order is made against him until he is discharged under section 409 or 412.

Unauthorised financial services business.

4. A person carries on unauthorised financial services business if he carries on an activity for which an authorisation, licence or registration is required under a Supervisory Act, without having the appropriate authorisation, licence or registration.

Meaning of “director”, “directors” and “shadow director”.

5.(1) In relation to a company or an unregistered company, “director” means a person appointed to direct the affairs of the company and includes—

- (a) a person who is a member of the governing body of the company; and
- (b) a person who, in relation to the company, occupies or acts in the position of director, by whatever name called.

(2) A reference to a decision taken or to be taken or a thing done or to be done by “the directors”, means that decision taken or thing done—

- (a) where the company only has one director, by that director; or
- (b) in any other case, by a majority of the directors.

(3) In relation to a company, “shadow director” means a person in accordance with whose directions or instructions the directors of a company are accustomed to act.

Definition of “liability”.

6.(1) Subject to subsection (3), “liability” means a liability to pay money or money’s worth, including a liability under an enactment, a liability in contract, tort or bailment, a liability for a breach of trust and a liability arising out of an obligation to make restitution.

(2) A liability may be present or prospective, certain or contingent, fixed or liquidated, sounding only in damages or capable of being ascertained by fixed rules or as a matter of opinion.

(3) For the purposes of this Act, an illegal or unenforceable liability is deemed not to be a liability.

Provable debts.

7.(1) Subject to section 8, the following liabilities are provable debts in the liquidation of a company or in the bankruptcy of an individual—

- (a) any liability to which the company or individual is subject at the relevant time;
- (b) any liability to which the company or individual may become subject after the relevant time by reason of any obligation incurred before that time; and
- (c) any interest that may be claimed in accordance with this Act or the Rules.

(3) A liability in tort is a provable debt in the liquidation of a company or in the bankruptcy of an individual if—

- (a) the cause of action has accrued at the relevant time; or
- (b) all the elements necessary to establish the cause of action exist at the relevant time, except for actionable damage.

Liabilities that are not provable debts and postponed debts.

8.(1) The following liabilities are not provable debts—

- (a) in the bankruptcy of an individual, any fine imposed for an offence;
- (b) an obligation arising under a confiscation order made under—
 - (i) Part II of the Drug Trafficking Offences Act; or

- (ii) Part IV of the Crime (Money Laundering and Proceeds) Act;
 - (c) a liability that, under this Act or any other enactment or a rule of law, is of a type that is not provable, whether on grounds of public policy or otherwise; and
 - (d) such other liabilities as may be prescribed by the Rules.
- (2) The following liabilities are postponed debts–
- (a) in the liquidation of a company, any fine imposed for an offence;
 - (b) a liability that, under this Act or any other enactment, is of a type that is or rule of law, is of a type that is required to be postponed; and
 - (c) such other liabilities as may be prescribed as postponed debts by the Rules.
- (3) A liability which is a postponed debt is not a provable debt until all other provable debts have been paid in full.

Definition of “creditor” and “secured creditor”.

9.(1) A person is a creditor of another person (the debtor) if he has a claim against the debtor, whether by assignment or otherwise, that is or would be a provable debt in–

- (a) the liquidation of the debtor, in the case of a debtor that is a company; or
 - (b) the bankruptcy of the debtor, in the case of a debtor who is an individual.
- (2) A secured creditor is a person who holds a security interest over an asset of the debtor in respect of a liability of the debtor to him.
- (3) An unsecured creditor is a creditor who is not a secured creditor.

Definition of “insolvent”.

10.(1) A company–

- (a) is presumed to be insolvent if–
 - (i) it fails to comply with the requirements of a statutory demand that has not been set aside under section 143; or
 - (ii) execution or other process issued on a judgment, decree or order of a Gibraltar court in favour of a creditor of the company is returned wholly or partly unsatisfied; and
- (b) is insolvent if–
 - (i) it is unable to pay its debts as they fall due; or
 - (ii) the value of its liabilities exceeds its assets.

(2) An individual is presumed to be insolvent if–

- (a) he fails to comply with the requirements of a statutory demand that has not been set aside under section 143; or
- (b) execution or other process issued on a judgment, decree or order of a Gibraltar court in favour of a creditor of the individual is returned wholly or partly unsatisfied.

Public documents.

11.(1) Subject to subsection (3), a “public document”, in relation to a person, means a document (whether in hard copy, electronic or other form) of, or purporting to be issued, published or signed by or on behalf of the person that–

- (a) is issued, published or signed under, or for the purposes of this Act, the Rules, any Regulations made under this Act or any other enactment; or

(b) is issued or signed in the course of, or for the purposes of, a particular transaction or dealing.

(2) Without limiting subsection (1), “public document” includes a business letter, statement of account, invoice, receipt, order for goods, order for services or an official notice of, or purporting to be issued, published or signed by, or on behalf of, the person.

(3) A document is not a public document if it is applied, or intended or required to be applied, to goods or to any container, package or wrapping within which goods are, or are intended to be, supplied for a purpose connected with the supply of those goods.

PART 2

COMPANY VOLUNTARY ARRANGEMENTS

Preliminary

Interpretation for this Part.

12.(1) In this Part—

“nominated insolvency practitioner” means the insolvency practitioner nominated as the interim supervisor under a proposal—

- (a) by the directors of a company; or
- (b) where a company is in administration or liquidation, by the administrator or liquidator of the company;

“proposal” means a proposal for an arrangement; and

“proposal period” means the period from the appointment of the interim supervisor to the approval or rejection by the creditors of the proposed arrangement.

(2) Where the context allows, a reference in this Part—

- (a) to the creditors of a company includes a class of creditors;

- (b) to a proposal includes the proposal as amended; and
- (c) to the rejection of a proposal includes the deemed rejection of a proposal.

Arrangement.

13.(1) An arrangement is a compromise between a company and its creditors, or one or more classes of creditors, proposed and approved in accordance with this Part, the implementation of which is supervised by a supervisor acting as a trustee or otherwise.

- (2) Without limiting subsection (1), an arrangement may–
 - (a) cancel all or any part of, or vary, a liability of the company;
 - (b) vary the rights of the company’s creditors or the terms of a debt; and
 - (c) include any other provision that may be prescribed by the Rules.
- (3) Varying a liability or the terms of a debt under paragraphs (a) or (b) of subsection (2) may include–
 - (a) varying, adding or cancelling rights to interest; and
 - (b) varying the dates upon which a liability, or part of a liability, becomes due for payment.
- (4) An arrangement shall not, except with the written agreement of the secured creditor or the preferential creditor concerned–
 - (a) affect the right of a secured creditor of the company to enforce his security interest or vary the liability secured by the security interest; or
 - (b) result in a preferential creditor receiving less than he would receive in a liquidation of the company had it commenced at the time of approval of the arrangement.
- (5) An arrangement may provide for the supervisor–

- (a) to carry on the business of the company or trade on its behalf and in its name;
- (b) to realise assets of the company; or
- (c) otherwise to administer or dispose of any of the company's funds.

(6) Unless the terms of the arrangement expressly provide otherwise, an arrangement does not effect a release of any surety or co-debtor of the company.

(7) Sections 72 and 306(3) of the Companies Act have no application in relation to an arrangement.

Authorised persons.

14.(1) An Authorised person shall not enter into an arrangement with its creditors under this Part without the written consent of the Commission and any arrangement entered into in breach of this subsection is void and of no effect.

(2) Where a proposal is made, or an arrangement approved, in respect of a company that is or at any time has been an Authorised person—

- (a) every notice or other document required to be sent to a creditor of the company under this Part shall also be sent to the Commission; and
- (b) unless the applicant is the Commission, notice shall be given to the Commission of any application to the Court under this Part.

Proposal and Appointment of Interim Supervisor

Proposal for an arrangement.

15.(1) A proposal for an arrangement may be made—

- (a) if the company is in administration, by the administrator;
- (b) if the company is in liquidation, by the liquidator; or

- (c) if the company is not in administration or in liquidation by the directors.
- (2) A proposal shall–
- (a) be made to the company’s creditors or any class or classes of its creditors; and
 - (b) nominate an eligible insolvency practitioner as interim supervisor to act in relation to the proposed arrangement.
- (3) A proposal for an arrangement may be made notwithstanding any provision to the contrary in the Memorandum and Articles of Association of the company, whether as to the making of the proposal or the contents of the proposal.

Proposal made by the directors.

- 16.(1) The directors of a company may propose an arrangement only if–
- (a) they believe on reasonable grounds that the company is insolvent or is likely to become insolvent; and
 - (b) they have passed a resolution–
 - (i) stating their belief that the company is insolvent or is likely to become insolvent;
 - (ii) approving a written proposal containing the information prescribed by the Rules; and
 - (iii) nominating an eligible insolvency practitioner to be appointed as interim supervisor.
- (2) A director who votes in favour of a resolution under subsection (1) without having reasonable grounds for believing that the company is insolvent or is likely to become insolvent commits an offence and is liable
- (a) on summary conviction to a fine at level 3 on the standard scale;

- (b) on conviction on indictment to a fine at level 5 on the standard scale.

Appointment of interim supervisor by directors.

17.(1) Where the directors of a company pass a resolution under section 16(1)(b), the directors shall provide the nominated insolvency practitioner with—

- (a) a copy of the resolution passed;
- (b) a copy of the proposal approved by the directors;
- (c) a statement of affairs made up to a date no earlier than 2 weeks prior to the date of the resolution; and
- (d) a notice of intention to appoint the nominated insolvency practitioner as interim supervisor.

(2) The nominated insolvency practitioner may accept appointment as interim supervisor by delivering a copy of the notice referred to in subsection (1)(d), endorsed in accordance with the Rules, to the directors within 5 business days of the date when the resolution was passed.

(3) Subject to subsection (4), the appointment of an interim supervisor takes effect from the time when he delivers the endorsed notice to the directors.

(4) A resolution passed under section 16(1)(b) lapses and is of no effect if the insolvency practitioner nominated in the resolution does not accept appointment within 5 business days of the date when the resolution was passed.

Interim supervisor, company in administration or liquidation.

18.(1) Where a company is in administration or liquidation, the administrator or liquidator may make a proposal and either—

- (a) act as interim supervisor himself; or
- (b) appoint another eligible insolvency practitioner as the interim supervisor.

(2) Where the administrator or liquidator intends to act as the interim supervisor himself he shall—

- (a) prepare a written proposal containing the information prescribed by the Rules; and
- (b) sign a notice of intention to act as interim supervisor.

(3) Where the administrator or liquidator intends to appoint another eligible insolvency practitioner as interim supervisor, he shall provide him with—

- (a) a notice of intention to appoint him as interim supervisor; and
- (b) a written proposal containing the information prescribed by the Rules.

(4) The nominated insolvency practitioner accepts appointment as interim supervisor by delivering the notice referred to in subsection (2)(a), endorsed in accordance with the Rules, to the administrator or liquidator.

Time when appointment as interim supervisor takes effect.

19.(1) Where the administrator or liquidator acts as interim supervisor, he is deemed to have been appointed on the date of the notice of intention to act as interim supervisor.

(2) Where another eligible insolvency practitioner is appointed as interim supervisor, his appointment takes effect from the time when the endorsed notice of intention to appoint is received by the administrator or liquidator.

Notification of appointment of interim supervisor.

20. The interim supervisor shall, within 2 business days of his appointment, or his deemed appointment—

- (a) file a notice of appointment as interim supervisor with the Registrar; and
- (b) if the company is an Authorised person, provide a copy of the notice of his appointment to the Commission.

Functions of interim supervisor and power to obtain information.

21.(1) The functions of an interim supervisor are–

- (a) to prepare a report on the proposal for the creditors;
- (b) to carry out any duties assigned to him by this Act or the Rules;
- (c) in the case of an interim supervisor appointed by the directors or by the administrator or liquidator of a company, to undertake such functions and duties as he may agree to undertake with the directors or with the administrator or liquidator; and
- (d) in the case of an interim supervisor appointed by the directors of a company, to monitor the affairs of the company, including the conduct of its business, during the proposal period.

(2) Where an interim supervisor is appointed by the directors or by the administrator or liquidator of a company, every officer of the company or the administrator or liquidator of the company, as the case may be, shall–

- (a) provide to the interim supervisor such documents, information and explanations, and
- (b) give the interim supervisor such assistance,

as he may reasonably require for the purposes of enabling him to exercise his functions.

(3) On the application of the interim supervisor, the Court may make an order requiring an officer of the company to comply with subsection (2).

(4) An officer of a company who fails to comply with an order of the Court made under subsection (3) commits an offence and is liable–

- (a) on summary conviction to imprisonment for 6 months or a fine at level 4 on the standard scale, or both;

- (b) on conviction on indictment to imprisonment for 2 years or a fine at level 5 on the standard scale, or both.

Amendment of proposal before creditors' meeting.

22.(1) The directors of a company or, in the case of a company that is in administration or liquidation, its administrator or liquidator, may amend or withdraw a proposal in accordance with the Rules—

- (a) before the appointment of an interim supervisor;
- (b) after the appointment of an interim supervisor but before notice of the creditors' meeting has been given under section 23; or
- (c) after notice of the creditors' meeting has been given under section 23 but before the date fixed for the meeting.

(2) The directors of a company may not amend or withdraw a proposal unless it has passed a resolution to do so.

(3) A proposal cannot be amended or withdrawn otherwise than in accordance with this section or section 27.

Creditors' Meeting

Calling of creditors' meeting.

23.(1) The interim supervisor shall—

- (a) prepare a written report to the creditors on the proposal that complies with the Rules;
- (b) call a meeting of creditors for a date no later than 28 days after the commencement of the proposal period for the purposes of considering whether to approve the proposal;
- (c) send to each creditor, together with the notice of the meeting, a copy of the proposal, his report on the proposal and a copy of the company's statement of affairs;

- (d) cause the creditors' meeting to be advertised in accordance with the Rules;
- (e) send a copy of the notice of the meeting of creditors, together with copies of the documents accompanying the notice, to every director and to every member of the company.

(2) Where a proposal is amended under section 22(1), this section and sections 26 and 27 apply to the amended proposal as if it were the original proposal.

Interim supervisor may require persons to attend creditors' meeting.

24.(1) The interim supervisor may require a director or other officer of the company and any person who, at any time during the 2 years prior to the date of the interim supervisor's appointment was a director or other officer, to attend the creditors' meeting if he considers that it is reasonable to require the person's presence.

(2) In determining whether it is reasonable to require a person to attend the creditors' meeting, the matters that the interim supervisor shall have regard to include—

- (a) the likely benefits of the person's attendance;
- (b) the travel and associated expenses that will be incurred by him in attending the meeting, unless the interim supervisor is prepared to pay those expenses;
- (c) the distance that he would be required to travel to attend the meeting; and
- (d) the time that it would take him to travel to and from and attend the meeting.

(3) A notice under subsection (1) requiring a person to attend a creditors' meeting shall be sent to that person at least 14 days prior to the date of the meeting and shall be accompanied by copies of the documents required to be sent to creditors under section 23(1)(c).

(4) A person commits an offence if—

- (a) he receives a notice to attend a creditors' meeting under subsection (1); and
 - (b) without reasonable excuse, he fails to attend the meeting.
- (5) A person who commits an offence under subsection (4) is liable—
- (a) on summary conviction to a fine at level 3 on the standard scale;
 - (b) on conviction on indictment to imprisonment for 12 months or a fine at level 4 on the standard scale, or both.

Attendance of members and directors at meetings.

25.(1) Each member and director of a company is entitled to attend the creditors' meeting and, with the permission of the chairman, to address the meeting, but is not entitled to vote in that capacity at the meeting.

(2) The chairman of the creditors' meeting may, if he thinks appropriate, exclude any present or former director or other officer from attendance at the meeting, either completely or for any part of it.

(3) Subsection (2) applies whether or not the present or former director or other officer—

- (a) is also a member; or
- (b) has been sent a notice requiring him to attend the meeting.

Business to be conducted at creditors' meeting.

26.(1) At the creditors' meeting, the creditors may resolve—

- (a) to approve the proposal, with or without amendment and appoint the interim supervisor, or such other eligible insolvency practitioner that may be specified in the proposal, to be the supervisor of the arrangement;
- (b) to adjourn the meeting to a date no later than 3 months after the commencement of the proposal period; or

- (c) to reject the proposal.
- (2) A resolution to approve a proposal is invalid and of no effect if–
 - (a) the proposal does not comply with section 13(4);
 - (b) the proposal has been amended without the consent of the directors or, in the case of a company in administration or liquidation, its administrator or liquidator; or
 - (c) the proposal has been amended otherwise than in accordance with section 22 or section 27.
- (3) The proposal is deemed to be rejected, if–
 - (a) the creditors fail to pass one of the resolutions specified in subsection (1); or
 - (b) the creditors’ meeting is not held on the date for which it was called or to which it was adjourned.
- (4) On the rejection of a proposal the proposal period ends and the appointment of the interim supervisor is terminated.
- (5) References in this section to a meeting include, where the meeting is adjourned, the adjourned meeting.

Amendment or withdrawal of proposal at creditors’ meeting.

27.(1) Where, at a meeting called under section 23, the creditors wish to approve a proposal with amendments that have not been made under section 22, the meeting shall be adjourned for sufficient time to enable the chairman of the meeting to give all creditors of the company not present or represented at the meeting, at least 2 business days’ notice–

- (a) of the venue of the adjourned meeting; and
 - (b) of the amended proposal to be considered at the adjourned meeting.
- (2) Where a meeting is adjourned under subsection (1), section 26 applies to the adjourned meeting.

- (3) Subsection (1) does not apply if—
- (a) every creditor who was given notice of the meeting under section 23 is present or represented at the meeting; or
 - (b) the chairman certifies in writing that an amendment is to correct minor errors or is otherwise not material.

(4) The directors of a company or, in the case of a company that is in administration or liquidation, its administrator or liquidator may, in accordance with the Rules, withdraw a proposal at a creditors' meeting called under section 23.

Interim supervisor to report on outcome of creditors' meeting.

28.(1) The interim supervisor shall, within 5 business days of the conclusion of the creditors' meeting, prepare a report complying with the Rules.

- (2) The chairman shall—
- (a) send a copy of his report to every creditor and every member of the company; and
 - (b) file a copy with the Registrar.
- (3) For the purposes of subsection (1), a creditors' meeting is concluded if—
- (a) the creditors resolve either to approve or reject the proposal; or
 - (b) the proposal is withdrawn in accordance with section 27(4) or is deemed to be rejected.

Notice of appointment.

29. The supervisor shall, within 2 business days of his appointment—
- (a) file a notice of appointment as supervisor with the Registrar; and

- (b) if the company is an Authorised person, provide a copy of the notice of his appointment to the Commission.

Effect of approval of proposal.

30.(1) Where a proposal is approved at a creditors' meeting, the arrangement is binding on the company and on each member and each creditor of the company as if he was a party to the arrangement.

(2) An arrangement takes effect, as approved, notwithstanding any provision in the Memorandum or Articles of Association to the contrary.

(3) For the purposes of subsection (1), a person is a creditor of the company—

- (a) where the company is in administration or liquidation at the time that the proposal is approved, if he was a creditor at the commencement of the administration or liquidation, as the case may be; or
- (b) in any other case, if he has a claim against the company that would be an admissible claim in the liquidation of the company commencing at the time of the approval of the arrangement.

(4) Where the arrangement is between the company and a class or classes of creditor, the arrangement is binding on a creditor only in relation to any debt due to him as a creditor of the relevant class or classes.

(5) Where an arrangement is in effect, the directors of the company remain in office and their powers, functions and duties continue.

Implementation of Arrangement

Supervisor's functions and powers.

31. The supervisor has such functions and powers as are provided for by the arrangement and, if authorised by the arrangement, may act in the company's name.

Supervisor's duty to keep financial records.

32.(1) Where an arrangement permits or requires the supervisor—

- (a) to carry on the business of the company or trade on its behalf and in its name,
- (b) to realise assets of the company, or
- (c) otherwise to administer or dispose of any of its funds,

he shall keep financial records that correctly record and explain the receipts, expenditure and other transactions relating to his acts and dealings in and in connection with the arrangement.

(2) The supervisor shall retain the financial records kept under subsection (1) for a period of not less than 6 years after the termination of the arrangement.

Supervisor to prepare and send out regular accounts and reports.

33.(1) The supervisor shall prepare accounts of his receipts and payments, if any, and reports concerning the progress and efficacy of the arrangement covering the periods specified in subsection (2).

(2) The accounts and reports prepared under subsection (1) shall cover—

- (a) the period of 12 months following the supervisor's appointment;
- (b) each subsequent period of 12 months; and
- (c) where the supervisor ceases to act as supervisor—
 - (i) the period from the end of the period covered by the last accounts required to be prepared under this section, or if he acted as supervisor for less than 12 months from the date of his appointment, to the date of his ceasing to act; and

- (ii) the period from the date of his appointment to the date of his ceasing to act, unless prepared in accordance with subparagraph (i).

(3) The supervisor shall, within 60 days of the last day of the period covered by the accounts—

- (a) file a copy of the accounts and his report with the Registrar; and
- (b) send a copy of the accounts and his report to—
 - (i) the company;
 - (ii) each creditor of the company who is bound by the arrangement; and
 - (iii) each member of the company.

(4) The Court, on the application of the supervisor, may dispense with the sending of the accounts and report prepared under subsection (1) to the members of the company.

Completion or premature termination of arrangement.

34.(1) Where an arrangement is completed or terminated prematurely, the supervisor shall, within 28 days of its completion or termination—

- (a) file a notice of completion or termination with the Registrar; and
- (b) send a notice of completion or termination to the company and to each creditor of the company who is bound by the arrangement and each member of the company.

(2) Where an arrangement is completed or terminated prematurely, the report prepared under section 33(2)(c) shall explain any material difference between the implementation of the arrangement and the proposal approved by the creditors.

Modification of Arrangement

Supervisor may propose modification of arrangement.

35.(1) In this section and in section 36–

- (a) “creditor”, in relation to an arrangement, means a creditor bound by that arrangement; and
- (b) “proposal” means a proposal to modify an arrangement.

(2) If the supervisor of an arrangement considers it appropriate, he may propose a modification of the arrangement at a meeting of creditors called for such a purpose.

(3) The supervisor shall call a meeting of creditors under subsection (2) by sending to each creditor–

- (a) a notice of the meeting; and
- (b) a written report on the proposed modification complying with the Rules.

(4) The supervisor shall send a copy of the notice of the meeting and his report on the proposed modification to each member and director of the company.

Modification of arrangement.

36.(1) Unless the Rules otherwise provide, sections 24, 25, 26 and 28 and the relevant Rules apply, with suitable modifications, to a meeting called under section 35.

(2) Where a proposal to modify an arrangement is approved–

- (a) the modified arrangement is binding on the company and on each member and each creditor of the company as if he had agreed to the modification; and
- (b) the provisions of this Part applicable to an arrangement apply to the modified arrangement.

(3) An arrangement may not be modified otherwise than in accordance with section 35 and this section.

Remuneration

Remuneration of interim supervisor and supervisor.

37.(1) An interim supervisor is entitled to be reimbursed for any disbursements made by him prior to the approval of the arrangement and to be paid remuneration for his services as interim supervisor as agreed between himself and the directors or, where the company is in administration or liquidation, the administrator or liquidator.

(2) A supervisor is entitled to be reimbursed such disbursements, and paid such remuneration for his services as supervisor, as—

- (a) are sanctioned by the terms of the arrangement, or
- (b) would be payable, or correspond to those which would be payable, in an administration or liquidation.

Fixing of remuneration by Court.

38.(1) Notwithstanding the terms of the arrangement, on the application of a person referred to in subsection (4), the Court may review and fix the amount paid or to be paid by way of remuneration and expenses to a supervisor or an interim supervisor.

- (2) Subject to subsection (3), the Court's power under subsection (1)—
 - (a) extends to fixing the remuneration and expenses for any period before the making of the order or the application for it;
 - (b) is exercisable notwithstanding that the supervisor or interim supervisor has died or ceased to act before the making of the application or the order; and
 - (c) extends to requiring the supervisor or interim supervisor or his personal representative to account for the excess or such part of it as may be specified in the order to the extent that an amount paid to or retained by the supervisor or interim

supervisor as remuneration or expenses exceeds that fixed by the Court for the period concerned.

(3) The power conferred by subsection (2)(c) may not be exercised with respect to a period before the date of the application for an order under this section unless the Court is satisfied that there are special circumstances that justify it.

(4) Application to the Court for an order under subsection (1) may be made by any of the following persons—

- (a) the supervisor or interim supervisor; or
- (b) the company or—
 - (i) if the company is in liquidation, its liquidator; or
 - (ii) if the company is in administration, its administrator.

(5) In fixing the remuneration of a supervisor or interim supervisor under this section, the Court shall apply the general principles specified in section 466.

Applications to Court

Appointment of interim supervisor or supervisor by Court.

39.(1) The Court may, on an application made by a person and in the circumstances specified in subsection (2), order that an eligible insolvency practitioner is appointed as supervisor or interim supervisor either in substitution for the existing supervisor or interim supervisor or to fill a vacancy.

- (2) An application under subsection (1) may be made—
- (a) where the supervisor or interim supervisor has failed to comply with a duty imposed upon him under this Part or has died, by the directors of the company, or where it is in administration or liquidation by the administrator or liquidator;
 - (b) where it is impracticable or inappropriate for the existing supervisor or interim supervisor to continue to act, by the

directors of the company, or where it is in administration or liquidation by the administrator or liquidator, or by the supervisor or interim supervisor; or

- (c) where the licence of the insolvency practitioner appointed as supervisor or interim supervisor is suspended or revoked, by the Minister.

(3) An order under subsection (1) may increase the number of persons acting as supervisor or interim supervisor or replace one or more of those persons.

Application where arrangement approved or modified.

40.(1) Where an arrangement is approved or modified, the Court may—

- (a) on an application made by a person specified in subsection (2)—
 - (i) give directions to the supervisor in relation to any matter arising;
 - (ii) confirm, reverse or modify any act or decision of the supervisor; or
 - (iii) make such other order as it considers appropriate; or
- (b) on an application made by the supervisor or, if appropriate the administrator or liquidator—
 - (i) discharge the administration order or terminate the liquidation; and
 - (ii) give such directions regarding the administration or liquidation as it considers appropriate.

(2) Application under subsection (1)(a) may be made by the supervisor, by any administrator or liquidator, by a creditor, director or member of the company, by a surety of a liability of the company, by a co-debtor of the company, by a person affected by the arrangement or, where the company is an Authorised person, by the Commission.

- (3) The Court shall not make an order under subsection (1)(b)–
 - (a) until a period of 28 days after the chairman’s report is filed under section 28(2); or
 - (b) at any time when an application under section 41, or an appeal in respect of such an application, is outstanding or during the period within which such an appeal may be brought.

Application on grounds of unfair prejudice.

41.(1) An application may be made by a person specified in subsection (2) for an order under subsection (3) on one or both of the following grounds–

- (a) that an arrangement approved or modified by the creditors unfairly prejudices the interests of a member, creditor, surety or co-debtor of the company; or
 - (b) that there has been a material irregularity at or in relation to the meeting at which the arrangement was approved or modified.
- (2) An application for an order may be made–
- (a) under subsection (1)(a), by–
 - (i) the supervisor; or
 - (ii) a member, creditor, surety or co-debtor of the company who claims his interests have been unfairly prejudiced;
 - (b) under subsection (1)(b), by–
 - (i) a member or creditor of the company;
 - (ii) the supervisor or the person who, immediately prior to the approval of the arrangement, acted as interim supervisor;
 - (iii) where the company is in administration, the administrator;

- (iv) where the company is in liquidation, the liquidator; or
- (v) where the company is an Authorised person, the Commission.

(3) Where it is satisfied as to either of the grounds specified in subsection (1), the Court—

- (a) may revoke or suspend—
 - (i) any decision approving or modifying the arrangement; or
 - (ii) any decision taken at a meeting at or in relation to which there was a material irregularity; and
- (b) may give a direction to any person—
 - (i) for the calling of a further creditors' meeting to consider any amended proposal for an arrangement that the directors or the supervisor may make;
 - (ii) for the calling of a further creditors' meeting to consider any amended proposal for a modification of the arrangement that the supervisor may make; or
 - (iii) where there has been a material irregularity, for the calling of a further creditors' meeting to reconsider the proposal for the arrangement or for the modification of an arrangement.

(4) Where at any time after giving a direction under subsection (3)(b)(i) or (ii), the Court is satisfied that the directors, or the supervisor, does not intend to submit an amended proposal, the Court shall revoke the direction and revoke or suspend any decision approving the arrangement or the modification of an arrangement.

(5) Where the Court, on an application under this section, gives a direction under subsection (3)(b) or revokes or suspends a decision under subsection (3)(a) or (4), the Court may give such supplemental directions as it considers appropriate and, in particular, directions with respect to things done under the arrangement since it, or any modification, took effect.

(6) Except as provided in this section, a decision taken at a meeting called under section 23 or 35 is not invalidated by any irregularity at or in relation to the meeting.

(7) Without limiting subsection (1)(a), the interests of a member, creditor, surety or co-debtor of the company are capable of being unfairly prejudiced on the grounds that the remuneration paid or to be paid to the supervisor is excessive.

(8) Subject to subsection (9), no application under this section shall be made after the arrangement has been completed or has prematurely terminated.

(9) A creditor who did not participate in the approval of an arrangement may make an application under this section after the completion of an arrangement if, when the arrangement was completed, he was unaware of the arrangement.

(10) An application under subsection (9) shall be made within 4 weeks of the creditor first becoming aware of the arrangement.

(11) For the purposes of this section, a creditor does not participate in the approval of an arrangement if, for whatever reason—

- (a) he was not given notice of the meeting of creditors called to consider the proposal; and
- (b) he did not attend the meeting at which the arrangement was approved, whether in person or by proxy.

Application to Court by former supervisor or interim supervisor.

42. Where an application may be made to the Court by a supervisor or an interim supervisor under section 39, 40 or 41, an application may, with the leave of the Court, be made by the person who was the supervisor or interim supervisor immediately before, as the case may be—

- (a) the termination of his appointment;
- (b) the termination of the arrangement; or

- (c) the termination of the proposal period.

Offences

False representations.

43.(1) An officer of a company who makes any false representation or who fraudulently does or omits to do anything for the purpose of obtaining the approval of the creditors of the company to an arrangement commits an offence.

- (2) A person who commits an offence under subsection (1) is liable—
 - (a) on summary conviction to imprisonment for 12 months or the statutory maximum fine, or both;
 - (b) on conviction on indictment to imprisonment for 5 years or a fine at level 5 on the standard scale, or both.

PART 3

ADMINISTRATION

Preliminary

Meaning of “interested person”.

44. In this Part, “interested person” means,—
- (a) in relation to a security interest, the person entitled to the security interest or any receiver appointed under the security interest;
 - (b) in relation to an asset not belonging to a company which is used or occupied by or in the possession of the company, the owner or lessor of the asset;
 - (c) in relation to proceedings, execution or legal process, including distress, a person who is entitled to commence or continue the proceedings, execution or legal process or levy the distress; and

- (d) in relation to a guarantee of a liability of the company, the person entitled to enforce the guarantee.

Appointment of administrator.

45. An administrator may be appointed—
- (a) by an administration order made by the Court; or
 - (b) by the holder of a floating charge under section 48.

Objectives of administration.

46.(1) Subject to subsections (2) and (3), the administrator of a company shall perform his functions with the objective of—

- (a) rescuing the company as a going concern;
- (b) achieving a better result for the creditors as a whole than would be likely if the company were to enter into liquidation, without first being in administration; or
- (c) realising property in order to make a distribution to one or more secured or preferential creditors.

(2) The administrator shall perform his functions with the objective specified in subsection (1)(a) unless he considers either—

- (a) that it is not reasonably practicable to achieve that objective; or
- (b) that the objective specified in paragraph (b) would achieve a better result for the company's creditors as a whole.

(3) The Minister may, by notice published in the Gazette,—

- (a) add to or vary the objectives specified in subsection (1) in relation to a specific category or categories of company; and
- (b) provide for the priority of the additional or varied objectives.

(4) The administrator may perform his functions with the objective specified in subsection (1)(c) only if—

- (a) he considers that it is not reasonably practicable to achieve either of the objectives specified in subsection (1)(a) or (b);
- (b) the objective is not inconsistent with any additional or varied objectives that may be applicable to the company; and
- (c) he does not unnecessarily harm the interests of the creditors of the company as a whole.

(5) Subject to subsection (4) and any notice issued by the Minister under subsection (3), the administrator shall perform his functions in the interests of the creditors of the company as a whole.

Limitations on scope.

47. An administration order may not be made, and an administrator may not be appointed under section 48, in respect of an Authorised person that is, or at any time has been—

- (a) licensed or authorised to carry on deposit-taking business under the Financial Services (Banking) Act; or
- (b) licensed or authorised to conduct insurance business under the Financial Services (Insurance Companies) Act.

Appointment of Administrator by Holder of Floating Charge

Holder of floating charge may appoint administrator.

48.(1) Subject to section 49 and subsection (3), the holder of a qualifying floating charge in respect of a company's property who is entitled to appoint an administrative receiver in respect of the company may, instead of appointing an administrative receiver, appoint an eligible insolvency practitioner as the administrator of the company.

(2) For the purposes of subsection (1), a floating charge is a “qualifying floating charge” if it is created by an instrument which states that this section applies to the floating charge.

- (3) Subsection (1) does not apply if–
- (a) an administration order is in effect in relation to the company; or
 - (b) a liquidator of the company has been appointed.

Restrictions on power to appoint.

49.(1) A person may not appoint an administrator of a company under section 48 unless–

- (a) he has given at least 2 business days' written notice to the holder of any prior floating charge in respect of the company's property; or
- (b) the holder of any prior floating charge in respect of the company's property has consented in writing to the making of the appointment.

(2) A person may not appoint an administrator of a company under section 48 if–

- (a) an administrative receiver is in office;
- (b) the company is in administration;
- (c) a provisional liquidator of the company has been appointed under section 161, and not been terminated; or
- (d) the company is in liquidation.

Notice to Court of appointment.

50.(1) A person who appoints an administrator under section 48 shall file with the Court–

- (a) a notice of appointment in the approved form and containing such information as may be prescribed; and
- (b) such other documents as may be prescribed.

(2) The notice of appointment must include a statutory declaration made by or on behalf of the person who makes the appointment—

- (a) that the person is the holder of a qualifying floating charge in respect of the company's property;
- (b) that each floating charge relied on in making the appointment entitled the person to appoint an administrative receiver on the date of the appointment of the administrator; and
- (c) that the appointment is in accordance with sections 48 and 49.

(3) The notice of appointment must identify the administrator and must be accompanied by a statement by the administrator—

- (a) that he consents to the appointment;
- (b) that in his opinion the purpose of administration is reasonably likely to be achieved; and
- (c) giving such other information and opinions as may be prescribed by the Rules.

(4) For the purpose of a statement under subsection (3), an administrator may rely on information supplied by directors of the company, unless he has reason to doubt its accuracy.

(6) A statutory declaration under sub-paragraph (2) must be made in accordance with the Rules.

(7) A person who, in a statutory declaration made under subsection (2) makes a statement which is false and which he does not reasonably believe to be true commits an offence and is liable—

- (a) on summary conviction to imprisonment for 12 months or a fine at level 4 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 3 years or a fine at twice the statutory maximum, or both.

Commencement and effect of administration, appointment by holder of floating charge.

51.(1) Where an administrator is appointed under section 48, the administrator's appointment takes effect, and the administration commences, when the requirements of section 50 are complied with.

(2) On the appointment of an administrator under section 48 taking effect, any application for the appointment of a liquidator shall be suspended.

Notification and advertisement of administration.

52.(1) A person who appoints an administrator under section 48 shall notify the administrator and such other persons as may be prescribed by the Rules as soon as is reasonably practicable after the requirements of section 50 are complied with.

(2) An administrator appointed under section 48 shall—

- (a) give notice to such persons and in such manner as shall be prescribed by the Rules; and
- (b) advertise his appointment in accordance with the Rules.

(3) A person who contravenes subsection (1) commits an offence and is liable—

- (a) on summary conviction to a fine at level 3 on the standard scale;
- (b) on conviction on indictment to imprisonment for 12 months or a fine at level 5 on the standard scale, or both.

Indemnity for invalid appointment.

53.(1) This section applies where—

- (a) a person purports to appoint an administrator under section 48; and
- (b) the appointment is discovered to be invalid.

(2) Where subsection (1) applies, the Court may order the person who purported to make the appointment to indemnify the person appointed against any liability which arises solely by reason of the appointment's invalidity.

Application of sections 65 to 96.

54. Sections 65 to 96 apply–

- (a) to an administrator appointed under section 48, and
- (b) to and in relation to the administration of a company, where the administrator is appointed under section 48,

subject to such provisions or modifications as may be specified in this Act or in the Rules.

Administration Order

Administration Order.

55. An administration order is an order directing that, during the period for which the order is in force in relation to a company, the business, assets and affairs of the company shall be managed by the administrator appointed by the Court.

Application for administration order.

56.(1) An application to the Court for an administration order in relation to a company may be made by one or more of the following–

- (a) the company;
- (b) the directors of the company;
- (c) a creditor of the company;
- (d) the supervisor of an arrangement in respect of the company;
- (e) the Commission, where the company–

- (i) is or at any time has been an Authorised person; or
- (ii) is carrying on, or at any time has carried on, unauthorised financial services business; or
- (f) if the company is in liquidation, the liquidator.

(2) Subject to subsection (5), an application for an administration order shall be served not less than 7 business days prior to the date fixed for the hearing—

- (a) on any person who has appointed or is or may be entitled to appoint an administrative receiver for the company;
- (b) if an administrative receiver has been appointed, on the administrative receiver;
- (c) if an administrator has been appointed under section 48, on the administrator;
- (d) if the application is made by any person other than the company, on the company;
- (e) if an application has been made for the appointment of a liquidator of the company, on the applicant and on any provisional liquidator of the company;
- (f) on the Commission if—
 - (i) the company is or at any time has been an Authorised person; and
 - (ii) the applicant is not the Commission; and
- (g) on any other person prescribed by the Rules.

(3) The Court shall not abridge the time period specified in subsection (2) in respect of a person specified in subsection (2)(a), (b) or (c) without that person's consent.

(4) Without limiting section 493(2)(a), an administration order shall not be made unless service of the application has been effected on the persons specified in subsection (2)(a) to (f).

(5) Where the applicant for an administration order is the holder of a floating charge who has appointed, or is entitled to appoint, an administrative receiver under the charge—

- (a) the period of notice required under subsection (2) is reduced to 2 business days; and
- (b) subsection (2)(a) and subsection (3) do not apply.

(6) An application for an administration order shall not be withdrawn except with the leave of the Court.

Grounds for, and restrictions on, making of administration order.

57.(1) Subject to section 58, the Court may make an administration order in relation to a company only if—

- (a) it is satisfied that the company is insolvent or is likely to become insolvent; and
- (b) it considers that there is a reasonable prospect that the administration order will achieve one or more of the objectives specified in 45(1), as added to or varied by any notice issued under 45(3).

(2) The Court may make an administration order in respect of a company in liquidation, only on the application of the liquidator.

(3) Subject to subsection (4), the Court shall not make an administration order, and shall dismiss the application, if the Court is satisfied that—

- (a) a qualifying administrative receiver has been appointed for the company who, in accordance with section 125(2), is entitled to act; or
- (b) a qualifying administrator has been appointed under, and in accordance with, section 48.

- (4) Subsection (3) does not apply if–
- (a) the applicant is the person by whom or on whose behalf the administrative receiver or administrator was appointed; or
 - (b) the Court is satisfied–
 - (i) that the person by whom the administrative receiver or administrator was appointed consents to the making of an order; or
 - (ii) that any security interest under which the administrative receiver or administrator was appointed would, if an administration order was made, be liable to be set aside as a voidable transaction under Part 9.

(5) For the purposes of subsection (3), an administrative receiver is a qualifying administrative receiver and an administrator is a qualifying administrator if–

- (a) he is a licensed insolvency practitioner, whether or not he has been appointed to act jointly with a foreign insolvency practitioner; and
- (b) notice of his appointment has been filed no later than the day before the date of the hearing of the application–
 - (i) in the case of an administrative receiver, with the Registrar under section 101(1); or
 - (ii) in the case of an administrator, with the Court under section 50(1).

(6) A determination by the Court under subsection (3)(b)(ii) that it is not satisfied that a security interest would be liable to be set aside as a voidable transaction does not prevent any administrator or liquidator that may be appointed making a claim to set the security interest aside as a voidable transaction under that Part.

Application made by holder of floating charge.

58.(1) This section applies where an application for an administration order—

- (a) is made by the holder of a floating charge who has appointed, or is entitled to appoint, an administrative receiver; and
- (b) the application includes a statement that this section applies.

(2) Where this section applies, the Court may make an administration order whether or not it is satisfied that the company is insolvent or is likely to become insolvent.

Powers of Court on application.

59.(1) On the hearing of an application for an administration order, the Court may—

- (a) subject to section 57, make an administration order in respect of the company;
- (b) dismiss the application;
- (c) adjourn the hearing conditionally or unconditionally;
- (d) make any interim order or other order that it considers appropriate; or
- (e) treat the application as an application for the appointment of a liquidator and make any order that it could make under section 160.

(2) Where the Court makes an administration order it shall, at the same time, appoint an eligible insolvency practitioner to be the administrator of the company.

(3) If the Court makes an order under subsection (1)(c), it shall give directions as to the persons to whom, and how, notice is to be given.

(4) An interim order under subsection (1)(d) may restrict the exercise of any powers of the directors or of the company, whether by reference to the consent of the Court or of a person who is an eligible insolvency practitioner in relation to the company, or otherwise.

(5) If the Court makes an administration order on the application of the liquidator of a company—

- (a) the Court—
 - (i) shall discharge the order appointing the liquidator;
 - (ii) shall make provision for such matters as may be prescribed by the Rules;
 - (iii) may make such consequential provision as it considers appropriate; and
 - (iv) shall specify which of the powers of an administrator are to be exercisable by the administrator; and
- (b) this Part has effect with such modifications as the Court may specify.

Effect of administration order.

60.(1) The appointment of an administrator takes effect—

- (a) at the time specified in the administration order; or
- (b) if no time is specified in the order, when the order is made.

(2) Where the Court makes an administration order—

- (a) any application for the appointment of a liquidator shall be dismissed; and
- (b) any administrative receiver of the company is deemed to have vacated office.

Notification and advertisement of administration order.

61. Where an administration order is made, the administrator shall—
- (a) forthwith, after the making of the order, give notice of his appointment to
 - (i) any person who has appointed, or who is or may be entitled to appoint, an administrative receiver of the company,
 - (ii) any administrative receiver who has been appointed,
 - (iii) if an application for the appointment of a liquidator is pending, to the applicant and to any provisional liquidator that may have been appointed, and
 - (iv) such other person as may be prescribed by the Rules;
 - (b) within 5 days of the making of the order
 - (i) advertise the order and his appointment as administrator, and
 - (ii) file a notice of his appointment together with a sealed copy of the order with the Registrar and, if the company in administration is or at any time has been an Authorised person, with the Commission; and
 - (c) within 28 days of the order, send a notice in the prescribed form to the company and to every creditor of the company.

Discharge or variation of administration order.

62.(1) The administrator of a company may at any time apply to the Court for the administration order to be discharged or to be varied and, if the order is to be discharged, the administrator may apply for the appointment of a liquidator.

- (2) An administrator shall make an application under subsection (1) if—

- (a) he considers that the objectives of the administration have been fully achieved or that the objectives are incapable of achievement; or
- (b) he is required to do so by a meeting of creditors summoned for the purpose.

(3) On the hearing of an application under subsection (1), the Court may discharge or vary the administration order and make such consequential provision as it considers appropriate, or adjourn the hearing conditionally or unconditionally, or make an interim order or any other order it considers appropriate, including an order under section 63.

Appointment of liquidator or dissolution of company on discharge.

63.(1) Where the Court makes an order for the discharge of an administration order made in respect of a company and the Court is satisfied that the company is insolvent—

- (a) the Court may make an order for the appointment of the Official Receiver or an eligible insolvency practitioner to be the liquidator of the company; or
- (b) if it is satisfied that no useful purpose would be served by the appointment of a liquidator, the Court may dissolve the company.

(2) The Court may appoint the administrator to be the liquidator under subsection (1)(a).

(3) An order under subsection (1)(a) takes effect as an order made under section 160 on the application of the company.

(4) Where an order is made for the appointment of a liquidator under this section, Part 6 applies to the liquidation of the company.

Filing copy of discharge order with Registrar.

64.(1) Where an administration order is discharged or varied, the administrator or where the order is discharged the person who, immediately before the discharge, was the administrator of the company shall, within 14

days of the date of the order effecting the variation or discharge, file a copy of the order with the Registrar.

(2) A person who contravenes subsection (1) commits an offence and is liable on summary conviction to a fine at level 3 on the standard scale.

Moratorium

Moratorium period.

65.(1) Subject to subsection (2), a moratorium period in respect of a company commences on the filing of an application for an administration order and terminates on—

- (a) the dismissal of the application for an administration order; or
- (b) if an administration order is made, upon the discharge of that order.

(2) If an application for an administration order is filed at a time when an administrative receiver of the company is in office and the person by or on whose behalf the administrative receiver was appointed has not consented to the making of an order, the moratorium period under subsection (1) does not commence unless and until—

- (a) that person so consents in writing;
- (b) the administrative receiver vacates or is deemed to vacate office; or
- (c) an administration order is made.

(3) Where an administrator of a company is appointed under section 48, a moratorium period in respect of the company commences when the appointment of the administrator takes effect and terminates when the company ceases to be in administration.

Effect of moratorium.

66.(1) Subject to subsections (4), (5) and (6), during the moratorium period—

- (a) subject to subsection (2), no order may be made for the appointment of a liquidator or a provisional liquidator;
- (b) notwithstanding paragraph (h), no resolution may be passed for the appointment of a liquidator;
- (c) no steps may be taken to enforce any security interest over the company's assets, except with the leave of the Court or, if the company is in administration, with the consent of the administrator;
- (d) no right of forfeiture by peaceable re-entry may be exercised in relation to premises let to the company, except with the leave of the Court or, if the company is in administration, with the consent of the administrator;
- (e) except with the leave of the Court or, if the company is in administration, with the consent of the administrator, no steps may be taken to repossess assets in the possession of the company supplied to the company—
 - (i) under a hire purchase, conditional sale or chattel leasing agreement, or
 - (ii) subject to a retention of title agreement;
- (f) no legal process, including legal proceedings and execution, may be commenced or continued or distress levied against the company or its assets except with the leave of the Court or, if the company is in administration, with the consent of the administrator;
- (g) no share may be transferred and no alteration may be made in the status of the members of the company, whether by an amendment of the memorandum or articles or in any shareholders' or members' agreement or otherwise, except with the leave of the Court; and
- (h) no resolution of the members may be passed except with the leave of the Court or, if the company is in administration, with the consent of the administrator.

(2) An application for the appointment of a liquidator on the ground specified in section 149(1)(d) (the public interest ground) may be made or proceeded with during the moratorium period.

(3) On an application for leave under paragraphs (c) to (h) of subsection (1), the Court may grant leave subject to such terms and conditions as it considers appropriate.

(4) During the period beginning with the filing of an application for an administration order and ending with the making of an administration order, subsection (1) does not—

- (a) prevent, or require the leave of the Court for, the appointment of
 - (i) an administrative receiver of the company; or
 - (ii) an administrator of the company under section 48; or
- (b) limit or affect the carrying out by an administrative receiver, or an administrator appointed under section 48, of his functions.

(5) Subsection (1) does not prevent, or require the leave of the Court to be obtained for—

- (a) the enforcement of a charge on assets belonging to a company if, before the commencement of the moratorium period, an interested person lawfully—
 - (i) entered into possession of or assumed control of the assets, or
 - (ii) entered into a binding agreement to sell the assets,for the purpose of enforcing the charge on those assets;
- (b) the repossession of assets being used or occupied by or in the possession of a company if, before the commencement of the moratorium period, an interested person lawfully entered into possession, or assumed control of those assets;

- (c) the exercise by a creditor of any set-off that he would have been entitled to exercise under section 135 if the company was in liquidation, the liquidation having commenced at the time that the moratorium period commenced; or
- (d) the filing of an application for the appointment of a liquidator under Part 6.

(6) Notwithstanding subsection (1)(a), the Court may make an order during the moratorium period appointing a liquidator or a provisional liquidator (on an application for the appointment of a liquidator) on the grounds specified in section 149(1)(d).

(7) On making an order under subsection (6), the Court shall either—

- (a) discharge the administration order, or terminate the appointment of the administrator under section 48, and make such consequential provision as it considers appropriate; or
- (b) order that the appointment of the administrator shall continue to have effect.

(8) If the Court makes an order under subsection (7)(b), it may also—

- (a) specify which of the powers of an administrator are to be exercisable by the administrator;
- (b) order that this Part has effect with such modifications as the Court may specify; and
- (c) make such consequential provision as it considers appropriate.

Preservation of charged and other assets.

67.(1) During the period beginning with the commencement of the moratorium period in respect of a company under section 65(1) and ending with the making of an administration order against it or the dismissal of the application, the company may not, without the written consent of the interested person concerned, or the leave of the Court granted under section 68, dispose of or otherwise deal with—

- (a) any assets subject to a charge, other than a floating charge;

- (b) any assets subject to a floating charge, otherwise than in the ordinary course of business; or
- (c) any assets in the company's use, occupation or possession of which another person is the owner or lessor, including—
 - (i) goods supplied under a hire purchase, conditional sale or chattel leasing agreement, and
 - (ii) subject to subsection (2), goods supplied subject to a retention of title agreement.

(2) Subsection (1)(c)(ii) does not prevent a company disposing of or dealing with goods supplied subject to a retention of title agreement in the ordinary course of business.

(3) A company that contravenes subsection (1) commits an offence and is liable on summary conviction to twice the statutory maximum fine.

Disposal of perishable assets during moratorium period.

68.(1) This section applies during the period beginning with the commencement of the moratorium period under section 65(1) and ending with—

- (a) the making of an administration order; or
- (b) the dismissal of the application for an administration order.

(2) Where any assets referred to in section 67(1) are perishable assets, the Court may, on the application of the company, make an order permitting the company to dispose of those assets.

(3) Where the Court makes an order under subsection (2) permitting a company to dispose of assets that are subject to a floating charge, the holder of the security interest has the same priority in respect of any assets of the company directly or indirectly representing the assets disposed of as he would have had in respect of the assets subject to the security interest.

(4) It shall be a condition of an order made under subsection (2) permitting a company to dispose of assets referred to in section 67(1) that are not subject to a floating charge, that—

- (a) the net proceeds of the disposal, and
- (b) if those proceeds are less than such amount as the Court may determine, or as may be agreed, to be the fair market value of the assets disposed of, the sum required to make good the deficiency,

shall be applied towards discharging the sums payable to the interested person concerned.

(5) Where a condition under subsection (4) relates to 2 or more security interests, the net proceeds of the disposal and any sum required to be paid under subsection (4)(b) shall be applied towards discharging the sums secured by those security interests in the order of their priorities.

(6) Where the Court makes an order under subsection (2) it may make such consequential orders as it considers appropriate, including—

- (a) giving directions as to the conduct of the disposal;
- (b) making provision for the protection of the proceeds of the disposal.

(7) Where an order is made under subsection (2), the company shall, within 14 days of the date of the order, file with the Registrar a notice in the prescribed form together with a sealed copy of the order.

(8) A company commits an offence if it—

- (a) contravenes subsection (7), without reasonable excuse; or
- (b) fails to comply with a condition imposed under this section.

(9) A company that commits an offence under subsection (8) is liable on summary conviction to twice the statutory maximum fine.

Duties, and Powers of Administrator

General duties of administrator.

69.(1) An administrator shall, on his appointment, take into his custody or under his control the assets to which the company in administration is or appears to be entitled.

(2) Subject to subsection (3), the administrator shall manage the business, assets and affairs of the company in furtherance of the objectives specified in section 45(1).

(3) The administrator shall—

(a) after the approval of proposals under section 82, act in accordance with those proposals; and

(b) at all times act in accordance with any directions that may be given by the Court.

(4) Whether appointed by the Court or by the holder of a floating charge, in performing his functions and undertaking his duties under this Act, an administrator acts as an officer of the Court.

(5) The administrator shall perform his functions as quickly and efficiently as reasonably practicable.

Administrator acts as agent of company.

70. When performing a function or exercising a power as administrator of a company in administration, the administrator acts as the company's agent.

General powers of administrator.

71.(1) The administrator of a company—

(a) may do anything necessary for the management of the business, assets and affairs of the company; and

(b) has the specific powers specified in Schedule 1.

- (2) Without limiting subsection (1), the administrator may–
- (a) remove any director of the company;
 - (b) appoint a person to be director of the company, whether to fill a vacancy or not;
 - (c) call a meeting of the members or the creditors of the company;
 - (d) require a receiver, other than a qualifying administrative receiver, to vacate office;
 - (e) apply to the Court for directions in respect of the administration of the company;
 - (f) use the company’s seal; and
 - (g) do all acts on behalf of the company and execute any deed, receipt or other document in the name of the company.
- (3) The following persons are not concerned to inquire whether the administrator is acting within his powers–
- (a) a person dealing with the administrator in good faith and for value; and
 - (b) a person who acquires any interest in assets of the company in administration from a person referred to in paragraph (a) in good faith and for value.
- (4) The acts of an administrator of a company are valid notwithstanding any defect in his nomination, appointment or qualifications.
- (5) Where a receiver is required to vacate office under subsection (2)(d) the Court, on the application of the administrator or the receiver, may make such directions as it considers appropriate, including directions as to–
- (a) the terms upon which assets are to be passed to the administrator;
 - (b) the payment of the debts of preferential creditors; and

- (c) the payment of the receiver's remuneration and the reimbursement of expenses that he has properly incurred.

Power to make distributions.

72.(1) The administrator of a company may make a distribution

- (a) to a secured creditor or a preferential creditor without the leave of the Court; and
- (b) to any other creditor, with the leave of the Court.

(2) Where the administrator makes a distribution under subsection (1), sections 135 to 140 and sections 198 to 208 apply with such modifications as may be specified in the Rules or, to the extent that modifications are not so specified, with such modifications as are appropriate.

Directors and conflicting powers.

73.(1) Whilst a company is in administration, the directors and other officers of the company remain in office and their powers, functions and duties continue except to the extent that—

- (a) they are inconsistent with the powers, functions and duties of the administrator; or
- (b) the administrator otherwise directs in writing.

(2) Notwithstanding subsection (1), a director may exercise a power inconsistent with the powers, functions and duties of the administrator if the administrator authorises the exercise of that power in writing.

(3) Any power conferred on the company in administration or its directors or other officers, whether by an enactment, the company's memorandum or articles or otherwise, which could be exercised so as to interfere with the exercise by the administrator of his powers, shall not be exercised without the written consent of the administrator.

Power to deal with assets subject to floating charge.

74.(1) The administrator of a company may dispose of, or otherwise exercise his powers in relation to, any assets of the company that are subject only to a floating charge, whether or not the charge has crystallised.

(2) Where assets are disposed of or otherwise dealt with under subsection (1)–

- (a) the holder of the security interest has a charge over any assets of the company directly or indirectly representing the assets disposed of; and
- (b) for the purposes of this Act, the charge referred to in paragraph (a) has the same priority in respect of the substituted assets as the security interest had in relation to the assets disposed of or dealt with.

Application to Court to deal with other charged assets.

75.(1) The Court may, on the application of the administrator, make an order authorising the administrator to dispose of–

- (a) assets of the company that are subject to a security interest that is not a floating charge; and
- (b) any goods in the possession of the company that were supplied to it–
 - (i) under a hire purchase, conditional sale or chattel leasing agreement, or
 - (ii) subject to a retention of title agreement,

if it considers that the disposal of the assets, with or without other assets, would be likely to promote the objectives specified in section 45(1).

(2) The administrator shall give 5 business days' notice of an application under subsection (1) to–

- (a) the holder of the charge over, or

(b) the owner of,

the assets in respect of which the application is made.

(3) It shall be a condition of an order under subsection (1) that—

(a) the net proceeds of the disposal, and

(b) if those proceeds are less than such amount as the Court may determine, or as may be agreed, to be the fair market value of the assets disposed of, the sum required to make good the deficiency,

shall be applied towards discharging the sums secured by the security interest or, in the case of an agreement specified in subsection (1)(b), the sums payable under the agreement (if any).

(4) Where a condition under subsection (3) relates to 2 or more security interests, the net proceeds of the disposal and any sum required to be paid under subsection (3)(b) shall be applied towards discharging the sums secured by those security interests in the order of their priorities.

(5) Where an order is made under subsection (1), the administrator shall—

(a) forthwith serve a sealed copy of the order on the holder of the charge or the owner of the goods, as the case may be; and

(b) within 14 days of the date of the order, file a notice in the prescribed form with the Registrar.

(6) An administrator commits an offence if he—

(a) contravenes subsection (5), without reasonable excuse; or

(b) fails to comply with a condition imposed under this section.

(7) An administrator who commits an offence under subsection 6 is liable—

- (a) on summary conviction to imprisonment for 6 months or a fine at level 4 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 2 years or a fine at level 5 on the standard scale, or both.

Disclaimer.

76.(1) The administrator may disclaim any onerous property of the company, even though he has taken possession of it, tried to sell or assign it or otherwise exercised rights of ownership in relation to it.

(2) Sections 209 to 216, and any Rules with regard to disclaimer by a liquidator, apply to the disclaimer of onerous property by the administrator, with the following modifications

- (a) “administrator” is substituted for “liquidator”;
- (b) “administration” is substituted for “liquidation”; and
- (c) the following is substituted for section 212(2):

“(2) A person sustaining loss or damage as a result of a disclaimer of onerous property has a claim against the company as an unsecured creditor for the amount of the loss or damage.”.

Investigation of Company’s Affairs

Statement of affairs.

77.(1) In this section, “relevant person” has the meaning set out in section 231.

(2) The administrator of a company may require one or more relevant persons to prepare and submit to him a statement of affairs.

(3) Subject to section 239, the administrator shall file each statement of affairs and each affidavit of concurrence that he receives with the Court.

Duty to prepare report.

78.(1) The administrator of a company shall, within 60 days of the commencement of the administration, prepare a report as to whether, in his opinion, further enquiries are desirable with respect to—

- (a) any matter relating to the promotion, formation or insolvency of the company or the conduct of the business or affairs of the company; and
- (b) possible claims under sections 258 to 260.

(2) The administrator shall send a copy of the report prepared under subsection (1)—

- (a) to each creditor of the company; and
- (b) if in his report he states that further enquiries are desirable with respect to a matter referred to in subsection (1), to the Official Receiver.

Duty to report to Commission.

79.(1) Subject to subsection (2), if it appears to the administrator of a company that the company is carrying on or has carried on unlicensed financial services business, he shall as soon as reasonably practicable report the matter to the Commission.

(2) Subsection (1) does not apply where the administration order was made on the application of the Commission.

(3) Where the administrator makes a report to the Commission under subsection (1) he shall, for the purposes of section 95, treat the company as if it was an Authorised person.

Administrator's Proposals

Administrator's proposals and creditors meeting.

80.(1) Subject to subsection (3), the administrator shall—

- (a) prepare a report setting out his proposals for the achievement of the objectives of the administration;
 - (b) call a meeting of creditors to be held on a date no later than 60 days after the date of the administration order, or such longer period as the Court may allow, for the purpose of considering whether to approve his proposals;
 - (c) send a copy of his report to each creditor together with the notice of the meeting;
 - (d) send a copy of the notice calling the meeting and his report to each member of the company or advertise the meeting and report in accordance with the Rules;
 - (e) file a copy of the notice calling the meeting together with his report with the Registrar; and
 - (f) cause the creditors' meeting to be advertised.
- (2) The report prepared by the administrator under subsection (1)(a) shall contain the matters prescribed by the Rules.
- (3) The administrator is not required to call a meeting of creditors under subsection (1)(b) where—
- (a) he is of the opinion that the company has sufficient assets to enable each creditor of the company to be paid in full; and
 - (b) the report prepared under subsection (1)(a) contains a statement that—
 - (i) the administrator is of the opinion that the company has sufficient assets to enable each creditor of the company to be paid in full, and
 - (ii) the administrator does not intend to call a meeting of creditors under this section.
- (4) Notwithstanding subsection (3), if requested to do so by creditors whose debts amount to at least 10 per cent in value of the total liabilities of

the company, the administrator shall call a meeting of creditors to be held no later than 30 days after the date upon which he receives the request.

(5) A request for a meeting under subsection (4) must be delivered to the administrator in the manner and within the period prescribed by the Rules.

(6) An administrator who contravenes subsection (1) commits an offence and is liable—

- (a) on summary conviction to a fine at level 3 on the standard scale;
- (b) on conviction on indictment to a fine at level 5 on the standard scale.

Attendance at meeting of directors and others.

81.(1) If the administrator considers that it is reasonable to require the presence at a creditors' meeting called under section 80 of a person specified in subsection (4), the administrator may, by notice, require the person to attend.

(2) In determining whether it is reasonable to require a person to attend the creditors' meeting, the matters that the administrator shall have regard to include—

- (a) the likely benefits of the person's attendance;
- (b) the travel and associated expenses that will be incurred by him in attending the meeting, unless the administrator is prepared to pay those expenses;
- (c) the distance that he would be required to travel to attend the meeting; and
- (d) the time that it would take him to travel to and from and attend the meeting.

(3) A notice under subsection (1) requiring a person to attend a creditors' meeting shall be sent to that person at least 14 days prior to the

date of the meeting and shall be accompanied by a copy of his report on his proposals.

(4) Subsection (1) applies to any officer of the company and any person who, at any time during the 2 years prior to the date of the notice, was an officer of the company.

(5) A person commits an offence if—

- (a) he receives a notice to attend a creditors' meeting under subsection (1); and
- (b) without reasonable excuse, he fails to attend the meeting.

(6) A person who commits an offence under subsection (5) is liable—

- (a) on summary conviction to imprisonment for 6 months or a fine at level 3 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 12 months or a fine at level 5 on the standard scale, or both.

Consideration of proposals by creditors.

82.(1) At the creditors' meeting called under section 80, the creditors may resolve to—

- (a) approve the administrator's proposals, with or without amendment;
- (b) reject the proposals; or
- (c) adjourn the meeting.

(2) A resolution to approve the administrator's proposals is invalid and of no effect if—

- (a) the proposals have been amended without the consent in writing of the administrator; or
- (b) the proposal has been amended otherwise than in accordance with section 83.

(3) The administrator shall, within 14 days of the conclusion of a meeting called under section 80–

- (a) report the result of the meeting to the Court and file a copy of that report with the Registrar; and
- (b) send a notice setting out the result of the meeting to every creditor.

(4) The report and notice required under subsection (3) shall have annexed to it details of–

- (a) the proposals considered at the meeting and of any amendments to those proposals that were considered; and
- (b) such proposals and amendments as were approved.

(5) If the creditors resolve not to approve the administrator’s proposals or fail to pass one of the resolutions specified in subsection (1), the Court may, by order–

- (a) discharge the administration order and make such consequential provisions as it considers appropriate;
- (b) adjourn the hearing, conditionally or unconditionally; or
- (c) make an interim order or any other order that it considers appropriate.

(6) An administrator who contravenes subsection (3) commits an offence and is liable–

- (a) on summary conviction to a fine at level 3 on the standard scale;
- (b) on conviction on indictment to a fine at level 5 on the standard scale.

Amendment of proposals at creditors' meeting.

83.(1) Where, at a meeting called under section 80, the creditors wish to approve an amended proposal, the meeting shall be adjourned for sufficient time to enable the administrator to give all creditors not present or represented at the meeting at least 2 business days' notice—

- (a) of the venue of the adjourned meeting; and
- (b) of the amended proposal to be considered at the adjourned meeting.

(2) Where a meeting is adjourned under subsection (1), section 82 applies to the adjourned meeting.

(3) Subsection (1) does not apply if—

- (a) every creditor who was given notice of the meeting under section 80 is present or represented at the meeting; or
- (b) the chairman of the meeting certifies in writing that an amendment is to correct minor errors or is otherwise not material.

Modification of proposals.

84.(1) Where proposals have been approved under section 82 and the administrator subsequently considers that they should be substantially modified, he shall—

- (a) prepare a report setting out his proposed modifications;
- (b) call a meeting of creditors for the purpose of considering the report;
- (c) send a copy of his report to each creditor together with the notice of the meeting;
- (d) send a copy of the notice convening the meeting together with his report to each member of the company or advertise the meeting and report in accordance with the Rules;

- (e) file a copy of the notice calling the meeting together with his report with the Registrar; and
 - (f) cause the creditors' meeting to be advertised.
- (2) At the creditors' meeting referred to in subsection (1), the creditors may resolve to—
- (a) approve the administrator's proposed modifications to the proposals, with or without amendment;
 - (b) reject the proposed modifications; or
 - (c) adjourn the meeting.
- (3) Section 82(2) applies to the creditors' approval of the administrator's proposed modifications to the proposal under this section and if the creditors wish to amend the administrator's proposed modifications, section 83 applies.
- (4) The administrator shall, within 14 days of the date of the meeting held under subsection (1)
- (a) report the result of the meeting to the Court and file a copy of the report with the Registrar; and
 - (b) send a notice setting out the result of the meeting to every creditor.
- (5) The report and notice required under subsection (4) shall have annexed to it details of—
- (a) the modifications to the proposal considered at the meeting and of any amendments to those modified proposals that were considered; and
 - (b) such proposals and amendments as were approved.
- (6) An administrator who contravenes subsection (4) commits an offence and is liable—

- (a) on summary conviction to a fine at level 3 on the standard scale;
- (b) on conviction on indictment to a fine at level 5 on the standard scale.

Conduct of Administration

Meetings of creditors.

85.(1) The administrator shall call a meeting of creditors if—

- (a) a meeting is requisitioned by the creditors of the company in accordance with subsection (2); or
- (b) he is directed to do so by the Court.

(2) A creditors' meeting may be requisitioned in accordance with the Rules by 10 per cent in value of the creditors of the company.

Administrator's duty to keep accounting records.

86.(1) An administrator shall keep accounting records that correctly record and explain the receipts, expenditure and other transactions of the company in administration.

(2) The administrator shall retain the accounting records kept under subsection (1) for a period of not less than 6 years after the termination of the administration.

(3) An administrator who contravenes this section commits an offence and is liable—

- (a) on summary conviction to imprisonment for 6 months or a fine at level 4 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 2 years or a fine at level 5 on the standard scale, or both.

Administrator to prepare and send out regular accounts and reports.

87.(1) An administrator shall prepare—

- (a) accounts of the receipts and payments of the company in administration; and
- (b) a report on the progress of the administration,

covering the periods specified in subsection (2).

(2) The accounts and report prepared under subsection (1) shall cover—

- (a) the period of 6 months following his appointment;
- (b) each subsequent period of 6 months; and
- (c) where he ceases to act as administrator—
 - (i) the period from the end of the period covered by the last accounts required to be prepared under this section, or if he acted as administrator for less than 6 months from the date of his appointment, to the date of his ceasing to act, and
 - (ii) the period from the date of his appointment to the date of his ceasing to act, unless prepared in accordance with subparagraph (i).

(3) An administrator shall, within 60 days of the last day of the period covered by the accounts and report—

- (a) file a copy of the accounts and report with the Court and with the Registrar;
- (b) send a copy of the accounts and report to each member of the creditors' committee, if any; and
- (c) if the company is or at any time has been an Authorised person file a copy of the accounts and report with the Commission.

(4) An administrator who contravenes this section commits an offence and is liable—

- (a) on summary conviction to a fine at level 3 on the standard scale;
- (b) on conviction on indictment to a fine at level 5 on the standard scale.

Appointment, Remuneration and Release of Administrator

Removal and resignation of administrator.

88.(1) The Court may, on the application of the creditors' committee, a creditor or the Official Receiver or on its own motion, remove an administrator from office.

- (2) An administrator—
 - (a) may resign in such circumstances as may be prescribed by the Rules or with the leave of the Court; and
 - (b) shall resign if he ceases to be an eligible insolvency practitioner.

(3) Unless, in accordance with this section, he has previously resigned or been removed from office, an administrator ceases to hold office with effect from the date that an administration order is discharged.

Appointment of replacement administrator.

89.(1) Where the administrator of a company dies or is removed or resigns under section 88(2) and no administrator is appointed in his place, the Court, on the application of a person specified in subsection (2) or on its own motion—

- (a) if there is at least one administrator remaining in place, may appoint an eligible insolvency practitioner as administrator in his place; or
- (b) if the administrator who has died or is removed or resigned was the sole administrator of the company, shall appoint an eligible insolvency practitioner in his place.

- (2) An application under subsection (1) may be made—
- (a) by any continuing administrator;
 - (b) by the creditor’s committee, if any;
 - (c) where there is no administrator or no creditor’s committee, by the company in administration, the directors of the company or a creditor of the company; or
 - (d) the Official Receiver.
- (3) The provisions of this Act and the Rules applicable to giving notice of and advertising an administration order apply to an order of the Court filling a vacancy under subsection (1).

Remuneration of administrator.

90.(1) The administrator of a company is entitled to receive remuneration for his services as administrator and to be reimbursed expenses that he has properly incurred.

(2) The remuneration payable to an administrator shall be fixed applying the principles set out in section 466.

Administrator to have charge over assets of company.

91.(1) In this section, “cessation” means the time when the administrator of a company ceases to be administrator;

(2) The administrator and, where he has vacated office, the former administrator, has the following charges on the assets of the company in his possession or control or, in the case of a former administrator, that were in his possession or control immediately before cessation—

- (a) a first ranking charge for any sums payable in respect of debts or liabilities arising out of contracts entered into by him or a predecessor before cessation; and
- (b) a second ranking charge for his remuneration and properly incurred expenses.

- (3) Subject to subsection (4), the charges specified in subsection (2)–
- (a) rank in priority to any floating charge to which the assets of the company may be subject; and
 - (b) continue to subsist after the termination of the administration.
- (4) Where a debenture or other instrument creates a fixed charge and a floating charge over the assets of a company, subsection (2)(a) does not apply to any assets of the company that are subject to the fixed charge.
- (5) In respect of contracts of employment, subsection (2)(a) shall only apply to a liability for wages or salary–
- (a) arising out of a contract of employment which was adopted by an administrator or a predecessor before cessation; and
 - (b) which is in respect of services rendered wholly or partly after the adoption of the contract.
- (6) For the purposes of subsection (5)–
- (a) action taken or omitted to be taken within the period of 14 days after an administrator’s appointment shall not be taken to amount or contribute to the adoption of a contract; and
 - (b) an administrator is deemed to have adopted a contract of employment if notice of the termination of the contract is not given within 14 days after the date of his appointment.
- (7) Subsection (2)(a) does not apply , to that part of the liability for wages or salary representing payment in respect of services rendered before the adoption of the contract of employment.

Release of administrator.

92.(1) A person who ceases to be the administrator of a company, may apply to the Court for his release and the Court may grant the release unconditionally or upon such conditions as it considers proper, or it may withhold it.

(2) If the Court withholds the release, it may make a compensation order against the former administrator under section 258.

(3) An administrator who dies is released with effect from the date that his death is notified to the Court in accordance with the Rules.

(4) Subject to subsection (6), where a former administrator is released under this section, he is discharged from all liability in respect of any act or default of his in relation to the administration of the company.

(5) An order for the release of a former administrator may be revoked by the Court if the release was obtained by fraud or the suppression or concealment of any material fact.

(6) Subsection (4) does not prevent the Court from making an order under section 258 against an administrator who has been released under this section.

(7) An administrator who obtains his release under this section shall file a notice in the prescribed form with the Registrar.

Protection of Interests of Creditors and Members

Application in respect of moratorium period.

93.(1) During the period beginning with the commencement of the moratorium period and ending with the making of an administration order, the Court may, on an application made by a creditor or member of the company, by a person affected by section 66 or, where the company is or at any time has been an Authorised person, by the Commission—

- (a) give directions in relation to any matter arising in connection with that section; or
- (b) make such other order as it considers appropriate.

(2) Without limiting subsection (1), an order under that subsection may—

- (a) regulate the management by the directors of the company's affairs, business and assets during the remainder of the moratorium period;

- (b) require the directors to refrain from doing or continuing an act complained of by the applicant, or to do an act that the applicant has complained they have omitted to do;
- (c) require the calling of a meeting of creditors or members for the purpose of considering such matters as the Court may direct; and
- (d) make such provision as the Court considers necessary to protect the interests of one or more creditors of the company during the moratorium period.

(3) In making an order under this section, the Court shall have regard to the need to safeguard the interests of persons who have dealt with the company in good faith and for value.

Application on grounds of unfair prejudice.

94.(1) At any time when an administration order is in force, an application may be made by a creditor or member of a company or, where the company is or at any time has been an Authorised person by the Commission, for an order under subsection (2) on one or both of the following grounds—

- (a) that the company's affairs, business and assets are being, or have been, managed by the administrator in a manner which unfairly prejudices the interests of the member or creditor; or
- (b) that any actual or proposed act or omission of the administrator is or would be so prejudicial.

(2) Subject to subsections (3) and (4), where it is satisfied as to either of the grounds specified in subsection (1), the Court may make such order as it considers appropriate for giving relief in respect of the matters complained of, or adjourn the hearing conditionally or unconditionally, or make an interim or any other order that it considers appropriate.

(3) An order under subsection (2) shall not prejudice or prevent

- (a) the implementation of proposals approved by the creditors under section 82; or

- (b) where the application for the order was made more than 28 days after the approval of any proposals or revised proposals under section 82 or 83, the implementation of those proposals or revised proposals.
- (4) Without limiting subsection (2), an order under that subsection may–
 - (a) regulate the management by the administrator of the company’s affairs, business and assets;
 - (b) require the administrator to refrain from doing or continuing an act complained of by the applicant, or to do an act that the applicant has complained he has omitted to do;
 - (c) require the calling of a meeting of creditors or members for the purpose of considering such matters as the Court may direct; and
 - (d) discharge the administration order and make such consequential provision as the Court considers appropriate.
- (5) Section 74 is not to be taken as prejudicing an application to the Court under this section.

Miscellaneous

Notice to Commission where company an Authorised person.

95. Where a company in administration is or at any time has been an Authorised person–
- (a) every notice or other document required to be sent to a creditor of the company under this Part shall also be sent to the Commission; and
 - (b) notice shall be given to the Commission of any application to the Court under this Part in respect of the company.

Notification of administration on public documents.

96.(1) Where a company is in administration the company's website, if any, and every document to which subsection (2) applies, shall—

- (a) contain a statement that the company is in administration; and
- (b) specify the name of the administrator.

(2) Subsection (1) applies to—

- (a) every public document issued by or on behalf of the company; and
- (b) every public document issued by or on behalf of the administrator of the company on which the name of the company appears.

(3) A failure to comply with subsection (1) does not affect the validity of the document.

(4) If subsection (1) is contravened each officer or administrator of the company who, without reasonable excuse, causes, permits or acquiesces in the contravention, commits an offence and is liable—

- (a) on summary conviction to imprisonment for 6 months or a fine at level 4 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 2 years or a fine at level 5 on the standard scale, or both.

PART 4

RECEIVERSHIP

Preliminary

Scope of this Part.

97.(1) This Part applies to a receiver appointed with respect to the assets, or part of the assets, of a company—

- (a) by the Court;
- (b) under a debenture or other instrument; or
- (c) under or in accordance with any other enactment.

(2) Unless this Act expressly states otherwise, in respect of a receiver (other than an administrative receiver) appointed by the Court or under or in accordance with any other enactment, in the event of a conflict between this Act and the provisions of the other enactment, any rule of law or the Supreme Court Rules, the provisions of the enactment, rule of law or the Supreme Court Rules prevail.

References to a “company”.

98. Unless the context otherwise requires, a reference in this Part to a “company” is to the company in respect of whose assets a receiver is or may be appointed.

Provisions Applicable to all Receivers

Persons not eligible to be appointed or act as receiver.

99.(1) Subject to subsection (2), the following persons are not eligible to be appointed as receiver in respect of a company and shall not accept appointment or act as the receiver of a company—

- (a) a mortgagee of any assets of the company;
- (b) a person who is, or within the previous 2 years has been—
 - (i) an officer or employee of a mortgagee of any assets of the company, or
 - (ii) a shareholder in or member of the company or a related company;
- (c) a person who, pursuant to section 479, is disqualified from holding a licence;

- (d) a person who, in an insolvency proceeding, would not be eligible to act as an insolvency practitioner in respect of the company pursuant to section 518(2);
 - (e) a body corporate;
 - (f) the Official Receiver; and
 - (g) such other persons as may be prescribed by the Rules.
- (2) The Court may appoint—
- (a) the Official Receiver, or
 - (b) such other person specified in subsection (1),
- as a receiver, other than an administrative receiver.
- (3) A person who accepts or purports to accept appointment or acts or purports to act as a receiver contrary to subsection (1) commits an offence and is liable—
- (a) on summary conviction to imprisonment for 6 months or a fine at level 3 on the standard scale, or both;
 - (b) on conviction on indictment to imprisonment for 12 months or a fine at level 4 on the standard scale, or both.

Appointment of joint receivers.

100.(1) Unless a debenture or other instrument expressly provides otherwise, a power conferred by the debenture or other instrument to appoint a receiver includes the power to appoint—

- (a) 2 or more joint receivers;
- (b) an additional receiver to act jointly with the receiver in office; and
- (c) a receiver to succeed a receiver who has vacated office.

(2) Joint receivers may act jointly or severally unless the instrument under which, or the Court order by which, they are appointed expressly provides otherwise.

(3) Unless the context otherwise requires, in this Act and the Rules, “receiver” and “administrative receiver” includes 2 or more persons appointed as joint receivers or joint administrative receivers, as the case may be.

Notice of appointment.

101.(1) A receiver shall within 3 business days of his appointment—

- (a) send a notice of his appointment to the company; and
- (b) file a notice of his appointment—
 - (i) with the Registrar; and
 - (ii) if the company is or at any time has been an Authorised person, with the Commission.

(2) In addition to complying with subsection (1), an administrative receiver shall—

- (a) subject to subsection (3), within 5 business days after being appointed, cause a notice of his appointment to be advertised; and
- (b) within 28 days after being appointed, send a notice of his appointment to all creditors of the company in receivership.

(3) Subsection (2)(a) does not apply to a receiver appointed—

- (a) to act jointly with an existing administrative receiver, or
- (b) to act in place of an administrative receiver who has died or ceased to act,

provided that the existing receiver or administrative receiver who has died or ceased to act, advertised, and sent notice to all creditors of, his appointment as administrative receiver.

(4) A receiver who contravenes subsection (1), and an administrative receiver who contravenes subsection (2), commits an offence and is liable—

- (a) on summary conviction to a fine at level 3 on the standard scale;
- (b) on conviction on indictment to a fine at level 4 on the standard scale.

Notification of receivership on public documents.

102.(1) Where a company is in receivership the company's website, if any, and every document to which subsection (2) applies, shall contain a statement that a receiver, or an administrative receiver, has been appointed.

(2) Subsection (1) applies—

- (a) where the company is in administrative receivership, to every public document—
 - (i) issued by or on behalf of the company; or
 - (ii) issued by or on behalf of the receiver or any liquidator of the company, on which the name of the company appears; and
- (b) where a receiver is appointed in relation to a specific asset or specific assets, to every public document issued by or on behalf of the company, or the receiver, that relates to that asset or those assets.

(3) A failure to comply with subsection (1) does not affect the validity of the document.

(4) A person who contravenes subsection (1), or who causes, permits or acquiesces in a contravention of subsection (1), commits an offence and is liable—

- (a) on summary conviction to a fine at level 3 on the standard scale;

- (b) on conviction on indictment to a fine at level 5 on the standard scale.

Vacation of office.

103.(1) The office of receiver becomes vacant if the person holding the office—

- (a) dies;
- (b) resigns;
- (c) vacates his office in accordance with subsection (2); or
- (d) is removed from office in accordance with section 106.

(2) A receiver appointed out of court shall vacate his office forthwith if he ceases to be eligible to act as a receiver in accordance with section 99(1).

(3) Where a receiver resigns, vacates office in accordance with subsection (2) or is removed from office under section 123, he shall, as soon as practicable, give notice to—

- (a) the person who appointed him and any joint receiver;
- (b) the company, or—
 - (i) if the company is in liquidation, its liquidator; and
 - (ii) if the company is in administration, its administrator; and
- (c) the members of the creditors' committee, if any.

(4) A receiver appointed by the Court shall as soon as practicable notify the Court if he ceases to be eligible to act as a receiver in accordance with section 99(1).

(5) Where a receiver resigns, vacates office in accordance with subsection (2) or is removed from office under section 106, he shall, within 7 days of ceasing to hold office, give notice in the prescribed form to the

Registrar and, where the company in respect of which he was appointed is or at any time has been an Authorised person, to the Commission.

- (6) Where a receiver vacates office, unless the Court otherwise orders—
- (a) his remuneration and properly incurred expenses, and
 - (b) any indemnity to which he is entitled out of the assets of the company,

shall be charged on and paid out of any assets of the company that are in his custody or under his control at that time in priority to any security interest held by the person by or on whose behalf he was appointed.

(7) A person who contravenes subsections (2), (3), (4) or (5) commits an offence and is liable—

- (a) on summary conviction to a fine at level 4 on the standard scale;
- (b) on conviction on indictment to imprisonment for 12 months or a fine at level 5 on the standard scale, or both.

Assistance to be provided by receiver vacating office.

104.(1) A person vacating the office of receiver shall provide such information and give such assistance in the conduct of the receivership as is reasonably required by any remaining joint receiver or his successor.

(2) If a person vacating the office of receiver fails to provide information or give assistance as required under subsection (1) the Court may, on the application of the remaining joint receiver or successor, order the person vacating office to provide such information and give such assistance as is reasonably required within such time as is specified in the order.

(3) A person who fails to comply with an order made under subsection (2) commits an offence and is liable—

- (a) on summary conviction to imprisonment for 6 months or a fine at level 4 on the standard scale, or both;

- (b) on conviction on indictment to imprisonment for 2 years or a fine at level 5 on the standard scale, or both.

Resignation of receiver.

105.(1) The resignation of a receiver appointed out of court is not effective unless he has given not less than 7 days' notice of his intention to resign to—

- (a) the person who appointed him;
- (b) the company in receivership, or if it is in liquidation, its liquidator; and
- (c) the members of the creditors' committee, if any.

(2) Unless the Court otherwise orders, the resignation of a receiver appointed by the Court is not effective unless he has given at least 7 days' notice of his intention to resign to the Court and to such other persons as may be specified by the Court.

(3) A notice given under subsection (1) shall state the date upon which the receiver intends his resignation to take effect.

Removal of receiver.

106.(1) A receiver appointed out of court, other than an administrative receiver, may be removed—

- (a) in accordance with the charge or other instrument under which he was appointed; or
- (b) by order of the Court.

(2) A receiver appointed by the Court and an administrative receiver may be removed by order of the Court, but not otherwise.

(3) Application to the Court for the removal of a receiver under subsection (1) or subsection (2) may be made by—

- (a) the company, or—
 - (i) if the company is in liquidation, its liquidator; and

- (ii) in the case of a receiver who is not an administrative receiver, if the company is in administration, its administrator;
- (b) the directors of the company;
- (c) the person by or on whose behalf the receiver was appointed;
- (d) a creditor of the company;
- (e) where the company is or at any time has been an Authorised person, by the Commission; or
- (f) any other person who the Court is satisfied has a legitimate interest in the removal of the receiver.

(4) An application to the Court for the removal of a receiver under this section shall specify the grounds upon which the removal of the receiver is being sought and shall be served on the receiver at least 5 business days prior to the date fixed for the hearing of the application.

Co-operation with receiver.

107.(1) Where a receiver is appointed, the company and every officer of the company shall—

- (a) make available to the receiver all books, documents and information relating to the assets in respect of which the receiver has been appointed in its or his possession or under its or his control;
- (b) if required to do so by the receiver, verify by statutory declaration that the books, documents and information are complete and correct; and
- (c) give the receiver such assistance as he may reasonably require.

(2) On the application of the receiver, the Court may make an order requiring the company or an officer of the company to comply with subsection (1).

(3) A person who fails to comply with an order of the Court made under subsection (2) commits an offence and is liable—

- (a) on summary conviction to imprisonment for 6 months or a fine at level 4 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 2 years or a fine at level 5 on the standard scale, or both.

Duty to report to Commission.

108. If it appears to a receiver that the company in respect of which he was appointed is carrying on or has carried on unlicensed financial services business, he shall as soon as reasonably practicable report the matter to the Commission.

Agency.

109.(1) A receiver appointed out of court is deemed to be the agent of the company.

(2) Subsection (1) applies in relation to an administrative receiver regardless of any provision to the contrary in the charge or instrument under which he was appointed.

(3) In the case of a receiver other than an administrative receiver, subsection (1) does not apply if the charge or instrument under which the receiver was appointed expressly provides otherwise.

(4) If a liquidator is appointed in respect of a company in receivership, the agency of any receiver, including an administrative receiver, terminates with immediate effect.

Powers of receiver, other than administrative receiver.

110.(1) A receiver has the powers expressly or impliedly conferred on him—

- (a) in the case of a receiver appointed out of court, by the charge or other instrument by which he was appointed; or
- (b) in the case of a receiver appointed by the Court, by the Court order under which he was appointed.

(2) Unless the charge or other instrument under which, or Court order by which, he was appointed expressly provides otherwise, a receiver may—

- (a) demand and recover, by action or otherwise, income of the assets in respect of which he was appointed;
- (b) issue receipts for income recovered;
- (c) manage, insure, repair and maintain the assets in respect of which he was appointed; and
- (d) exercise, on behalf of the company, a right to inspect books or documents that relate to the assets in respect of which he was appointed in the possession or under the control of a person other than the company.

(3) This section does not apply to an administrative receiver.

General duties of receivers.

111.(1) The primary duty of a receiver is to exercise his powers—

- (a) in good faith and for a proper purpose; and
- (b) in a manner he believes, on reasonable grounds, to be in the best interests of the person in whose interests he was appointed.

(2) To the extent consistent with subsection (1), a receiver shall exercise his powers with reasonable regard to the interests of—

- (a) creditors of the company;
- (b) sureties who may be called upon to fulfil obligations of the company;
- (c) persons claiming, through the company, an interest in assets in respect of which he was appointed; and
- (d) the company.

(3) Where a receiver appointed out of court acts or refrains from acting in accordance with any directions given by the person in whose interests he was appointed, the receiver is not in breach of the duty specified in subsection (1)(b), but is nevertheless liable for any breach of the duties specified in subsection (1)(a) and subsection (2).

Powers of sale and proceeds of sale.

112.(1) A receiver who exercises a power of sale of assets in respect of which he was appointed owes a duty to—

- (a) creditors of the company;
- (b) sureties who may be called upon to fulfil obligations of the company;
- (c) persons claiming, through the company, an interest in assets in respect of which he was appointed; and
- (d) the company,

to obtain the best price reasonably obtainable at the time of sale.

(2) A receiver shall keep money relating to the assets in respect of which he was appointed separate from other money received in the course of, but not relating to, those assets and from other money held by him or under his control.

(3) Notwithstanding any other enactment or rule of law to the contrary or anything contained in the debenture or other instrument by which a receiver was appointed—

- (a) it is not a defence in proceedings against a receiver for a breach of the duty imposed by subsection (1) that the receiver was acting as the agent of the company or under a power of attorney from the company; and
- (b) a receiver is not entitled to compensation or an indemnity from the assets in respect of which he was appointed or the company in respect of any liability incurred by the receiver arising from a breach of the duty imposed by subsection (1).

Liability of receivers.

113.(1) Subject to subsections (2) and (3), a receiver is personally liable—

- (a) on any contract entered into by him in the performance of his functions; and
- (b) for the payment of wages or salary that, during the period of the receivership, accrue under a contract of employment adopted by him in the performance of those functions.

(2) A receiver appointed out of court is not personally liable on a contract referred to in subsection (1)(a) to the extent that the contract excludes or limits his liability.

(3) Where a receiver is appointed by the Court, other than as an administrative receiver, unless the Court orders otherwise, all contracts of employment are terminated with immediate effect and subsection (1)(b) does not apply.

(4) For the purposes of subsection (1)(b)—

- (a) any action taken or omitted to be taken within the period of 14 days after a receiver's appointment shall not be taken to amount or contribute to the adoption of a contract; and
- (b) a receiver is deemed to have adopted a contract of employment if notice of the termination of the contract is not given within 14 days after the date of his appointment.

(5) A receiver is entitled to an indemnity in respect of his liability under subsection (1) out of the assets in respect of which he was appointed.

(6) Nothing in this section—

- (a) imposes any liability on a receiver for wages or salary in respect of services rendered prior to the commencement of the receivership;
- (b) limits any right to indemnity that the receiver would have apart from this section;

- (c) limits the liability of a receiver on a contract entered into without authority; or
- (d) confers on a receiver a right to an indemnity in respect of his liability on a contract entered into without authority.

Payment of debts out of assets subject to a floating charge.

114.(1) This section applies where a receiver is appointed on behalf of the holder of a floating charge.

(2) If the company is not in liquidation, its preferential creditors shall be paid out of the assets coming into the hands of the receiver in priority to any claims for principal or interest in respect of—

- (a) the debenture or other instrument under which the receiver is appointed; and
- (b) any other debenture or other instrument of the company secured by a floating charge.

(3) Payments made under this section shall be recouped, as far as possible, out of the assets of the company available for payment of unsecured creditors.

Court directions.

115.(1) On the application of a person referred to in subsection (2), the Court may, in relation to any matter arising in connection with the performance of the functions of a receiver, make one or more of the following orders—

- (a) an order giving such directions as it considers appropriate;
- (b) an order declaring the rights of persons before it; and
- (c) such other order as it considers just.

(2) Application to the Court for an order under subsection (1) may be made by any of the following persons—

- (a) the receiver;

- (b) the person by whom or on whose behalf the receiver was appointed;
 - (c) a person in whose interest the receiver is acting; and
 - (d) where the company in receivership is or at any time has been an Authorised person, the Commission.
- (3) The power of the Court to make an order under this section–
- (a) is in addition to any other powers that may be exercised by the Court whether under this Act or any other enactment or in its inherent jurisdiction;
 - (b) may be exercised notwithstanding that the receiver may have died or ceased to act as receiver before the making of the application or the order; and
 - (c) includes the power to vary or amend an order that the Court has already made.

Remuneration and expenses of receivers.

116.(1) Subject to subsection (3), a receiver appointed under a debenture or other instrument is entitled to be paid remuneration for his services–

- (a) in accordance with the terms of that debenture or other instrument; or
- (b) as agreed with the person on whose behalf he was appointed.

(2) A receiver appointed by the Court or in accordance with any other enactment is entitled to be paid such remuneration as the Court may order or the other enactment may provide for.

(3) A receiver is entitled to be reimbursed for expenses that he has properly incurred.

(4) On the application of a person referred to in subsection (6), the Court may review and fix the amount paid or to be paid by way of

remuneration to a receiver in accordance with subsection (1) or the expenses reimbursed or to be reimbursed.

- (5) Subject to subsection (6), the Court's power under subsection (4)–
- (a) extends to fixing the remuneration for any period before the making of the order or the application for it;
 - (b) is exercisable notwithstanding that the receiver has died or ceased to act before the making of the application or the order; and
 - (c) extends to requiring him or his personal representative to account for the excess or such part of it as may be specified in the order to the extent that an amount paid to or retained by a receiver as remuneration exceeds that fixed by the Court for the period concerned.

(6) The power conferred by subsection (5)(c) may not be exercised with respect to a period before the date of the application for an order under this section unless the Court is satisfied that there are special circumstances that justify it.

(7) An application to the Court for an order under subsection (4) may be made by any of the following persons–

- (a) the receiver;
- (b) the company in respect of which the receiver has been appointed, or–
 - (i) if the company is in liquidation, its liquidator; and
 - (ii) if the company is in administration, its administrator;
- (c) a person claiming through the company an interest in the assets in respect of which the receiver was appointed; and
- (d) if the company in receivership is or at any time has been an Authorised person, the Commission.

(8) In fixing the remuneration of a receiver under this section, the Court shall apply the general principles specified in section 466.

Accounting records.

117.(1) A receiver shall keep accounting records that correctly record and explain the receipts, expenditure and other transactions relating to the assets in respect of which he has been appointed.

(2) The accounting records kept under subsection (1) shall be retained for a period of not less than 6 years after the receivership ends.

Receivership accounts to be filed with Registrar.

118.(1) A receiver shall prepare accounts of his receipts and payments covering the periods specified in subsection (2).

(2) Accounts prepared under subsection (1) shall cover the following periods—

- (a) the period of 12 months following the receiver's appointment;
- (b) each subsequent period of 6 months;
- (c) where the receiver ceases to act as receiver,
 - (i) the period from the end of the period covered by the last accounts required to be filed under this section, or if he acted as receiver for less than 12 months from the date of his appointment, to the date of his ceasing to act, and
 - (ii) the period from the date of his appointment to the date of his ceasing to act, unless filed in accordance with subparagraph (i).

(3) The accounts prepared under subsection (1) shall—

- (a) comprise an abstract showing all receipts and payments during the period covered by the accounts; and

- (b) within 30 days of the last day of the period covered by the accounts—
 - (i) be filed with the Registrar, and
 - (ii) if the company in receivership is or at any time has been an Authorised person, with the Commission.

(4) A receiver appointed by the Court shall, in addition to complying with subsection (3), file at Court accounts in such form, covering such periods and within such time as the Court may order.

(5) In respect of a receiver appointed by the Court—

- (a) the obligations imposed by this section are additional—
 - (i) to any obligations or requirements concerning receivership accounts contained in any other enactment; and
 - (ii) to any order made with respect to receivership accounts by the Court; and
- (b) the Court may set aside the application of subsections (1), (2) and (3) to such extent and on such terms and conditions as it considers appropriate.

(6) The Registrar may, on the application of a receiver, extend the period for the filing of accounts under this section for a period of, or where he grants more than one extension, for an aggregate period not exceeding, 3 months.

(7) A receiver who contravenes this section commits an offence and is liable—

- (a) on summary conviction to a fine at level 4 on the standard scale;
- (b) on conviction on indictment to imprisonment for 12 months or a fine at level 5 on the standard scale, or both.

(8) Nothing in this section affects or limits the duty of a receiver to prepare and render proper accounts imposed otherwise than by this section.

Enforcement of duty to make returns.

119.(1) If a receiver—

- (a) having made default in filing, delivering or making any return, account or other document, or in giving any notice, which a receiver is required to file deliver, make or give under this Act or any other enactment fails to make good the default within 14 days after the service on him of a notice requiring him to do so, or
- (b) being a receiver appointed out of court, has, after being required at any time by the liquidator of the company to do so, failed to render proper accounts of his receipts and payments and to vouch them and pay over to the liquidator the amount properly payable to him,

the Court may, on an application being made to it, order the receiver to make good the default within such time as may be specified in the order or, in respect of a default referred to in subsection (1)(a), may relieve the receiver of the obligation, in whole or in part.

(2) An application to the Court may be made—

- (a) in respect of a default referred to in subsection (1)(a), by the Registrar, a member or creditor of the company, its directors or, if appropriate, its liquidator or administrator or, where the company is or at any time has been an Authorised person, by the Commission; and
- (b) in respect of a default referred to in subsection (1)(b), by the liquidator of the company.

(3) The Court may order that the receiver pay the costs of and incidental to an application under subsection (1).

(4) This section does not affect the operation of this Act or any other enactment that may impose penalties on receivers in respect of a default of the type referred to in subsection (1).

(5) A receiver who fails to comply with an order made under this section commits an offence and is liable—

- (a) on summary conviction to imprisonment for 6 months or a fine at level 4 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 2 years or a fine at level 5 on the standard scale, or both.

Completion of receivership.

120. On the completion of his receivership, a receiver shall forthwith—

- (a) give notice to—
 - (i) the company, or if it is in administration or liquidation, the administrator or liquidator;
 - (ii) in the case of an administrative receiver, the creditors' committee, if any; and
 - (iii) if the company is or at any time has been an Authorised person, to the Commission; and
- (b) file a notice of completion with the Registrar and, if the company is or at any time has been an Authorised person, with the Commission.

Release of Court appointed receiver.

121.(1) Where the appointment of a receiver appointed by the Court is discharged, the former receiver may apply to the Court for his release and the Court may grant the release unconditionally or upon such conditions as it considers proper, or it may withhold it.

(2) If the Court withholds the release, it may make a compensation order against the former receiver under section 258.

(3) A receiver appointed by the Court who dies is released with effect from the date that his death is notified to the Court.

(4) Subject to subsection (6), where a receiver is released under this section, he is discharged from all liability in respect of any act or default of his in relation to the receivership.

(5) An order for release of a receiver under subsection (1) may be revoked by the Court if the release was obtained by fraud or the suppression or concealment of any material fact.

(6) Subsection (4) does not prevent the Court from making an order under section 258 against a receiver who has been released under this section.

(7) A receiver who obtains his release under this section shall file a notice in the prescribed form with the Registrar.

Receivers Appointed out of Court

Appointment of receiver out of court.

122.(1) The appointment of a receiver out of court shall be made in writing.

(2) Subject to subsection (3), the appointment of a receiver out of court takes effect from the time upon which the receiver receives the written notice of appointment.

(3) The appointment of a receiver out of court is not effective unless the receiver accepts it before the end of the next business day following the day on which he receives the written appointment.

(4) Where 2 or more joint receivers are appointed out of court—

- (a) the joint appointment takes effect from the time that all joint receivers receive the written appointment; and
- (b) the joint appointment is not effective unless each receiver accepts the appointment in accordance with subsection (3).

(5) Where a receiver is appointed out of court, whether as a sole or joint receiver, he shall, if he accepts the appointment, within 7 days confirm his acceptance in writing to the person who appointed him.

(6) Subsection (5) does not apply where an appointment is accepted in writing.

(7) For the purposes of this section—

- (a) a person receives a written appointment if the appointment is received on his behalf; and
- (b) an acceptance or confirmation of acceptance of an appointment as a receiver under this section may be given by any person authorised for that purpose by the appointee.

(8) A written acceptance or confirmation of acceptance of an appointment of a receiver out of court shall state—

- (a) the time and date of receipt of the notice of appointment; and
- (b) the time and date of the acceptance.

Execution of documents.

123. Where a receiver appointed out of court, other than an administrative receiver, is authorised to execute documents in the name of or on behalf of a company, whether under a power of attorney or otherwise, that authority continues in respect of documents necessary or incidental to the receiver's powers notwithstanding that the company may go into liquidation.

Invalid appointment.

124.(1) Where the appointment of a person as a receiver appointed out of court is invalid the Court may, if it is satisfied that the receiver acted honestly and reasonably, order the person by whom or on whose behalf the receiver was appointed to indemnify the receiver against any liability which arises solely by reason of the invalidity of the appointment.

(2) The Court may exercise its powers under subsection (1) subject to such terms and conditions as it considers appropriate.

Administrative Receivers

Meaning of “administrative receiver”.

125.(1) In this Act, “administrative receiver” means a receiver of the whole, or substantially the whole, of the business, undertaking and assets of a company—

- (a) appointed out of court by or on behalf of the holder of a debenture or other instrument of the company secured by a floating charge, whether or not that debenture or other instrument is also secured by one or more other security interests; or
- (b) appointed by the Court as an administrative receiver under section 126.

(2) Where 2 or more persons have the right, under different instruments, to appoint an administrative receiver—

- (a) each may appoint an administrative receiver, but only one administrative receiver may act in relation to the company at any time; and
- (b) the administrative receiver appointed on behalf of the person whose security interest ranks highest in priority, is entitled to act as administrative receiver.

Appointment of administrative receiver by Court.

126.(1) Where the Court appoints a receiver who would, had he been appointed out of Court, be an administrative receiver, the Court may, in the order under which the receiver is appointed, specify that the receiver is an administrative receiver.

(2) Where the Court appoints a receiver as an administrative receiver under subsection (1), unless and to the extent that the Court otherwise orders or that this Act provides to the contrary, the provisions of this Act that apply to administrative receivers apply to that receiver.

(3) The Court shall not appoint a receiver as an administrative receiver if there is an administrative receiver acting in relation to the company.

Powers of administrative receiver.

127.(1) Notwithstanding any provision in the memorandum or articles of the company in receivership, an administrative receiver may, unless the debenture or other instrument by which he was appointed provides otherwise—

- (a) execute all documents necessary or incidental to the exercise of his powers in the name of and on behalf of the company in receivership; and
- (b) use the company's seal.

(2) Unless and to the extent that the debenture or other instrument by which an administrative receiver is appointed provides otherwise, the powers conferred on an administrative receiver of a company by the debenture or other instrument by which he was appointed include the powers specified in Schedule 1.

(3) A person dealing with the administrative receiver of a company in good faith and for value is not concerned to enquire whether he is acting within his powers.

Power to dispose of charged assets.

128.(1) In this section, "relevant assets", in relation to the administrative receiver, means the assets of which he is or, but for the appointment of some other person as the receiver of part of the company's assets, would be the receiver.

(2) Where on an application by an administrative receiver, the Court is satisfied that there is a reasonable prospect that the disposal, with or without other assets, of any relevant assets which are subject to a security interest would promote a more advantageous realisation of the company's assets than would otherwise be effected, the Court may by order authorise the administrative receiver to dispose of the assets as if they were not subject to the other security interest.

(3) Subsection (2) does not apply in the case of any security interest held by the person by or on whose behalf the administrative receiver was appointed, or of any security interest to which a security interest so held has priority.

- (4) It shall be a condition of an order made under subsection (2) that—
- (a) the net proceeds of the disposal; and
 - (b) where those proceeds are less than such amount as may be determined by the Court to be the net amount which would be realised on the sale of the assets in the open market by a willing vendor (the open market value), such sums as may be required to make good the deficiency,

shall be applied towards the sums secured by the security interest.

(5) Where a condition imposed pursuant to subsection (4) relates to 2 or more security interests, that condition shall require the net proceeds of the disposal and, where subsection (4)(b) applies, the sums mentioned in that paragraph, to be applied towards discharging the sums secured by those security interests in the order of their priorities.

Review of open market value.

129.(1) Where, following the disposal of assets under this section, section 128(4)(b) applies, the administrative receiver, or any person to whom sums are to be paid under that subsection, may apply to the Court for a review of the Court's determination as to the open market value of the assets.

(2) On an application made under subsection (1), the Court may make a fresh determination as to the open market value of the assets disposed of and section 128(4) and (5) shall apply with the new open market value substituted for the original open market value.

- (3) An application under subsection (1) shall be made—
- (a) in the case of the administrative receiver, within 14 days of the date of the disposal of the assets; or

- (b) in the case of a person other than the administrative receiver, within 14 days of the date that he is notified by the administrative receiver of the sale.

Filing Court order.

130.(1) The administrative receiver shall file a copy of an order made under section 128(2) or section 129(2) with the Registrar within 14 days of the date of the order.

(2) An administrative receiver who contravenes subsection (1) commits an offence and is liable on summary conviction to a fine at level 4 on the standard scale.

Statement of affairs.

131.(1) In this section, “relevant person” has the meaning set out in section 231.

(2) An administrative receiver shall, as soon as practicable after his appointment, by notice, require one or more relevant persons to prepare and submit to him a statement of affairs of the company in administrative receivership.

Report by administrative receiver.

132.(1) An administrative receiver shall, within 3 months of his appointment, prepare and file with the Registrar and, where appointed by the Court, with the Court, a report as to—

- (a) the events leading up to his appointment;
- (b) the disposal or proposed disposal by him of any assets of the company and the carrying on by him of any business of the company;
- (c) the amounts of principal and interest payable to the person by whom or on whose behalf he was appointed and the amounts payable to preferential creditors;
- (d) the amount, if any, likely to be available for the payment of other creditors; and

- (e) the persons who have submitted statements of affairs under section 131,

and containing such other information as may be prescribed by the Rules.

(2) A report prepared under subsection (1) shall include summaries of the statements of affairs submitted to him together with his comments thereon.

(3) The administrative receiver shall, within 14 days of filing the report prepared under subsection (1) with the Registrar—

- (a) send a copy of the report to—
 - (i) the company in receivership or, if it is in liquidation, its liquidator; and
 - (ii) where the company is or at any time has been an Authorised person, to the Commission;
- (b) either send a copy of the report to each creditor of the company or publish a notice in the prescribed form stating the address of an office to which creditors of the company may write for a copy of the report and at which the report can be inspected during normal office hours; and
- (c) call a meeting of unsecured creditors.

(4) Where he is satisfied that the disclosure of information in a report prepared under this section would seriously prejudice the carrying out by him of his functions, the administrative receiver may omit such information from his report.

(5) Where a liquidator is appointed after the administrative receiver has sent a copy of his report to the company under subsection (3)(a), he shall within 7 days of the date of appointment of the liquidator send a copy of his report to the liquidator.

(6) This section does not apply to a receiver appointed—

- (a) to act jointly with an existing administrative receiver; or

- (b) to act in place of an administrative receiver who has died or ceased to act,

where subsections (1), (3) and (5) have been complied with by the existing administrative receiver or by his predecessor.

(7) An administrative receiver who fails to comply with this section commits an offence and is liable—

- (a) on summary conviction to a fine at level 4 on the standard scale;
- (b) on conviction on indictment to imprisonment for 6 months or a fine at level 5 on the standard scale, or both.

Application for permission not to call meeting of creditors.

133.(1) An administrative receiver may apply to the Court for an order permitting him not to call a meeting of creditors under section 132(3)(c) and, subject to subsection (2), the Court may make such an order subject to such terms as it considers appropriate.

- (2) The Court shall not make an order under subsection (1) unless—
 - (a) the administrative receiver has stated in his report prepared under 132(1) his intention of applying for the order;
 - (b) the report has been sent to the persons referred to in section 132(3)(a) not less than 14 days prior to the date of the hearing of the application; and
 - (c) where he publishes a notice under section 132(3)(b), he stated his intention to apply for the order in that notice.

PART 5

**PROVISIONS APPLICABLE TO
LIQUIDATION AND BANKRUPTCY**

Interpretation.

134. For the purposes of this Part—

“debtor” means a company in liquidation or an individual in bankruptcy;

“insolvency proceeding” means in the case of a company, its liquidation and in the case of an individual, his bankruptcy; and

“prescribed minimum” means the sum specified in the Rules as the minimum amount of the debt for which a statutory demand may be issued.

Insolvency set-off.

135.(1) This section applies where, before the relevant time, there have been mutual credits, mutual debts or other mutual dealings between a debtor and a creditor claiming or intending to claim for a debt in the insolvency proceeding.

(2) Subject to section 136 and subsections (3) to (6)—

(a) where this section applies, an account shall be taken of what is due from each party to the other in respect of the mutual dealings, and the sum due from one party shall be set-off against the sums due from the other party; and

(b) only the balance, if any, of the account owed

(i) to the creditor may be claimed in the insolvency proceeding; or

(ii) to the debtor shall be paid to the liquidator, or bankruptcy trustee, as part of the assets of the debtor.

(3) Where all or part of the balance referred to in subsection (2)(b)(ii) as owed to the debtor results from a contingent or prospective debt owed by the creditor, the balance, or that part of the balance which results from the contingent or prospective debt, is payable if and when the debt becomes due and payable.

(4) A sum shall be regarded as being due to or from the company for the purposes of subsection (2) if it constitutes a liability within the meaning of section 6.

(5) Sections 138, 139 and 140 apply, as appropriate, for the purposes of this section to—

- (a) any obligation to or from the debtor which, because it is a contingency or for any other reason, it does not bear a certain value; or
- (b) any sums due to the debtor which—
 - (i) are of a periodical nature;
 - (ii) bear interest; or
 - (iii) are payable in a currency other than pounds.

(6) The provisions of the Rules concerning debts payable at a future time apply for the purposes of this section to any sum due to or from the debtor which is payable in the future.

Exclusions from section 135.

136.(1) Section 135 does not apply to—

- (a) any debt arising out of an obligation incurred at a time when, in the case of a company, the creditor had notice that—
 - (i) an application to the Court for the appointment of a liquidator was pending; or
 - (ii) a meeting of the members had been called to consider the appointment of a liquidator under section 146;

- (b) any debt arising out of an obligation incurred at a time when, in the case of an individual, the creditor had notice that an application had been made to the Court for a bankruptcy order against the individual;
- (c) any debt arising out of an obligation where, in the case of a company—
 - (i) the liquidation was immediately preceded by an administration; and
 - (ii) at the time the obligation was incurred the creditor had notice that an application to the Court for an administration order was pending;
- (d) in the case of a company, any debt arising out of an obligation incurred during an administration which immediately preceded the liquidation; or
- (e) any debt which has been acquired by a creditor by assignment or otherwise, pursuant to an agreement between the creditor and any other party where that agreement was entered into—
 - (i) after the commencement of the insolvency proceeding;
 - (ii) in the case of a company, at a time when the creditor had notice of a matter specified in subsection (1)(a)(i) or (ii);
 - (iii) in the case of an individual, at a time when the creditor had notice that an application had been made to the Court for a bankruptcy order against the individual;
 - (iv) in the case of a company, where the liquidation was immediately preceded by an administration, at a time when the creditor had notice that an application for an administration order was pending; or

- (v) during an administration which immediately preceded the liquidation.

(2) Where, before the relevant time, a creditor waives or agrees that he will not claim the benefit of a set-off under section 135, that waiver or agreement takes effect notwithstanding that section, except to the extent that a creditor who was not a party to the agreement, or has not agreed otherwise, is prejudiced.

(3) Where any provision of section 135 conflicts with the Financial Collateral Arrangements Act or the Financial Markets and Insolvency (Settlement Finality) Regulations 2002, that Act or those Regulations prevail.

Validity of agreements to subordinate debt.

137. Where, before the relevant time, a creditor acknowledges or agrees that, in the event of a shortfall of assets, he will accept a lower priority in respect of a debt than that which he would otherwise have under this Act, that acknowledgement or agreement takes effect notwithstanding the provisions of this Act, except to the extent that a creditor of the debtor who was not a party to the agreement is prejudiced.

Quantification of claims in liquidation and bankruptcy.

138.(1) This section applies to the quantification of a claim in the liquidation of a company or the bankruptcy of an individual.

- (2) The amount of a claim shall be quantified as at the relevant time.

(3) Where a claim is subject to a contingency or, for any other reason, the amount of the claim is not certain, the liquidator, or the bankruptcy trustee, shall—

- (a) agree an estimate of the value of the claim as at the relevant time; or
- (b) apply to the Court to determine the amount of the claim.

(4) On an application by the liquidator or the bankruptcy trustee under subsection (3)(b), the Court may—

- (a) determine the amount of the claim itself; or

- (b) determine a method to be used by the liquidator or the trustee for calculating the amount of the claim.

(5) In the case of rent and other payments of a periodic nature, a claim may include any amounts due and unpaid at the relevant time and where, at the relevant time, a payment was accruing due, the claim may include so much as would have fallen due at that time if the liability had been accruing from day to day.

(6) A claim based on a liability that, at the relevant time, was not payable by the company until after the relevant time shall be discounted in accordance with the Rules.

- (7) Interest may be included in a claim as provided by section 139.

Interest on claims.

139.(1) Subject to sections 207 and 375, a claim in the liquidation of a company or the bankruptcy of an individual shall not include an amount for interest in respect of a period after the relevant time.

(2) If it was agreed between the debtor and a creditor that the debt on which the creditor's claim is based would bear interest, the claim may include interest, at the agreed rate, up to the relevant time.

(3) A claim made by a creditor other than one referred to in subsection (2) may include interest up to the relevant time if—

- (a) the debt on which the claim is based is due by virtue of a written instrument and was payable at a certain time before the relevant time; or
- (b) if, before the relevant time, the creditor made written demand on the debtor and the demand stipulated that interest would be payable on the debt from the date of the demand until payment of the debt.

(4) The amount of interest that may be included in a claim under this section is—

- (a) in the case of a debt referred to in subsection (3)(a), interest at the judgment rate for the period from the date that the debt was payable to the relevant time; and
- (b) in the case of a debt referred to in subsection (3)(b), interest at the judgment rate for the period from the date of the written demand to the relevant time.

Claim in currency other than pounds.

140.(1) The amount of a claim based on a liability incurred or payable in a currency other than pounds shall be converted into pounds at the rate of exchange prevailing at the relevant time.

(2) For the purposes of subsection (1), the rate of exchange should be ascertained in such manner as may be prescribed by the Rules.

Statutory demand.

141.(1) A creditor may serve a demand on a person for payment of a debt owed by that person to him.

- (2) A statutory demand shall—
 - (a) be in respect of a debt that is due at the time of the demand, the amount of which is not less than the prescribed minimum;
 - (b) be in writing and shall specify the nature of the debt and its amount;
 - (c) be dated and shall be signed by the creditor or by a person authorised to make demand on the creditor's behalf;
 - (d) require the person to pay the debt or to secure or compound for the debt to the reasonable satisfaction of the creditor within 21 days of the date of service of the demand on him;
 - (e) state that if the demand is not complied with, application may be made to the Court for the appointment of a liquidator or for a bankruptcy order, as the case may be;

- (f) set out the rights of the person to make application to set the demand aside under section 142; and
- (g) comply with, and be served in accordance with, the Rules.

(3) If the creditor making demand under subsection (1) is a secured creditor in respect of the debt, the full amount of the debt shall be specified in the demand, but—

- (a) the demand shall specify the nature of the security interest, and the value which the creditor places on it at the date of the demand; and
- (b) the amount claimed—
 - (i) shall be the full amount of the debt less the amount specified as the value of the security interest; and
 - (ii) must equal or exceed the prescribed minimum.

Application to set aside statutory demand.

142.(1) Where a person has been served with a statutory demand he may apply to the Court for an order setting it aside.

(2) An application under subsection (1) shall be made within 21 days of the date of service of the demand on him.

(3) The Court is not to extend the time for making an application to set aside a statutory demand.

(4) A person applying to set aside a statutory demand under this section shall give 7 days' notice of the hearing to the creditor or, where a person is named in the demand as the person with whom communications in respect of the demand should be made, to that person.

(5) Where a person makes an application under this section, the time for compliance with the requirements of the statutory demand is extended until—

- (a) the date on which the application is determined; or
- (b) such later date as the Court may fix under section 143(5).

Hearing to set aside statutory demand.

143.(1) The Court shall set aside a statutory demand if it is satisfied that—

- (a) there is a substantial dispute as to whether—
 - (i) the debt, or
 - (ii) a part of the debt sufficient to reduce the undisputed debt to less than the prescribed minimum,

is owing or due;

- (b) the person on whom the statutory demand was served has a reasonable prospect of establishing a set-off, counterclaim or cross claim in an amount equal to or greater than the amount specified in the demand less the prescribed minimum; or
- (c) the creditor holds a security interest in respect of the debt claimed and the value of the security interest is equal to or greater than the amount specified in the demand less the prescribed minimum.

(2) If the Court is satisfied that the amount of the creditor's debt is less than the amount specified in the statutory demand, but it equals or exceeds the prescribed minimum, it may make an order—

- (a) varying the demand to show the amended debt; and
- (b) declaring the demand to have had effect, as varied, as from the date of service of the demand.

(3) If the Court is satisfied that the security interest of a secured creditor has been under-valued in the statutory demand, the Court may require the creditor to amend the demand accordingly, but without prejudice to his right to make application for the appointment of a liquidator or for a bankruptcy order, as the case may be.

(4) The Court may set aside a statutory demand if it is satisfied that substantial injustice would otherwise be caused—

- (a) because of a defect in the demand, including a failure to comply with section 141(3); or
- (b) for some other reason.

(5) If, on hearing an application to set aside a statutory demand, the Court is satisfied that there are no grounds for setting aside the statutory demand, the Court shall dismiss the application but may extend the time for compliance with the statutory demand.

(6) Having considered the evidence before it on a hearing under this section, the Court may either summarily determine the application or adjourn it giving such directions as it considers appropriate.

PART 6

LIQUIDATION OF COMPANIES

Preliminary

Scope of this Part and jurisdiction.

144.(1) This Part applies to the liquidation of companies.

(2) The jurisdiction of the Court in relation to the liquidation of a company is subject to Article 3 of the EC Insolvency Regulation.

Commencement and duration of liquidation.

145.(1) A company is put into liquidation by the appointment of a liquidator.

- (2) A liquidator may be appointed in respect of a company only by—
 - (a) the members of the company under section 146; or
 - (b) the Court under section 160.

(3) The liquidation of a company commences at the time at which the liquidator is appointed and continues until it terminates in accordance with section 224.

Appointment of Liquidator by Members

Members' resolution.

146.(1) Subject to section 147, the members of a company may, by special resolution, appoint an eligible insolvency practitioner as liquidator of the company.

(2) The Official Receiver may be appointed as liquidator of a company where a special resolution has been passed by reason of the Official Receiver exercising votes attached to shares in the company of—

- (a) another company or an unregistered company of which the Official Receiver is liquidator; or
- (b) a bankrupt of which the Official Receiver is bankruptcy trustee.

Restrictions on appointment of liquidator by members.

147.(1) The members of a company may not appoint a liquidator of the company if—

- (a) an application to the Court to appoint a liquidator has been filed and served but not yet determined;
- (b) a liquidator has been appointed by the Court; or
- (c) the person to be appointed liquidator has not consented in writing to his appointment.

(2) The members of a company that is an Authorised person may not appoint a liquidator of the company unless at least 5 business days written notice of the resolution, or such shorter period as the Commission may accept in writing, has been given to the Commission.

(3) Subject to section 146(2), the members of a company may not appoint the Official Receiver as liquidator of the company.

(4) Any resolution of the members that purports to appoint a liquidator contrary to this section is void and of no effect.

(5) The acts of a liquidator appointed in breach of subsection (1)(a) are valid provided that he is not aware of the breach and the acts are carried out in good faith.

Notice to liquidator.

148.(1) Where the members appoint a liquidator under section 146, the company shall, as soon as practicable, give the liquidator notice of his appointment.

(2) A company that contravenes subsection (1) commits an offence and is liable on summary conviction to twice the statutory maximum fine.

Appointment of liquidator by the Court

Grounds for appointment of liquidator of company.

149.(1) The Court may appoint the Official Receiver or an eligible insolvency practitioner as the liquidator of a company if—

- (a) the company is insolvent;
- (b) the number of members is reduced below the minimum number required under the Companies Act;
- (c) the Court is of the opinion that it is just and equitable that a liquidator should be appointed; or
- (d) the Court is of the opinion that it is in the public interest for a liquidator to be appointed.

(2) Without limiting subsection (1)(d)—

- (a) the “public” includes the public within and outside Gibraltar; and
- (b) the preservation of the reputation of Gibraltar is a matter of public interest.

(3) The Court may not appoint a liquidator of a company that is in liquidation, whether by virtue of the appointment of a liquidator—

- (a) by the Court; or
- (b) by a valid resolution of the members under section 146.

Applicants for order appointing liquidator of company.

150.(1) Subject to this section, any one or more of the following may apply to the Court for the appointment of a liquidator of a company—

- (a) the company;
- (b) a creditor;
- (c) a member;
- (d) the directors;
- (e) a director;
- (f) the Minister under section 152;
- (g) The Commission under section 153;
- (h) if the company is in administration, the administrator under section 62;
- (i) the administrative receiver of the company;
- (j) the supervisor of a creditors' arrangement in respect of the company;
- (k) a liquidator, within the meaning of Article 2(b) of the EC Insolvency Regulation, appointed in proceedings by virtue of Article 3(1) of the EC Insolvency Regulation;
- (l) a temporary administrator within the meaning of Article 38 the EC Insolvency Regulation.

(2) Where a creditors' arrangement has terminated, the person who, immediately before the termination of the arrangement, was the supervisor is treated as the supervisor for the purposes of this section.

(3) Where an order is made at a time when an arrangement is in force in respect of the company, the Court may appoint the supervisor of the arrangement as liquidator of the company.

(4) An applicant may, in his application under this section, propose an eligible insolvency practitioner as liquidator of the company.

Restrictions on applications.

151.(1) An application for the appointment of a liquidator may be made by a director only on the ground that the company is insolvent.

- (2) The leave of the Court is required for an application by—
- (a) a director, or
 - (b) if the ground for the application is the company's insolvency, a member,

and the Court shall not grant leave unless the Court is satisfied that there is a *prima facie* case that the company is insolvent.

(3) An application to appoint a liquidator on the public interest ground may only be made by the Minister under section 152 or the Commission under section 153.

Application by the Minister.

152.(1) The Minister may apply to the Court for the appointment of a liquidator of a company on the public interest ground.

- (2) The Minister may apply to the Court for the appointment of a liquidator of an SE on the public interest ground where—
- (a) The registered office of the SE is in Gibraltar; and
 - (b) the SE is not in compliance with Article 7 of the EC European Company Regulation.

(3) Where the Minister makes an application under subsection (2), this Part applies with respect to the application, and if an order is made on the application, to the liquidation of the SE, as if the SE was a company.

Application by Commission.

153. The Commission may make application to appoint a liquidator of a company only—

- (a) if the company—
 - (i) is or at any time has been an Authorised person; or
 - (ii) is carrying on, or at any time has carried on, unauthorised financial services business;
- (b) on the grounds that the company is insolvent or that it is in the public interest for a liquidator to be appointed; and
- (c) if the Minister has consented in writing to the Commission making the application.

Withdrawal of application.

154. An application for the appointment of a liquidator may not be withdrawn except with the leave of the Court.

Advertisement of application.

155.(1) Unless the Court otherwise orders, an application for the appointment of a liquidator shall be advertised in accordance with the Rules—

- (a) if the company is the applicant, not less than 7 days before the date set for the application to be heard; or
- (b) if the company is not the applicant, not less than 7 days after service of the application on the company and not less than 7 days before the date set for the application to be heard.

(2) If the application is not advertised in accordance with this section and the Rules, the Court may dismiss it.

Substitution of applicant.

156. The Court may, by order, substitute as applicant in an application for the appointment of a liquidator, a creditor or member who is entitled to make such an application if—

- (a) the applicant applies to withdraw the application or consents to it being dismissed;
- (b) the Court considers that the application is not being diligently proceeded with;
- (c) the applicant is not entitled to make the application; or
- (d) the Court for any other reason considers it appropriate to do so.

Period within which application shall be determined.

157.(1) Subject to subsection (2), an application for the appointment of a liquidator shall be determined within 6 months after it is filed.

(2) The Court may, upon such conditions as it considers appropriate, extend the period referred to in subsection (1) for one or more periods not exceeding 3 months each if—

- (a) it is satisfied that special circumstances justify the extension; and
- (b) the order extending the period is made before the expiry of that period or, if a previous order has been made under this subsection, that period as extended.

(3) If an application is not determined within the period referred to in subsection (1) or within that period as extended, it is deemed to have been dismissed.

(4) Section 493(1) shall not apply to the time periods specified in this section.

Restrictions on company's opposition to application.

158.(1) In so far as an application for the appointment of a liquidator on the grounds that it is insolvent relies on a failure by the company to comply with a statutory demand, the company may not, without the leave of the Court, oppose the application on a ground—

- (a) that the company relied on for the purposes of an application by it for the demand to be set aside; or
- (b) that the company could have so relied on, but did not so rely on (whether it made such an application or not).

(2) The Court shall not grant leave under subsection (1) unless it is satisfied that the ground is material to proving that the company is solvent.

Power to stay or restrain proceedings.

159.(1) Where an application for the appointment of a liquidator or provisional liquidator of a company has been made but not yet determined or withdrawn, the applicant or any person who is entitled to apply for the appointment of a liquidator of the company under section 149 or under any other enactment may—

- (a) where any action or proceeding is pending against the company in the Court, the Court of Appeal or the Privy Council, apply to the Court, the Court of Appeal or the Privy Council, as the case may be, for a stay of the action or proceeding; or
- (b) where any action or proceeding is pending against the company in any other Gibraltar court or tribunal, apply to the Court for a stay of the action or proceeding.

Court's powers on hearing application.

160.(1) On the hearing of an application for the appointment of a liquidator, the Court may—

- (a) appoint a liquidator of the company on one or more of the grounds specified in section 149;

- (b) dismiss the application, even if a ground on which the Court could appoint a liquidator has been proved;
- (c) adjourn the hearing conditionally or unconditionally; or
- (d) make any interim order or other order that it considers appropriate.

(2) The Court shall not refuse to appoint a liquidator of a company merely because—

- (a) the assets of the company are subject to a security interest in respect of an amount equal to or greater than the value or amount of the assets;
- (b) the company has no assets; or
- (c) where the applicant is a member, if the order were made, no assets of the company would be available for distribution among the members.

(3) Subject to subsection (4), where an application to appoint a liquidator is made by a member under on the just and equitable ground, the Court shall appoint a liquidator if it is of the opinion that—

- (a) the applicant is entitled to relief either by the appointment of a liquidator or by some other means; and
- (b) in the absence of any other remedy it would be just and equitable to appoint a liquidator.

(4) Subsection (3) does not apply where the Court is of the opinion that—

- (a) some other remedy is available to the applicant; and
- (b) the applicant is acting unreasonably in seeking to have a liquidator appointed instead of pursuing that other remedy.

Provisional Liquidator

Application for appointment of provisional liquidator.

161.(1) Where an application to the Court for the appointment of a liquidator of a company has been made but not determined or withdrawn, application may be made to the Court for the appointment of a provisional liquidator by—

- (a) the applicant for the appointment of a liquidator; or
- (b) any person who is entitled to apply for the appointment of a liquidator of the company under section 149 or under any other enactment.

(2) An application under subsection (1) by a member or a director may only be made with the leave of the Court.

(3) On an application under subsection (1), the Court may appoint the Official Receiver or an eligible insolvency practitioner as provisional liquidator of the company if—

- (a) the company, in respect of which the application to appoint a liquidator has been made, consents; or
- (b) the Court is satisfied that the appointment of a provisional liquidator is—
 - (i) necessary for the purpose of maintaining the value of assets owned or managed by the company;
 - (ii) otherwise in the interests of creditors, or any class of creditors; or
 - (iii) in the public interest.

(4) The Court may appoint a provisional liquidator on such terms as it considers appropriate and may, as a condition precedent to the appointment, require the applicant to deposit at Court, or otherwise secure to the satisfaction of the Court, such sum as the Court considers reasonable to cover the remuneration and expenses of the provisional liquidator.

Rights and powers of provisional liquidator.

162.(1) Subject to subsection (2), a provisional liquidator has the rights and powers of a liquidator to the extent necessary to maintain the value of the assets owned or managed by the company or to carry out the functions for which he was appointed.

- (2) The Court may—
- (a) limit the powers of a provisional liquidator in such manner and at such times as it considers appropriate; or
 - (b) give such directions to the provisional liquidator as it considers appropriate.

Remuneration of provisional liquidator.

163.(1) The provisional liquidator of a company is entitled to be paid such remuneration as the Court may order applying the general principles specified in section 466 and to be reimbursed for the expenses that he has properly incurred.

- (2) Subject to subsections (4) and (5), the remuneration and expenses of the provisional liquidator is payable—
- (a) if a liquidator is not appointed, out of the assets of the company; or
 - (b) if a liquidator is appointed, as an expense of the liquidation in accordance with the prescribed priority.
- (3) The Court may order the applicant for the appointment of the provisional liquidator to pay or contribute to the remuneration and expenses of the provisional liquidator if it is satisfied that the applicant—
- (a) misled the Court when making the application; or
 - (b) acted unreasonably in applying for the appointment of the provisional liquidator.

(4) If the assets of the company are not sufficient to pay the remuneration and expenses of the provisional liquidator, the Court may order the shortfall, or part of the shortfall, to be paid by the applicant for the appointment of the provisional liquidator.

(5) Unless the Court otherwise orders, if a liquidator of the company is not appointed, the provisional liquidator may retain out of the company's assets such sums or assets as are, or may be, required for meeting his remuneration and expenses.

Termination of appointment of provisional liquidator.

164.(1) The Court may, on the application of the provisional liquidator or of any person specified in section 161(1) or on its own motion, terminate the appointment of a provisional liquidator.

(2) If the Court has not previously terminated the appointment of a provisional liquidator under subsection (1), it terminates on—

- (a) the determination by the Court of the application to appoint a liquidator; or
- (b) the Court granting the applicant leave to withdraw the application under section 154.

(3) On the termination of the appointment of a provisional liquidator, the Court may give such directions or make such order with respect to the accounts of his administration, or to any other matters, as it considers appropriate.

Consequences of Appointment of Liquidator

Effect of liquidation.

165.(1) Subject to subsection (2), with effect from the commencement of the liquidation of a company—

- (a) the liquidator has custody and control of the assets of the company;
- (b) the directors and other officers of the company remain in office, but they cease to have any powers, functions or duties

other than those required or permitted under this Part or authorised by the liquidator;

- (c) unless the Court otherwise orders—
 - (i) no person may commence or proceed with any action or legal proceeding against the company or in relation to its assets;
 - (ii) no person may exercise or enforce, or continue to exercise or enforce any right or remedy over or against assets of the company; and
 - (iii) no share in the company may be transferred;
- (d) no alteration may be made in the status of or to the rights or liabilities of a member, whether by an amendment of the memorandum or articles or otherwise;
- (e) no member may exercise any power under the memorandum or articles, or otherwise, except for the purposes of this Act; and
- (f) no amendment may be made to the memorandum or articles of the company.

(2) Subsection (1) does not affect the right of a secured creditor to take possession of and realise or otherwise deal with assets of the company over which that creditor has a security interest.

Expenses of an arrangement.

166. Where a liquidator of a company is appointed and, at the date that the application was filed, an arrangement was being supervised by a supervisor, the remuneration of the supervisor is a first charge on the assets of the company.

Restrictions on enforcement process already commenced.

167.(1) Subject to subsections (2) and (3), a creditor is not entitled to retain the benefit of any execution process, sequestration, distress or attachment over or against the assets of a company in liquidation unless the execution, process or attachment is completed before—

- (a) where the liquidator was appointed by the members under section 146, the earlier of—
 - (i) the date on which the creditor had notice of the calling of the meeting at which the resolution for the appointment of a liquidator was proposed; or
 - (ii) the date on which the liquidator was appointed; or
 - (b) where the liquidator was appointed by Court the date on which the application to appoint the liquidator was made.
- (2) A person who, in good faith and for value, purchases assets of a company—
- (a) from an officer charged with an execution process, or
 - (b) on which distress has been levied,
- acquires a good title to the assets as against the liquidator of the company.
- (3) The Court may set aside the application of subsection (1) to the extent and subject to such terms as it considers appropriate.
- (4) For the purposes of this section—
- (a) an execution or distraint against personal property is completed by seizure and sale;
 - (b) an attachment of a debt is completed by the receipt of the debt; and
 - (c) an execution against land is completed by sale, and in the case of an equitable interest, by the appointment of a receiver.

Duties of officer in execution process.

168.(1) Subject to subsection (6), where—

- (a) assets of a company are taken in an execution process, and

- (b) before completion of the execution process the officer charged with the execution process receives notice that a liquidator or a provisional liquidator of a company has been appointed,

he shall, on being required by the liquidator or provisional liquidator to do so, deliver or transfer the assets and any money received in satisfaction or partial satisfaction of the execution or paid to avoid a sale of the assets, to the liquidator or provisional liquidator.

(2) The costs of the execution process are a first charge on any asset delivered or transferred to the liquidator under subsection (1) and the liquidator or provisional liquidator may sell all or some of the assets to satisfy that charge.

(3) Subject to subsection (6), if, in an execution process in respect of a judgement for a sum exceeding £500, assets of a company are sold or money is paid to avoid a sale, the officer charged with the execution process shall retain the proceeds of sale or the money paid for a period of 14 days.

(4) If—

- (a) within the period of 14 days referred to in subsection (3), the officer has notice that—
 - (i) a meeting of the members of the company has been called at which a special resolution to appoint a liquidator is to be proposed, or
 - (ii) an application for the appointment of a liquidator of the company has been made to the Court, and

(b) a liquidator is appointed in respect of the company,

the officer shall deduct the costs of execution from the amount that he has retained under subsection (3) and pay the balance to the liquidator.

(5) A liquidator to whom money has been paid under subsection (4) is entitled to retain it as against the execution creditor.

(6) The Court may set aside the rights conferred on a liquidator under this section to the extent and subject to such terms as it considers appropriate.

Notice of Appointment and Initial Meeting of Creditors

Notice of appointment.

169. The liquidator of a company shall, within 14 days of the date of his appointment—

- (a) advertise his appointment in accordance with the Rules;
- (b) file notice of his appointment with the Registrar;
- (c) serve notice of his appointment on the company in respect of which he was appointed; and
- (d) if he has been appointed in respect of a company that is or at any time has been an Authorised person, serve notice of his appointment on the Commission.

Liquidator to call first meeting of creditors.

170.(1) Subject to section 174, the liquidator of a company shall call a meeting of the creditors of the company (the first creditors' meeting) to be held within 21 days of the date of his appointment—

- (a) by sending a notice of the meeting to every creditor not less than 7 days before the date upon which the meeting is to be held; and
- (b) by advertising the meeting in accordance with the Rules.

(2) During the period before the date of the first creditors' meeting, the liquidator shall, at the request of a creditor, furnish that creditor with—

- (a) a list of the creditors of the company known to the liquidator; and
- (b) such other information concerning the affairs of the company as the creditor may reasonably require and that the liquidator is reasonably able to provide.

(3) The liquidator shall attend the first creditors meeting and, if appointed by the members, shall report to the meeting on any exercise by him of his powers since his appointment.

(4) At the first creditors' meeting, the creditors may—

- (a) in the case of a liquidator appointed by the members, appoint another liquidator in his place; or
- (b) in the case of a liquidator appointed by the Court, resolve to make application to the Court for the appointment of another liquidator in his place; and
- (c) in either case, appoint a creditors' committee.

Application to Court by members.

171. Where at a meeting held in accordance with section 170 the creditors appoint a liquidator in the place of the liquidator appointed by the members, a director, member or creditor of the company may apply to the Court for an order that—

- (a) the person appointed by the members is appointed liquidator, or
- (b) some other eligible insolvency practitioner is appointed as liquidator,

in either case, instead of or jointly with the liquidator appointed by the creditors.

Application of sections 170 and 171.

172.(1) Subject to subsection (2), sections 170 and 171 do not apply to a liquidator appointed to act—

- (a) jointly with an existing liquidator; or
- (b) in place of a liquidator who has died or otherwise ceased to act.

(2) Where the first liquidator of a company dies or ceases to act before sections 170 and 171 have been fully complied with, those sections apply to his successor and any continuing liquidator until the sections have been fully complied with.

Restrictions on powers of liquidator appointed by members.

173. Notwithstanding section 177, in the case of a liquidator appointed by the members of a company, during the period before the holding of the first creditors' meeting called under section 170, the powers of the liquidator are limited to—

- (a) taking into his custody and control all the assets to which the company is or appears to be entitled;
- (b) disposing of perishable goods and other assets the value of which is likely to diminish if they are not immediately disposed of;
- (c) doing all such things as may be necessary to protect the company's assets; and
- (d) exercising such other of the powers conferred on a liquidator by section 177 as the Court may, on his application, sanction.

Court appointed liquidator may dispense with creditors' meeting.

174. A liquidator appointed by the Court is not required to call a meeting of creditors under section 170 if—

- (a) he considers that, having regard to the assets and liabilities of the company, the likely result of the liquidation of the company and any other relevant matters that it is not necessary for a meeting to be held;
- (b) he gives notice to the creditors stating—
 - (i) that he does not consider it necessary for a meeting to be held;
 - (ii) the reasons for his view; and

- (iii) that a meeting will not be called unless 10 per cent in value of the creditors give written notice to the liquidator within 10 days of receiving the notice, that they require a meeting to be called; and
- (c) no notice requiring a meeting to be held is received by him.

Liquidators

Status of liquidator.

175.(1) In performing his functions and undertaking his duties under this Act, a liquidator, whether appointed by resolution of the members or by the Court, acts as an officer of the Court.

- (2) A liquidator is the agent of the company in liquidation.

General duties of liquidator.

176.(1) The principal duties of a liquidator of a company are—

- (a) to take possession of, protect and realise the assets of the company;
- (b) to distribute the assets or the proceeds of realisation of the assets in accordance with this Act; and
- (c) if there are surplus assets remaining, to distribute them, or the proceeds of realisation of the surplus assets, in accordance with this Act.

(2) The liquidator shall, subject to this Act and the Rules, use his own discretion in undertaking his duties.

(3) If it appears to the liquidator that the company has carried on unlicensed financial services business, he shall as soon as reasonably practicable report the matter to the Commission.

(4) Where the liquidator makes a report to the Commission under subsection (3) he shall—

- (a) send to the Commission a copy of every notice or other document that he is required under this Part to send to a creditor or the Court; and
- (b) notify the Commission of any application made to the Court in or in connection with the liquidation.

(5) A liquidator also has the other duties imposed by this Act and the Rules and such duties as may be imposed by the Court.

General powers of liquidator.

177.(1) A liquidator of a company has the powers necessary to carry out the functions and duties of a liquidator under this Act and the powers conferred on him by this Act.

(2) Without limiting subsection (1), a liquidator has the powers specified in Schedule 2.

(3) The Court may provide that certain powers may only be exercised with the sanction of the Court—

- (a) where the liquidator is appointed by the Court, on his appointment or subsequently; or
- (b) where the liquidator is appointed by the members, at any time.

(4) Where a liquidator disposes of any assets of the company to a person connected with the company, he shall notify the creditors' committee, if any, of such disposition.

(5) The liquidator of a company, whether or not appointed by the Court, may at any time apply to the Court for directions in relation to a particular matter arising in the liquidation.

(6) The acts of a liquidator of a company are valid, notwithstanding any defect in his nomination, appointment or qualifications.

Removal of liquidator.

178.(1) The Court may, on application by a person specified in subsection (2) or on its own motion, remove the liquidator of a company from office if—

- (a) the liquidator—
 - (i) is not eligible to act as an insolvency practitioner in relation to the company;
 - (ii) breaches any duty or obligation imposed on him by or owed by him under this Act, the Rules or any Regulations made under this Act or, in his capacity as liquidator, under any other enactment or law in Gibraltar; or
 - (iii) fails to comply with any direction or order of the Court made in relation to the liquidation of the company; or

- (b) the Court is satisfied that—
 - (i) the liquidator's conduct of the liquidation is below the standard that may be expected of a reasonably competent liquidator;
 - (ii) the liquidator has an interest that conflicts with his role as liquidator; or
 - (iii) that for some other reason he should be removed as liquidator.

(2) An application to the Court to remove the liquidator of a company may be made by—

- (a) the creditors' committee;
- (b) a creditor of the company or, with the leave of the Court, a member of the company; or
- (c) the Official Receiver.

(3) Where the Court removes a liquidator from office under this section—

- (a) if, following his removal, there is at least one liquidator remaining in office, the Court may appoint an eligible insolvency practitioner as liquidator in his place; or
- (b) if the liquidator removed was the sole liquidator of the company, the Court shall appoint the Official Receiver or an eligible insolvency practitioner as liquidator in his place.

(4) On the hearing of an application under this section, the Court may make any interim or other order it considers appropriate.

Resignation of liquidator.

179.(1) A liquidator of a company—

- (a) shall resign if he is no longer eligible to act as an insolvency practitioner in relation to the company; but
- (b) otherwise may only resign in accordance with this section.

(2) Where a liquidator resigns under subsection (1)(a), he shall send a notice of his resignation to the creditors of the company to the Registrar and to the Official Receiver and, if he was appointed by the Court, to the Court and his resignation takes effect from the date that the notice is received by the Official Receiver.

(3) A liquidator may resign in accordance with subsection (5)—

- (a) if he intends to cease to be in practice as an insolvency practitioner;
- (b) if there is some conflict of interest or change of personal circumstances that precludes or makes impracticable the further discharge by him of his duties; or
- (c) on the grounds of ill health.

(4) Notwithstanding subsection (3), where joint liquidators are appointed in respect of a company, one or more of the joint liquidators may resign in accordance with subsection (5) if—

(a) all the joint liquidators are of the opinion that it is no longer necessary or expedient for the resigning liquidator or liquidators to continue in office; and

(b) at least one of them will remain in office.

(5) Where the liquidator of a company intends to resign on one of the grounds referred to in subsection (3) or under subsection (4), he shall call a meeting of creditors for the purpose of accepting his resignation as liquidator.

(6) If the creditors resolve to accept the resignation of a liquidator, they may appoint an eligible insolvency practitioner as liquidator in his place.

(7) If the creditors refuse or fail to accept the resignation of the liquidator, he may apply to the Court for leave to resign in accordance with the Rules.

(8) This section does not apply to the Official Receiver when acting as the liquidator of a company.

Appointment of replacement liquidator.

180.(1) Where the liquidator of a company dies or resigns under section 179 and no liquidator is appointed in his place, the Court, on the application of a person specified in subsection (2) or on its own motion—

(a) if there is at least one liquidator remaining in place, may appoint an eligible insolvency practitioner as liquidator in his place; or

(b) if the liquidator who has died or resigned was the sole liquidator of the company, shall appoint the Official Receiver or an eligible insolvency practitioner in his place.

(2) An application under subsection (1) may be made—

(a) by any continuing liquidator;

(b) by the creditors' committee, if any; or

(c) by the Official Receiver.

(3) Where the Official Receiver is the liquidator of a company, an eligible insolvency practitioner may be appointed in his place—

- (a) on the application of the Official Receiver, by the Court; or
- (b) with the consent of the Official Receiver, by resolution of the creditors at a meeting called by the Official Receiver for that purpose.

(4) An application may be made under subsection (3) notwithstanding that the Court has refused to make an appointment on a previous application by the Official Receiver.

Remuneration of liquidator.

181. The remuneration payable to the liquidator of a company shall be fixed applying the principles set out in section 466.

Notification of liquidation on public documents.

182.(1) Where a company is in liquidation the company's website, if any, and every document of a type specified in subsection (2) shall—

- (a) contain a statement that the company is in liquidation; and
- (b) specify the name of the liquidator.

(2) Subsection (1) applies to—

- (a) every public document issued by or on behalf of the company;
- (b) every public document issued by or on behalf of the liquidator of the company on which the name of the company appears.

(3) A failure to comply with subsection (1) does not affect the validity of the document.

(4) If subsection (1) is contravened each liquidator of the company who, without reasonable excuse, causes, permits or acquiesces in the contravention, commits an offence and is liable—

- (a) on summary conviction to imprisonment for 6 months or a fine at level 4 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 12 months or a fine at level 5 on the standard scale, or both.

Vesting of assets in liquidator.

183.(1) On the application of the liquidator of a company, the Court may order that all or any part of the assets of the company, or held by trustees on its behalf, shall vest in the liquidator from the date of the order.

(2) On the making of an order under subsection (1), the assets covered by the order vest in the liquidator by his official name.

(3) The liquidator of a company may, after giving such indemnity, if any, as the Court may direct, bring or defend in his official name any action or other legal proceeding which relates to the vested assets or which it is necessary to bring or defend for the purposes of liquidating the company and recovering its assets.

Liability of Members and Former Members

Settlement of list of members.

184.(1) Subject to subsection (7), the liquidator of a company shall, as soon as practicable after his appointment, settle a list of the members of the company containing the information and in the form prescribed by the Rules.

(2) Forthwith after settling the list of members, the liquidator shall give notice to every person included in the list that he has done so in accordance with the Rules.

(3) If a person objects to any entry in, or exclusion from, the list of members as settled by the liquidator which is not accepted by the liquidator, he may apply to the Court for an order removing the entry to which he objects or, as the case may be, modifying the entry.

(4) An application under subsection (3) shall be made within 21 days of the service on the applicant of the liquidator's notice declining to accept the objection.

(5) The liquidator of a company is not personally liable for the costs incurred by a person in an application under subsection (3) unless the Court makes an order to that effect.

(6) The liquidator may from time to time vary or add to the list of members as previously settled by him and any variation or addition is subject, as regards any person affected, to the provisions of the Act and the Rules applicable to the settling of the list.

(7) The liquidator is not required to settle a list of members under this section if it appears to him that it will not be necessary to require any member to contribute to the assets of the company or to adjust the rights of members.

Rectification of register of members.

185.(1) If it appears to the liquidator of a company that the register of members of the company should be rectified, he may apply to the Court for an order under this section.

(2) On an application under subsection (1), the Court may rectify the register of members of the company.

Liability of members and former members.

186.(1) Subject to sections 187 to 193, every member and former member of a company in liquidation is liable to contribute to the assets of a company in liquidation for the payment of its liabilities, for the expenses of the liquidation and for the adjustment of the rights of the members between themselves.

(2) The liability of a member or former member under this section creates a contract debt accruing due from him at the time when his liability commenced, but payable at the times when calls are made for enforcing the liability.

Liability of members limited.

187.(1) Unless the memorandum of a company provides that the liability of a member is unlimited, the liability of a member under section 186 is limited to—

- (a) any amount unpaid on a share held by the member, including any liability for calls; and
 - (b) any liability expressly provided for in the memorandum or articles, including such contribution as the member of a company limited by guarantee, or by shares and guarantee, may have undertaken to make in the event of the company being wound up.
- (2) Subsection (1) does not affect–
- (a) any liability of the member to pay or repay monies to the company imposed by a provision of this Act or the Companies Act; or
 - (b) any liability of a member to the company under a contract, including a contract for the issue of shares, or for any tort, breach of fiduciary duty or other actionable wrong committed by the member.

Liability of former members limited.

188.(1) Subject to subsections (2) and (3), unless the Court is satisfied that the members of a company are able to discharge the liabilities set out in section 186, a former member of a company in liquidation is liable to contribute to the assets of the company for the purposes specified in that section to the same extent as a member.

- (2) A former member–
- (a) has no liability under section 186 if he ceased to be a member more than one year prior to the commencement of the liquidation; and
 - (b) is not liable to contribute to the assets of the company in respect of any liability of the company contracted after he ceased to be a member.

Liability where limited company becomes unlimited company.

189.(1) This section applies where an unlimited company in liquidation was at some former time registered as a limited company.

(2) A person who ceased to be a member of a company before the company became registered as an unlimited company, and has not since become a member of the company, is liable to contribute to the assets of the company only to the extent that he would have been liable had the company remained registered as a limited company.

Liability where unlimited company becomes limited company.

190.(1) This section applies where a limited company in liquidation was at some former time registered as an unlimited company.

(2) Notwithstanding sections 187 and 188, if a company referred to in subsection (1) enters into liquidation within the period of one year from the date on which it was registered as a limited company, a person who was a member of the company at the date of its registration as a limited company is liable, without limit, to contribute to the assets of the company in respect of liabilities contracted before that time.

Liability of personal representative.

191. The personal representatives of a member or former member liable to contribute under section 186, who has died, are liable to contribute out of his estate to the assets of the company under section 186 to the same extent as the member.

Effect of member or former member becoming bankrupt.

192. The liquidator of a company is entitled to submit a claim in the bankruptcy or liquidation of any member or former member of the company in respect of any contribution that the member or former member is required to make under section 186.

Status of personal representatives or bankruptcy trustee.

193. The personal representatives and the bankruptcy trustee of a member or former member of a company in liquidation are entitled to make any application to Court, or take any such other action, as could be made or taken by the member or former member.

Insurance and other contracts not affected.

194. Nothing in this Act invalidates any provision contained in a policy of insurance or other contract whereby the liability of individual members on the policy or contract is restricted or whereby the funds of the company are alone made liable in respect of the policy or contract.

Power of liquidator to enforce liability of member or former member.

195.(1) The liquidator of a company may—

- (a) if a member is liable to calls, make calls on that member; and
- (b) if a member or former member is liable to the company, as a member under section 186, require him, by notice in writing, to discharge that liability.

(2) A call made under subsection (1)(a) shall be in writing and shall specify the amount of, or balance due in respect of, the call.

(3) The liability of a member under subsection (1) includes a liability of the estate of the person he represents.

(4) In the case of an unlimited company, a member may set-off against a liability under subsection (1)(b) any money due to him, or to the estate which he represents, from the company on any independent dealing or contract with the company, but not any money due to him as a member of the company in respect of any dividend or profit.

(5) The liquidator may enforce the liability of a member under subsection (1) only if that member is on the list of members settled by him under section 184.

Summary remedy against members and former members.

196.(1) The liquidator may apply to the Court for an order under this section if—

- (a) a member of a company fails to comply with a call made under section 195(1)(a); or

(b) a member or former member fails to satisfy a liability when required to do so under 195(1)(b).

(2) On an application under subsection (1), the Court may order a member or former member to pay to the company any money due from him, or due from the estate of the person who he represents.

(3) In the case of any company, whether limited or unlimited, when all the creditors are paid in full, together with interest at the judgment rate, any money due on any account whatever to a member from the company may be allowed to him by way of set-off against any subsequent call.

Order under section 196 to be conclusive evidence.

197. An order made against a member under section 196 is, subject to any right of appeal, conclusive evidence that the money, if any, ordered to be paid is due.

Claims

Distribution of assets of company.

198.(1) Unless and to the extent that this Act or any other enactment provides otherwise, the assets of a company in liquidation shall be applied—

- (a) in paying, in priority to all other claims, the costs and expenses properly incurred in the liquidation in accordance with the prescribed priority;
- (b) after payment of the costs and expenses of the liquidation, in paying the preferential claims admitted by the liquidator in accordance with the provisions for the payment of preferential claims prescribed by the Rules;
- (c) after payment of the preferential claims, in paying all other claims admitted by the liquidator; and
- (d) after paying all admitted claims, in paying any interest payable under section 207.

(2) Subject to section 137, the claims referred to in subsection (1)(c) rank equally between themselves if the assets of the company are insufficient to meet the claims in full, they shall be paid rateably.

(3) Any surplus assets remaining after payment of the costs, expenses and claims referred to in subsection (1) shall be distributed to the members in accordance with their rights and interests in the company.

(4) For the purposes of this Act, assets held by a company in liquidation on trust for another person are not assets of the company.

Sums due to members.

199.(1) A claim by a person who is or was a member of a company, in his character as member, whether by way of dividend, profits, redemption proceeds or otherwise, ranks in priority after the claims of other creditors who are not members, including interest at the judgment rate on the claims of such creditors.

(2) Claims specified in subsection (1) shall be taken into account for the purpose of the final adjustment of the rights of members amongst themselves.

Claims having priority over floating charges.

200.(1) So far as the assets of a company in liquidation available for payment of the claims of unsecured creditors are insufficient to pay—

- (a) the costs and expenses of the liquidation in accordance with the prescribed priority; and
- (b) the preferential creditors;

those costs, expenses and claims have priority over the claims of chargees in respect of assets that are subject to a floating charge created by the company and shall be paid accordingly out of those assets.

Claims by unsecured creditors.

201.(1) An unsecured creditor may make a claim against a company in liquidation by submitting to the liquidator a written claim, signed by him or on his behalf.

(2) The liquidator may require an unsecured creditor who intends to submit, or who has submitted, a claim under subsection (1)–

- (a) to verify his claim by affidavit;
- (b) to provide further particulars of his claim; or
- (c) to provide him with documentary or other evidence to substantiate the claim.

(3) Subject to subsection (7), as soon as reasonably practicable after receiving a claim under subsection (1) from a creditor who has complied with any requirements that the liquidator may have imposed under subsection (2), the liquidator shall either admit or reject the claim in whole or in part.

(4) If the liquidator rejects the claim, whether in whole or in part, he shall as soon as practicable provide the creditor with a notice of rejection in which the reasons for the rejection of the claim shall be specified.

(5) Unless the Court otherwise orders, a creditor shall bear the costs of making a claim under this section, including the costs of complying with any requirements imposed by the liquidator under subsection (2).

(6) The liquidator shall not admit a claim against the company unless it has been made in accordance with this section.

(7) The liquidator is not required to admit or reject claims under subsection (3) at any time when it appears to him that the company has insufficient assets to enable a distribution to be made to unsecured creditors.

(8) A person who makes or authorises the making of a claim under this section knowing that–

- (a) the claim is false or misleading in a material matter; or
- (b) a material fact or matter has been omitted from the claim,

commits an offence.

(9) A person who commits an offence under subsection (8) is liable–

- (a) on summary conviction to imprisonment for 12 months or a fine at level 4 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 5 years or a fine at twice the statutory maximum, or both.

Variation , withdrawal and expunging of claims.

202.(1) A claim made under section 201 may–

- (a) be amended or withdrawn by the creditor at any time before the liquidator has admitted it; and
- (b) be amended or withdrawn by agreement between the creditor and the liquidator at any time after the liquidator has admitted it.

(2) The Court, on the application of the liquidator or, where the liquidator declines to make application under this subsection, a creditor, may expunge or amend an admitted claim if it is satisfied that the claim should not have been admitted or should be reduced.

Claims by secured creditors.

203.(1) A secured creditor may–

- (a) value the assets subject to the security interest and claim in the liquidation of a company as an unsecured creditor for the balance of his debt, or
- (b) surrender his security interest to the liquidator for the general benefit of creditors and claim in the liquidation as an unsecured creditor for the whole of his debt,

but he is not obliged to do either.

(2) A secured creditor may, at any time, apply to the liquidator to amend the value that he placed on the security interest in his claim.

(3) If, on receiving an application under subsection (2), the liquidator is satisfied that–

- (a) the value placed on the security interest was an estimate made in good faith on a mistaken basis; or
- (b) the value of the security interest has subsequently changed,

he may permit the secured creditor to amend the value that he places on the security interest.

(4) If the liquidator of a company is dissatisfied with the value placed on a security interest by a secured creditor, whether under subsection (1)(a) or on an amendment under subsection (3), he may require the assets comprised in the security interest to be offered for sale.

(5) A sale under subsection (4) is to be on such terms and conditions as are agreed by the secured creditor and the liquidator or, in default, as the Court determines.

(6) If assets are offered for sale by public auction, both the secured creditor and the liquidator are entitled to bid for and purchase them.

Redemption of security interest by liquidator.

204.(1) Where a secured creditor has claimed in the liquidation of a company under section 203(1)(a), the liquidator may at any time give notice to the creditor that he proposes at the expiration of 28 days from the date of the notice to redeem the security interest at the value placed on it by the creditor.

(2) A secured creditor who receives a notice under subsection (1) may, within 21 days of the date of the notice, apply to the liquidator to revise the value that he places on the security interest in accordance with section 203(2).

(3) At the expiration of 28 days from the date of the notice under subsection (1), the liquidator may redeem the security interest at the value placed on it by the creditor unless—

- (a) the secured creditor has applied to the liquidator to amend the value that he places on the security interest and that application has not been determined; or

- (b) the secured creditor has appealed to the Court against the refusal of the liquidator to permit him to amend the value that he places on his security interest, and that appeal has not been determined.

(4) Where, subsequent to a notice to redeem issued under subsection (1), the value placed by the secured creditor on his security interest is amended, whether with the consent of the liquidator or on appeal to the Court, the liquidator may only redeem the security interest at the new value.

(5) A secured creditor may, by serving a notice to elect on the liquidator, require him to elect whether or not to exercise his power to redeem under this section.

(6) Where a notice to elect is served on a liquidator under subsection (5), he is not entitled to redeem the security interest unless he does so within 6 months of the date of service of the notice on him or within such extended period as the Court may allow.

Realisation of security interest by secured creditor.

205.(1) Where a secured creditor realises his security interest and there is a surplus remaining from the net amount realised after satisfaction of the debt secured, he shall account to the liquidator for the surplus, after making any proper payments to the holder of any other security interest over the assets subject to that charge.

(2) Where a secured creditor realises his security interest and the net amount realised is not sufficient to satisfy the liability secured—

- (a) if the creditor has previously valued his security interest and claimed in the liquidation for the balance under section 203(1)(a), the net amount realised is substituted for the value previously placed by the creditor on the security interest; or
- (b) in any other case, the creditor may claim in the liquidation as an unsecured creditor for the balance of the secured liability.

(3) For the purposes of this section, the secured liability includes contractual interest payable to the secured creditor on the liability up to the time of its satisfaction.

Surrender for non-disclosure.

206.(1) Subject to subsection (2), if a secured creditor omits to disclose his security interest when submitting a claim in the liquidation of a company, he shall surrender his security interest for the general benefit of the creditors.

(2) The Court may, on application by a secured creditor who is required to surrender his security interest under subsection (1), if it is satisfied that the omission was inadvertent or the result of an honest mistake by order direct—

- (a) that he is not required to surrender his security interest; and
- (b) that he values his security interest and amends his claim accordingly.

Interest after commencement of liquidation.

207.(1) Interest is payable on any claim in the liquidation of a company in respect of the period after the commencement of the liquidation in accordance with this section.

(2) Any surplus remaining after the payment of all claims in the liquidation of a company shall, before being applied for any other purpose, be applied in paying interest on those claims in respect of the periods during which they have been unpaid since the commencement of the liquidation.

(3) Subject to section 137, all interest payable under this section ranks equally, whether or not the claims on which it is payable rank equally and if the assets of the company are insufficient to meet the claims in full, they shall be paid rateably.

- (4) The rate of interest payable under this section is the greater of—
- (a) the judgment rate; and
 - (b) the rate that would be applicable to the claim if a liquidator of the company had not been appointed.

Distributions

Power to exclude creditors not claiming in time.

208.(1) Where the liquidator of a company has sufficient funds to make a distribution, he shall, subject to the retention of such sums as may be necessary for his remuneration and the other costs and expenses of the liquidation, by written notice sent to the creditors of the company, fix a date on or before which creditors shall submit their claims to him.

(2) Where the liquidator sends a notice to creditors under subsection (1), a creditor who does not submit a claim on or before the date specified in the notice is excluded from the benefit of any distribution on or after that date that is made before he submits his claim.

(3) Where the liquidator makes more than one distribution, subsections (1) and (2) apply to each distribution.

Disclaimer

Liquidator may disclaim onerous property.

209.(1) For the purposes of this section, “onerous property” means—

- (a) an unprofitable contract; or
- (b) assets of the company which are unsaleable or not readily saleable, or which may give rise to a liability to pay money or perform an onerous act.

(2) Subject to section 211, the liquidator of a company may, by the giving of the notice prescribed by the Rules, disclaim any onerous property of the company even though he has taken possession of it, tried to sell or assign it or otherwise exercised rights of ownership in relation to it.

(3) A liquidator who disclaims onerous property shall, within 14 days of the date of the disclaimer notice, give notice to every person whose rights are, to the knowledge of the liquidator, affected by the disclaimer.

(4) A liquidator who contravenes subsection (3) commits an offence and is liable—

- (a) on summary conviction to imprisonment for 6 months or a fine at level 4 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 2 years or a fine at level 5 on the standard scale, or both.

When disclaimer takes effect.

210.(1) Subject to subsection (2), a disclaimer takes effect on the date of the disclaimer.

(2) The disclaimer of property of a leasehold nature does not take effect unless a copy of the disclaimer notice has been given, so far as the liquidator is aware of their addresses, to every person claiming under the company as underlessee or mortgagee and either—

- (a) no application for a vesting order is made under section 213 with respect to that property before the end of a period of 14 days beginning with the day on which the last notice under this subsection was given; or
- (b) where such an application is made, the Court directs that the disclaimer shall take effect.

(3) Where the Court gives a direction under subsection (2)(b), it may also, instead of or in addition to any order it makes under section 213, make such orders with respect to fixtures, tenant's improvements and other matters arising out of the lease as it considers appropriate.

Notice to liquidator to elect whether to disclaim.

211.(1) A person interested in property or whose rights would be effected by the disclaimer of property may, by serving a notice to elect on the liquidator, require him to elect whether or not to disclaim the property.

(2) Where a notice to elect is served on a liquidator, he is not entitled to disclaim the property under section 209 unless he does so within 28 days of the date of service of the notice on him or within such extended period as the Court may allow.

Effect of disclaimer.

212.(1) A disclaimer of onerous property under section 209–

- (a) operates so as to determine, with effect from the date of the disclaimer, the rights, interests and liabilities of the company in or in respect of the property disclaimed; but
- (b) except so far as is necessary to release the company from liability, does not affect the rights or liabilities of any other person.

(2) A person sustaining loss or damage as a result of a disclaimer of onerous property under section 209 may claim in the liquidation of the company as a creditor for the amount of the loss or damage.

Vesting orders and orders for delivery.

213.(1) Subject to section 214, if a liquidator disclaims onerous property under section 209, the Court may make an order under subsection (2) on the application of–

- (a) a person who claims an interest in the disclaimed property; or
- (b) a person who is under a liability in respect of the disclaimed property, that has not been discharged by the disclaimer.

(2) On an application under subsection (1), the Court may, on such terms as it considers appropriate, order that the disclaimed property be vested in or delivered to–

- (a) a person entitled to the property;
- (b) a person under a liability in respect of the property that has not been discharged by the disclaimer; or
- (c) a trustee for a person referred to in paragraph (a) or (b).

(3) The Court shall not make an order in respect of a person specified in subsection (2)(b), or in respect of a trustee of such a person, unless it appears

to the Court that it would be fair to do so for the purpose of compensating the person subject to the liability in respect of the disclaimer.

(4) The effect of any order under this section shall be taken into account in assessing the extent of the loss or damage sustained by a person for the purposes of section 212(2).

(5) Subject to subsection (6), where a vesting order is made under this section vesting property in a person, the property vests immediately without any conveyance, transfer or assignment.

(6) Where another enactment—

- (a) requires the transfer of property vested by an order under this section to be registered; and
- (b) that enactment enables the order to be registered,

on the making of a vesting order, the property vests in equity but does not vest at law until the registration requirements of the enactment have been complied with.

Vesting orders in respect of leases.

214.(1) Where the Court makes an order under section 213 vesting property of a leasehold nature in a person claiming under the company in liquidation as an underlessee or a mortgagee, the vesting order shall be made on terms that make that person subject—

- (a) to the same liabilities and obligations as the company was subject to under the lease at the commencement of the liquidation; or
- (b) to the same liabilities and obligations as that person would have been subject to if the lease had been assigned to him at the commencement of the liquidation.

(2) Where the property vested by an order under section 213 relates to only part of the property comprised in a lease, subsection (1) applies as if the lease comprised the property subject to the vesting order.

(3) Where no underlessee or mortgagee is willing to accept a vesting order made subject to subsection (1), the Court, by order—

- (a) may vest the property in any person who is liable, whether personally or in a representative capacity and whether alone or jointly with the company, to perform the lessee’s covenants in the lease; and
- (b) where a vesting order is made under paragraph (a), may vest the property free from all estates, encumbrances and interests created by the company.

(4) Where an underlessee or a mortgagee declines to accept a vesting order made subject to subsection (1), he is excluded from all interest in the property.

Land subject to rentcharge.

215. Where land subject to a rentcharge is disclaimed and that land vests by operation of law in any person, including the Crown, that person and his successors in title are not subject to any personal liability in respect of any sums becoming due under the rentcharge except sums becoming due after he, or some person claiming title under or through him, has taken possession or control of the land or has entered into occupation of it.

Disclaimer presumed valid.

216. Unless it is proved that a liquidator has breached his duty to give notice under section 209(3) or that he has otherwise breached his duties under this Act or the Rules with regard to disclaimer, a disclaimer of property by the liquidator is presumed to be valid and effective.

Investigation of Assets and Affairs of Company

Statement of affairs.

217.(1) In this section, “relevant person” has the meaning specified in section 231.

(2) The liquidator or provisional liquidator of a company may require one or more relevant persons to prepare a statement of affairs of the company.

(3) Subject to section 239, the liquidator or provisional liquidator shall file with the Court each statement of affairs and each affidavit of concurrence that he receives.

(4) Subsection (3) does not apply to a liquidator appointed by the members of a company.

Preliminary report.

218.(1) The liquidator of a company shall, within 60 days of the commencement of the liquidation, prepare a preliminary report covering, to the best of his knowledge and belief, the following matters—

- (a) in the case of a company with share capital, the amount of capital issued, subscribed and paid up;
- (b) the assets and liabilities of the company;
- (c) if the company has failed, the causes of the failure; and
- (d) whether, in his opinion, further enquiries are desirable with respect to—
 - (i) any matter relating to the promotion, formation or insolvency of the company or the conduct of the business or affairs of the company; and
 - (ii) possible claims under Part 10.

(2) The liquidator shall send a copy of the report prepared under subsection (1)—

- (a) to each creditor of the company; and
- (b) if in his report he states that further enquiries are desirable with respect to a matter referred to in subsection (1)(d), to the Official Receiver.

(3) Subsection (2)(b) does not apply to the Official Receiver when he is acting as the liquidator of a company.

(4) The Court may, on the application of the liquidator, extend the period specified in subsection (1) on such terms and conditions as it considers appropriate.

Duty of Official Receiver concerning report under section 218.

219. Where the Official Receiver receives a report under section 218, he shall carry out such investigation, if any, as he considers appropriate.

Miscellaneous Provisions

Liquidator to call meetings of creditors.

220.(1) The liquidator shall call a meeting of the creditors of a company in liquidation if—

- (a) a meeting is requisitioned by the creditors of the company in accordance with subsection (2); or
- (b) he is directed to do so by the Court.

(2) A creditors' meeting may be requisitioned in accordance with the Rules by 10 per cent in value of the creditors of the company.

Rescission of contracts by the Court.

221.(1) On the application of a person who is, as against the liquidator of a company, entitled to the benefit or subject to the burden of a contract made with the company, the Court may make an order rescinding the contract on such terms as to payment by or to either party of damages for the non-performance of the contract, or otherwise as the Court considers just.

(2) Any damages payable to a person under an order made under subsection (1) may be claimed by him as a debt in the liquidation of the company.

Inspection of books by creditors.

222.(1) At any time after the appointment of a liquidator of a company, the Court may, on such terms as it considers appropriate, make an order for the inspection of specified books, records and documents of the company that are in its possession.

(2) Application for an order under subsection (1) may be made by a creditor or member of the company.

Enforcement of liquidator's duties.

223.(1) In this section "specified person" means—

- (a) the Official Receiver;
- (b) a creditor of a company in liquidation; or
- (c) a member of a company in liquidation.

(2) If a liquidator fails to file any notice, return, account or other document, a specified person may serve a notice on the liquidator requiring him to remedy the default.

(3) If a liquidator fails to remedy the default specified in a notice served under subsection (1) within 14 days of service of the notice on him, any specified person may apply to the Court for an order that the liquidator remedy the default within such time as the Court may specify.

(4) The Court may order that the costs of and incidental to an application under this section are payable by the liquidator personally.

(5) A liquidator who fails to comply with an order made under subsection (3) commits an offence and is liable—

- (a) on summary conviction to imprisonment for 6 months or a fine at level 4 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 2 years or a fine at level 5 on the standard scale, or both.

(6) This section does not limit any other provision of this Act or any other enactment

Termination of Liquidation

Termination of liquidation.

224. The liquidation of a company terminates on the first occurring of—
- (a) the making by the Court of an order terminating the liquidation under section 225, or such later date as may be specified in the order;
 - (b) the filing by the liquidator of a certificate of compliance in accordance with the provisions of section 226(2), as modified by the Court under section 226(4), if appropriate; or
 - (c) the making by the Court of an order under section 226(4) exempting the liquidator from compliance with 226(2), or such later date as may be specified in the order.

Order terminating liquidation.

225.(1) The Court may, at any time after the appointment of the liquidator of a company, make an order terminating the liquidation if it is satisfied that it is just and equitable to do so.

(2) An application under this section may be made by the liquidator, a creditor, a director or a member of the company or the Official Receiver.

(3) Before making an order under subsection (1), the Court may require the liquidator to file a report with respect to any matters relevant to the application.

(4) An order under subsection (1) may be made subject to such terms and conditions as the Court considers appropriate and, on making the order or at any time thereafter, the Court may give such supplemental directions or make such other order as it considers appropriate in connection with the termination of the liquidation.

(5) Where the Court makes an order under subsection (1), the company ceases to be in liquidation and the liquidator ceases to hold office with effect from the date of the order or such later date as may be specified in the order.

(6) Where the Court makes an order under subsection (1), the person who applied for the order shall, within 10 days of the date of the order, file a sealed copy of the order with the Registrar.

(7) A person who contravenes subsection (6) commits an offence and is liable—

- (a) on summary conviction to a fine at level 4 on the standard scale;
- (b) on conviction on indictment to imprisonment for 12 months or a fine at level 5 on the standard scale, or both.

Completion of liquidation.

226.(1) In this section, “Register” means the register of companies maintained by the Registrar under the Companies Act.

(2) As soon as practicable after completing his duties in relation to the liquidation of a company, the liquidator shall—

- (a) prepare and send to every creditor of the company whose claim has been admitted and to every member of the company—
 - (i) his final report, complying with subsection (3), and a statement of realisations and distributions in respect of the liquidation; and
 - (ii) a summary of the grounds upon which a creditor or member may object to the striking of the company from the Register; and
- (b) file with the Registrar a copy the final report and the statement of realisations and distributions sent to the creditors and members of the company.

(3) The final report of a liquidator shall contain a statement—

- (a) that all known assets of the company have been disclaimed, realised or distributed without realisation;
 - (b) that all proceeds of realisation have been distributed; and
 - (c) that there is no reason why, in his opinion, the company should not be struck from the Register, and dissolved.
- (4) On the application of the liquidator, the Court may on such terms and conditions as it considers just—
- (a) exempt the liquidator from compliance with subsection (2)(a); or
 - (b) modify the application of the provisions of subsection (2) to the liquidator.

Release of liquidator.

227.(1) A person, other than the Official Receiver, who has ceased to be a liquidator of a company, has his release as follows—

- (a) where the person has resigned as liquidator, as provided for in the Rules;
 - (b) on the termination of the liquidation by the filing by the liquidator of a certificate of compliance in accordance with the provisions of section 226(2), as may be modified by the Court under section 226(4), unless the Court otherwise orders, at the time at which the person vacated office; or
 - (c) in any other case, as provided for in subsections (2) to (10).
- (2) Where a person has been removed by the Court as liquidator under section 178 or the Court has terminated the liquidation by order made under section 225, the Court may, when making the order—
- (a) grant the person his release unconditionally or upon such conditions as it considers appropriate; or
 - (b) withhold the person's release.

(3) A person, other than the Official Receiver, who has ceased to be a liquidator of a company and who has not obtained his release in accordance with subsection (1) or (2) or a person who has ceased to be the provisional liquidator of a company, may apply to the Court for his release and the Court may—

- (a) grant the person his release unconditionally or upon such conditions as it considers appropriate; or
- (b) withhold the person's release.

(4) If the Court withholds a person's the release under subsection (2) or (3), it may make a compensation order against the former liquidator under section 258.

(5) Subject to subsection (7), where a former liquidator is released under this section, he is discharged from all liability in respect of any act or default of his in relation to the administration of the company.

(6) An order for the release of a former liquidator may be revoked by the Court if the release was obtained by fraud or the suppression or concealment of any material fact.

(7) The release of a liquidator or provisional liquidator under this section does not prevent the Court from making an order under section 258 against the liquidator or provisional liquidator.

(8) Where the Official Receiver ceases to be liquidator and another liquidator is appointed in his place, the Official Receiver obtains his release—

- (a) from the appointment of the new liquidator; or
- (b) such later date as the Court may determine.

(9) In any other case, the Official Receiver obtains his release as provided by the Rules.

(10) A liquidator who obtains his release under this section shall file a notice in the prescribed form with the Registrar.

Dissolution.

228. The Rules shall provide for the dissolution of a company on the termination and completion of the liquidation of the company.

PART 7

LIQUIDATION OF UNREGISTERED COMPANIES

Grounds for appointment of liquidator of unregistered company.

229.(1) The Court may appoint the Official Receiver or an eligible insolvency practitioner as the liquidator of an unregistered company if—

- (a) it is insolvent;
- (b) it is dissolved or has otherwise ceased to exist under or by virtue of the laws of the country in which it was last registered;
- (c) it has ceased to carry on business;
- (d) it is carrying on business only for the purpose of winding up its affairs;
- (e) the Court is of the opinion that it is just and equitable that a liquidator should be appointed; or
- (f) the Court is of the opinion that it is in the public interest for a liquidator to be appointed.

(2) The Court shall not appoint a liquidator of an unregistered company unless it is satisfied that it has a connection with Gibraltar.

(3) For the purposes of subsection (2), an unregistered company has a connection with Gibraltar only if—

- (a) it has or appears to have, or to have had, assets in Gibraltar;
- (b) it is carrying on, or has carried on or purported to carry on, business in Gibraltar; or

- (c) there is a reasonable prospect that the appointment of a liquidator of the unregistered company under this Part will benefit the creditors of the company.

(4) An application for the appointment of a liquidator of an unregistered company may be made—

- (a) notwithstanding that it has been dissolved or has otherwise ceased to exist under or by virtue of the laws of any other country; and
- (b) whether or not it is or has been registered under Part X of the Companies Act.

(5) The Commission may only make an application to appoint a liquidator under subsection (1)(c) if the unregistered company concerned is or at any time has been an Authorised person or the company is carrying on, or at any time has carried on, unlicensed financial services business.

Part 6 to apply subject to Rules.

230. Subject to the modifications and exceptions set out in the Rules, the provisions of Part 6 apply to an application to appoint a liquidator of an unregistered company and to the liquidation of an unregistered company.

PART 8

**GENERAL PROVISIONS WITH REGARD TO COMPANIES
THAT ARE INSOLVENT OR IN LIQUIDATION**

General

Interpretation.

231.(1) In this Part,

“office holder”, in respect of a company, means—

- (a) in sections 232 to 239, the company’s administrator, liquidator, provisional liquidator or administrative receiver;

- (b) in the definition of “relevant person” and in sections 240 to 246, the company’s administrator, liquidator or provisional liquidator; and
- (c) in section 247, the company’s administrator, liquidator, provisional liquidator or administrative receiver or, where a company voluntary arrangement has taken effect, the supervisor of the arrangement;

“relevant period” means the period of 2 years prior to–

- (a) in the case of a company in administration, the date of the administration order;
- (b) in the case of a company in liquidation, the date of the appointment of the liquidator;
- (c) where a provisional liquidator has been appointed, the date of his appointment; and
- (d) where an administrative receiver has been appointed, the date of his appointment; and

“relevant person” means–

- (a) a person who is or who, within the relevant period has been, an officer of the company;
- (b) a person who is or who, within the relevant period, has been in the employment of the company and who, in the opinion of the office holder or the Official Receiver is capable of providing the information required;
- (c) a person who is or who, within the relevant period, has been an officer of or in the employment of a company which is an officer of the company; or
- (d) a person who, within the relevant period, has promoted the formation of the company.

(2) For the purposes of the definition of “relevant person”, “employment” includes employment under a contract for services.

Application to Court concerning office holder.

232. A person aggrieved by an act, omission or decision of an office holder may apply to the Court and the Court may confirm, reverse or modify the act, omission or decision of the office holder.

Company's books.

233. Where a company is in administration or liquidation, all documents of the company and of the administrator or liquidator are, as between the members of the company, *prima facie* evidence of the truth of all matters purporting to be recorded in them.

Order to deliver assets and documents.

234.(1) Where any person has in his possession or control any assets or documents to which the company appears to be entitled, the Court may, on the application of the office holder, require that person forthwith, or within such period as the Court may direct, to pay, deliver, convey, surrender or transfer the assets or documents to the office holder.

- (2) Subsection (3) has effect where the office holder—
 - (a) seizes or disposes of any asset which is not an asset of the company; and
 - (b) at the time of seizure or disposal believes, and has reasonable grounds for believing, that he is entitled, whether in pursuance of an order of the Court or otherwise, to seize or dispose of that asset.
- (3) In the circumstances specified in subsection (2), the office holder—
 - (a) is not liable to any person in respect of any loss or damage resulting from the seizure or disposal except in so far as that loss or damage is caused by the office holder's own negligence; and
 - (b) has a lien on the asset, or the proceeds of its sale, for such expenses as were incurred in connection with the seizure or disposal.

Statement of Affairs

Notice to be given by office holder.

235.(1) Where, pursuant to a provision in this Act, an office holder requires a relevant person to prepare a statement of affairs and submit it to him, he shall send a notice to that person in the prescribed form.

(2) A notice sent under subsection (1) shall specify a date by which the statement of affairs is to be delivered to him, which shall be no earlier than 18 days after the date upon which the notice is sent to the person.

Statement of Affairs.

236.(1) A statement of affairs shall be in the prescribed form and contain the particulars and information prescribed by the Rules.

(2) Without limiting subsection (1), the following particulars shall be set out in a statement of affairs—

- (a) the assets and liabilities of the company;
- (b) the names and addresses of the creditors of the company; and
- (c) the security interests held by creditors of the company and the dates upon which the security interests were created.

(3) Subject to section 239, a relevant person required by an office holder to prepare and submit a statement of affairs shall verify the statement of affairs by affidavit and submit the statement of affairs to the office holder, together with the verifying affidavit, on or before the date specified in the notice sent to him under section 239(1).

(4) A relevant person who, without reasonable excuse, contravenes subsection (3) commits an offence and is liable—

- (a) on summary conviction to imprisonment for 6 months or a fine at level 4 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 2 years or a fine at level 5 on the standard scale, or both.

Affidavit of concurrence.

237.(1) A relevant person required by an office holder to prepare and submit a statement of affairs may, instead, submit an affidavit of concurrence complying with the Rules.

(2) A relevant person who submits an affidavit of concurrence to an office holder on or before the date specified in the notice sent to him does not commit an offence under section 236(4).

Release from duty to submit statement of affairs.

238.(1) An office holder or the Court may, in accordance with the Rules—

- (a) release a person from an obligation imposed on him to prepare and submit a statement of affairs; or
- (b) extend the period of time for the submission of the statement of affairs.

(2) An order of the Court under this section may be made subject to such terms and conditions as the Court considers appropriate.

Application for order of limited disclosure.

239.(1) Where an office holder considers that it would prejudice the conduct of the insolvency proceeding for the whole or part of a statement of affairs submitted to him to be disclosed, he may apply to the Court for an order of limited disclosure in respect of the statement of affairs, or any specified part of it.

(2) The Court may, on an application under subsection (1), order that the statement of affairs or, as the case may be, the specified part of it—

- (a) in the case of an administrative receivership, is not to be open to inspection otherwise than with leave of the Court; or
- (b) in any other case, is not filed in Court, or that it is filed separately and that it is not to be open to inspection otherwise than with leave of the Court.

(3) An order of the Court under subsection (2) may include directions as to the delivery of documents to the Registrar and the disclosure of relevant information to other persons.

Investigation of Insolvent Company's Affairs

Power to obtain information.

240.(1) An office holder or the Official Receiver may, by notice in writing, require a person specified in subsection (2)–

- (a) to provide him with such information concerning the company, including the promotion, formation, business, dealings, accounts, assets, liabilities or affairs as he reasonably requires;
- (b) to attend on him at such reasonable time and at such place as may be specified in the notice; or
- (c) to be examined on oath or affirmation by him, or by his legal practitioner, on any matter referred to in paragraph (a).

(2) A notice under subsection (1) may be sent to–

- (a) an officer or former officer of the company;
- (b) a member or former member of the company;
- (c) a person who was involved in the promotion or formation of the company;
- (d) a person who is, or within the relevant period has been, employed by the company, including a person employed under a contract for services;
- (e) a person who is or at any time has been a receiver, accountant or auditor of the company;
- (f) a person who is or who, at any time has been, an officer of or in the employment of a company which is an officer of the company; or

(g) where the notice is sent by the Official Receiver or a liquidator or provisional liquidator, to any person who has acted as administrator, liquidator or provisional liquidator of the company.

(3) A person who receives a notice under subsection (1) and who, without reasonable excuse, fails to comply with the notice, commits an offence and is liable—

(a) on summary conviction to imprisonment for 6 months or a fine at level 4 on the standard scale, or both;

(b) on conviction on indictment to imprisonment for 2 years or a fine at level 5 on the standard scale, or both.

Examination by office holder or Official Receiver.

241.(1) This section applies to the examination of a person under section 240(1)(c) by an office holder or the Official Receiver.

(2) The office holder or Official Receiver, or the legal practitioner conducting the examination on his behalf, may administer an oath to, or take the affirmation of, a person to be examined.

(3) A person required to be examined is entitled to be represented by a legal practitioner.

(4) The office holder or the Official Receiver shall ensure that the examination is recorded in writing or by means of a tape recorder or other similar device.

Examination Before Court

Application for examination before Court.

242.(1) Where a company is in liquidation, an application may be made to the Court, ex parte, by the liquidator or by the Official Receiver, for an order that a person specified in subsection (2) appears before the Court for examination concerning the company, or a connected company.

(2) Without limiting subsection (1), an examination before the Court may cover the promotion, formation, business, dealings, accounts, assets, liabilities or affairs of the company or connected company.

(3) An application under subsection (1) may be made in respect of—

- (a) a person specified in section 240(2);
- (b) any other person who the applicant considers is capable of giving information concerning the company or a connected company; or
- (c) any other person who the applicant knows or suspects has in his possession or control any asset of the company or is indebted to the company.

(4) An application under subsection (1) shall state whether the applicant seeks a public or a private examination.

Order for examination.

243.(1) In this section, “examinee” means the person to be examined before the Court.

(2) On hearing an application made under subsection 242, the Court may order the examinee to appear before the Court to be examined.

(3) An order under subsection (1)—

- (a) shall direct the examinee to appear before the Court to be examined at a venue specified in the order;

- (b) shall state whether the examination is to be a public or a private examination;
- (c) may require the person concerned to produce at the examination any books, records or other documents in his possession or control that relate to the company, or a connected company, including the promotion, formation, business, dealings, accounts, assets, liabilities or affairs of the company or connected company;
- (d) may provide for an alternative method of service of the order on the examinee;
- (e) shall state the action that may be taken against a person if he does not appear before the Court as required by the order; and
- (f) where the examination is to be a public examination, may require the examination to be advertised, specifying the method of such advertisement.

(4) Where the Court makes an order under subsection (2), the applicant shall, forthwith serve a sealed copy of the order on the examinee and, where the liquidator is not the Official Receiver—

- (a) if the applicant is the liquidator of the company, send a sealed copy of the order to the Official Receiver; or
- (b) if the applicant is the Official Receiver, send a sealed copy of the order to the liquidator of the company.

(5) Where an order under subsection (2) is for the public examination of an examinee, the applicant shall give not less than 14 days' notice of the examination to each creditor and member of the company.

(6) The Court may, as part of an order made under this section, or at any subsequent time, make one or more of the following directions—

- (a) a direction specifying the matters upon which the examinee may be examined; and
- (b) a direction specifying the procedures to be followed at the examination.

Conduct of examination.

244.(1) This section applies to an examination held pursuant to an order made under section 242.

(2) An examinee shall be examined on oath and he shall answer such questions as the Court may put, or allow to be put to him.

(3) Subject to subsection (2), an examination is conducted by the applicant, or by his legal practitioner, and the person examined is entitled to be represented by a legal practitioner who may put such questions to the examinee as the Court may allow for the purpose of explaining or qualifying answers given by him.

(4) The examinee may also be examined—

(a) if the applicant is the Official Receiver, by the liquidator; or

(b) if the applicant is the liquidator of the company, by the Official Receiver.

(5) At a public examination questions may, with the leave of the Court, be put to the examinee by any creditor or member of the company present at the examination or by the legal practitioner representing such creditor or member.

(6) An examination shall be recorded in writing and the examinee shall sign the record.

(7) Subject to section 245, the written record of an examination is admissible in evidence in any proceedings under this Act other than proceedings for a disqualification order under Part 11.

Incriminating answers and admissibility of record.

245.(1) An examinee is not excused from answering a question put to him at an examination held under section 240 or at an examination held pursuant to an order made under section 242 on the ground that the answer may incriminate him or tend to incriminate him.

(2) The record of an examination held under section 240 or pursuant to an order made under section 242 is not admissible as evidence in any

criminal proceedings against the examinee except where he is charged with the offence of perjury.

Offence.

246.(1) A person who, without reasonable excuse, fails to attend an examination ordered to be held under section 242, commits an offence and is liable—

- (a) on summary conviction to imprisonment for 12 months or a fine at level 4 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 3 years or a fine of twice the statutory maximum, or both.

(2) Where a person without reasonable excuse fails at any time to attend an examination ordered to be held under section 242, or there are reasonable grounds for believing that a person has absconded, or is about to abscond, with a view to avoiding or delaying his examination, the Court may cause a warrant to be issued to a police officer or a prescribed officer of the Court—

- (a) for the arrest of that person; and
- (b) for the seizure of any books, papers, records, money or goods in that person's possession.

(3) In such a case the Court may authorise the person arrested under the warrant to be kept in custody, and anything seized under such a warrant to be held, in accordance with the Rules, until such time as the court may order.

Supplies of Utilities

Limitations on restrictions imposed by suppliers of utilities.

247.(1) This section applies in the case of a company where—

- (a) the company is in administration;
- (b) an administrative receiver is appointed in relation to the company;

- (c) a company voluntary arrangement approved under Part 2 has taken effect in relation to the company;
- (d) the company is in liquidation;
- (e) a provisional liquidator of the company is appointed.

(2) If a request is made by or with the concurrence of the office-holder for the giving, after the effective date, of a supply prescribed in the Rules as a prescribed supplier, the supplier—

- (a) may make it a condition of the giving of the supply that the office-holder personally guarantees the payment of any charges in respect of the supply, but
- (b) shall not make it a condition of the giving of the supply, or do anything which has the effect of making it a condition of the giving of the supply, that any outstanding charges in respect of a supply given to the company before the effective date are paid.

(4) For the purposes of this section, the “effective date” is whichever is applicable of the following dates—

- (a) the date on which the company entered administration;
- (b) the date on which the administrative receiver was appointed (or, if he was appointed in succession to another administrative receiver, the date on which the first of his predecessors was appointed);
- (c) the date on which the voluntary arrangement took effect;
- (d) the date on which the company went into liquidation;
- (e) the date on which the provisional liquidator was appointed.

PART 9

VOIDABLE TRANSACTIONS

Interpretation for this Part.

248.(1) In this Part—

“insolvent liquidation” means a liquidation of a company where the assets of the company are insufficient to pay its liabilities and the expenses of the liquidation;

“insolvency transaction” has the meaning specified in subsection (2);

“officer holder” means—

- (a) in the case of a company in administration, its administrator; and
- (b) in the case of a company in liquidation, its liquidator;

“onset of insolvency” means—

- (a) the date on which the application for the administration order was filed, where a company is in administration or is in liquidation and the liquidator was appointed by the Court immediately following the discharge of an administration order;
- (b) the date on which the application for the appointment of the liquidator was filed, where a company is in liquidation and the liquidator was appointed by the Court in circumstances other than those set out in paragraph (a); or
- (c) the date of the appointment of the liquidator, where a company is in liquidation and the liquidator was appointed by the members;

“voidable transaction” means—

- (a) an unfair preference;

- (b) an undervalue transaction;
- (c) a floating charge that is voidable under section 251; and
- (d) an extortionate credit transaction.

“vulnerability period”, means–

- (a) for the purposes of sections 249, 250 and 251–
 - (i) in the case of a transaction entered into with, or a preference given to, a connected person, the period commencing 2 years prior to the onset of insolvency and ending on the appointment of the administrator or, if the company is in liquidation, the liquidator; and
 - (ii) in the case of a transaction entered into with, or a preference given to, any other person, the period commencing 6 months prior to the onset of insolvency and ending on the appointment of the administrator or, if the company is in liquidation, the liquidator; and
 - (b) for the purposes of section 252, the period commencing 5 years prior to the onset of insolvency and ending on the appointment of the administrator or, if the company is in liquidation, the liquidator.
- (2) A transaction is an insolvency transaction if–
- (a) it is entered into at a time when the company is insolvent; or
 - (b) it causes the company to become insolvent.
- (3) For the purposes of subsection (2)–
- (a) a company–
 - (i) is presumed to have been insolvent if, at the time, either of the circumstances specified in section 10(1)(a) applied to it; and

- (ii) was insolvent if, at the time, 10(1)(b)(i) applied to it; and
- (b) section 10(1)(b)(ii) has no application.
- (4) This Part applies in respect of–
 - (a) a company that is in administration; and
 - (b) a company that is in liquidation.

Unfair preferences.

249.(1) Subject to subsection (2), a transaction entered into by a company is an unfair preference given by the company to a creditor if the transaction–

- (a) is an insolvency transaction;
- (b) is entered into within the vulnerability period; and
- (c) has the effect of putting the creditor into a position which, in the event of the company going into insolvent liquidation, would be better than the position he would have been in if the transaction had not been entered into.

(2) A transaction is not an unfair preference if the transaction took place in the ordinary course of business.

(3) A transaction may be an unfair preference notwithstanding that it is entered into pursuant to the order of a court or tribunal in or outside Gibraltar.

(4) Where a transaction entered into by a company within the vulnerability period has the effect specified in subsection (1)(c) in respect of a creditor who is a connected person, unless the contrary is proved, it is presumed that the transaction was an insolvency transaction and that it did not take place in the ordinary course of business.

Undervalue transactions.

250.(1) Subject to subsection (2), a company enters into an undervalue transaction with a person if–

- (a) the company makes a gift to that person or otherwise enters into a transaction with that person on terms that provide for the company to receive no consideration; or
- (b) the company enters into a transaction with that person for a consideration the value of which, in money or money's worth, is significantly less than the value, in money or money's worth, of the consideration provided by the company; and
- (c) in either case, the transaction concerned—
 - (i) is an insolvency transaction; and
 - (ii) is entered into within the vulnerability period.

(2) A company does not enter into an undervalue transaction with a person if—

- (a) the company enters into the transaction in good faith and for the purposes of its business; and
- (b) at the time when it enters into the transaction, there were reasonable grounds for believing that the transaction would benefit the company.

(3) A transaction may be an undervalue transaction notwithstanding that it is entered into pursuant to the order of a court or tribunal in or outside Gibraltar.

(4) Where a company enters into a transaction with a connected person within the vulnerability period and the transaction falls within subsection (1)(a) or subsection (1)(b), unless the contrary is proved, it is presumed that—

- (a) the transaction was an insolvency transaction; and
- (b) subsection (2) did not apply to the transaction.

Voidable floating charges.

251.(1) Subject to subsection (2), a floating charge created by a company is voidable if—

- (a) it is created within the vulnerability period; and
 - (b) it is an insolvency transaction.
- (2) A floating charge is not voidable to the extent that it secures–
- (a) money advanced or paid to the company, or at its direction, at the same time as, or after, the creation of the charge;
 - (b) the amount of any liability of the company discharged or reduced at the same time as, or after, the creation of the charge;
 - (c) the value of assets sold or supplied, or services supplied, to the company at the same time as, or after, the creation of the charge; and
 - (d) the interest, if any, payable on the amount referred to in paragraphs (a) to (c) pursuant to any agreement under which the money was advanced or paid, the liability was discharged or reduced, the assets were sold or supplied or the services were supplied.

(3) For the purposes of this section, where a company creates a floating charge in favour of a connected person within the vulnerability period, unless the contrary is proved, it is presumed that the charge was an insolvency transaction.

(4) For the purposes of subsection (2)(c), the value of assets or services sold or supplied is the amount in money which, at the time they were sold or supplied, could reasonably have been expected to be obtained for the sale or supply of the goods or services in the ordinary course of business and on the same terms, apart from the consideration, as those on which the assets or services were sold or supplied to the company.

Extortionate credit transactions.

252. A transaction entered into by a company within the vulnerability period for, or involving the provision of, credit to the company is an extortionate credit transaction if, having regard to the risk accepted by the person providing the credit–

- (a) the terms of the transaction are or were such as to require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of credit; or
- (b) the transaction otherwise grossly contravenes ordinary principles of fair trading.

Orders in respect of voidable transactions.

253.(1) Subject to section 254, where it is satisfied that a transaction entered into by a company is a voidable transaction the Court, on the application of the office holder—

- (a) may make an order setting aside the transaction in whole or in part;
- (b) in respect of an unfair preference or an undervalue transaction, may make such order as it considers appropriate for restoring the position to what it would have been if the company had not entered into that transaction; and
- (c) in respect of an extortionate credit transaction, may by order provide for any one or more of the following—
 - (i) the variation of the terms of the transaction or the terms on which any security interest for the purposes of the transaction is held;
 - (ii) the payment by any person who is or was a party to the transaction to the office holder of any sums paid by the company to that person by virtue of the transaction;
 - (iii) the surrender by any person to the office holder of any asset held by him as security for the purposes of the transaction; and
 - (iv) the taking of accounts between any persons.

(2) Without prejudice to the generality of subsection (1)(b), an order under that paragraph may—

- (a) require any assets transferred as part of the transaction to be vested in the company;
- (b) require any assets to be vested in the company if it represents in any person's hands the application either of the proceeds of sale of assets transferred or of money transferred, in either case as part of the transaction;
- (c) release or discharge, in whole or in part, any security interest given by the company or the liability of the company under any contract;
- (d) require any person to pay, in respect of benefits received by him from the company, such sums to the office holder as the Court may direct;
- (e) provide for any surety or guarantor whose obligations to any person were released or discharged, in whole or in part, under the transaction, to be under such new or revived obligations to that person as the Court considers appropriate;
- (f) provide for security to be provided for the discharge of any obligation imposed by or arising under the order, for such an obligation to be charged on any assets and for the security interest or charge to have the same priority as a security interest or charge released or discharged, in whole or in part, under the transaction;
- (g) provide for a person effected by an order made under subsection (1) to submit a claim in the liquidation of the company in such amount as the Court considers appropriate; and
- (h) require the company to make a payment or transfer assets to any person affected by an order made under subsection (1).

(3) Subject to section 254, in respect of an unfair preference or an undervalue transaction, an order under subsection (1) may affect the assets

of, or impose any obligation on, any person whether or not he is the person with whom the company in question entered into the transaction.

Limitations on orders under section 253.

254.(1) This section applies to an order made under section 253(1) in respect of an unfair preference or an undervalue transaction.

- (2) An order to which subsection (1) applies shall not—
- (a) prejudice any interest in assets that was acquired in good faith and for value from a person other than the company, or prejudice any interest deriving from such an interest; or
 - (b) require a person who received a benefit from the transaction in good faith and for value to pay a sum to the office holder, except where that person was a party to the transaction or, in respect of an unfair preference, the preference was given to that person when he was a creditor of the company.

(3) For the purposes of subsection (2), where a person would, apart from the requirement for good faith, fall within the circumstances specified in paragraph (a) or (b), it is presumed, unless the contrary is proved, that he acquired the interest or received the benefit in good faith.

- (4) Subsection (3) does not apply to a person—
- (a) who, at the time of the transaction, had notice of—
 - (i) the fact that the transaction was an unfair preference or an undervalue transaction, as the case may be; or
 - (ii) the relevant proceedings as defined in subsection (5); or
 - (b) who was, at the time of the transaction, a connected person.

(5) For the purposes of subsection (4), a person has notice of the relevant proceedings if—

- (a) in the case of a company in administration, he had notice of the filing of the application on which the administration order was made;
- (b) in the case of a company where a liquidator was appointed immediately following the discharge of an administration order, he had notice of the filing of the application on which the administration order was made or the filing of the application on which the order appointing a liquidator was made; or
- (c) in the case of a company where a liquidator was appointed in circumstances other than those set out in paragraph (b), he had notice of the filing of the application on which the order appointing a liquidator was made.

Recoveries.

255. Any money paid to, assets recovered or other benefit received by the liquidator as a result of an order made under section 253 are deemed to be assets of the company available to pay unsecured creditors of the company.

Remedies not exclusive.

256. The provisions of this Part apply without prejudice to the availability of any other remedy, even in relation to a transaction that the company had no power to enter into.

PART 10

MALPRACTICE

Interpretation for this Part.

257. In this Part—

- (a) a company goes into insolvent liquidation if a liquidator is appointed at a time when its assets are insufficient to pay its liabilities and the expenses of the liquidation; and

- (b) a relevant company is a company that has gone into insolvent liquidation.

Summary remedy against delinquent officers and others.

258.(1) On the application of the liquidator of a relevant company, the Court may make an order under subsection (3) where it is satisfied that a person specified in subsection (2)–

- (a) has misapplied or retained, or become accountable for any money or other assets of the company; or
 - (b) has been guilty of any misfeasance or breach of any fiduciary or other duty in relation to the company.
- (2) An order under subsection (3) may be made against a person–
- (a) who is or has been an officer of the company;
 - (b) who has acted as liquidator of the company;
 - (c) who has acted as administrator, administrative receiver, supervisor or interim supervisor of the company;
 - (d) who has acted as a receiver appointed by the Court; or
 - (e) who, not being a person falling within paragraphs (a) or (b), is or has been concerned in the promotion, formation, management, liquidation or dissolution of the company.
- (3) Where subsection (1) applies, the Court may make one or more of the following orders against the person–
- (a) that he repays, restores or accounts for the money or other assets, or any part of it;
 - (b) that he pays to the company as compensation for the misfeasance or breach of duty such sum as the Court considers just; and
 - (c) that he pays interest to the company at such rate as the Court considers just.

(4) The Court shall not make an order under subsection (3) unless it has given the person the opportunity—

- (a) to give evidence, call witnesses and bring other evidence in relation to the application; and
- (b) to be represented, at his own expense, by a legal practitioner who may put to him, or to other witnesses, such questions as the Court may allow for the purpose of explaining or qualifying any answers or evidence given.

(5) Application may not be made for an order under this section against a liquidator or an administrator who has been released, except with the leave of the Court.

(6) Nothing in this section prevents any person from instituting any other proceedings in relation to matters in respect of which an application may be made under this section.

Fraudulent trading.

259.(1) On the application of the liquidator of a relevant company, the Court may make an order under subsection (2) where it is satisfied that, at any time before the commencement of the liquidation of the company, any of its business has been carried on—

- (a) with intent to defraud creditors of the company or creditors of any other person; or
- (b) for any fraudulent purpose.

(2) Where subsection (1) applies, the Court may declare that any person who was knowingly a party to the carrying on of the business in such manner is liable to make such contribution, if any, to the company's assets as the Court considers proper.

Insolvent trading.

260.(1) On the application of the liquidator of a relevant company, the Court may make an order under subsection (2) against a person who is or has been a director of the company if it is satisfied that—

- (a) at any time before the commencement of the liquidation of the company, that person knew or ought to have concluded that there was no reasonable prospect that the company would avoid going into insolvent liquidation, and
- (b) he was a director of the company at that time.

(2) Subject to subsection (3), where subsection (1) applies, the Court may order that that the person concerned makes such contribution, if any, to the company's assets as the Court considers proper.

(3) The Court shall not make an order against a person under subsection (2) if it is satisfied that after he first knew, or ought to have concluded, that there was no reasonable prospect that the company would avoid going into insolvent liquidation, he took every step reasonably open to him to minimise the loss to the company's creditors.

(4) For the purposes of subsections (1) and (3), the facts which a director of a company ought to know or ascertain, the conclusions which he ought to reach and the steps reasonably open to him which he ought to take are those which would be known or ascertained, or reached or taken, by a reasonably diligent person having both—

- (a) the general knowledge, skill and experience that may reasonably be expected of a person carrying out the same functions as are carried out by that director in relation to the company; and
- (b) the general knowledge, skill and experience that that director has.

(5) The reference in subsection (4) to the functions carried out in relation to a company by a director of the company includes any function which he does not carry out but which has been entrusted to him.

- (6) Nothing in this section affects section 259.

Recoveries under sections 259 and 260.

261. Any money paid to, assets recovered or other benefit received by the liquidator as a result of an order made under section 259 or 260 are deemed to be assets of the company available to pay unsecured creditors of the company.

Ancillary orders.

262.(1) Where the Court makes an order under section 259 or 260, it may give such directions or make such further order as it considers proper for giving effect to the order.

- (2) Without limiting subsection (1), the Court may—
- (a) provide for the liability of any person under the order to be a charge on any debt or obligation due from the company to him, or on any mortgage or charge or any interest in a mortgage or charge on assets of the company held by or vested in him, or any person on his behalf, or any person claiming as assignee from or through the person liable or any person acting on his behalf; and
 - (b) from time to time make such further order as may be necessary for enforcing any charge imposed under this subsection.
- (3) For the purposes of subsection (2), "assignee"—
- (a) includes a person to whom or in whose favour, by the directions of the person made liable, the debt, obligation, mortgage or charge was created, issued or transferred or the interest created, but
 - (b) does not include an assignee for valuable consideration, not including consideration by way of marriage, given in good faith and without notice of any of the matters on the ground of which the declaration is made.

(4) Where the court makes a declaration under either section 259 or 260 in relation to a person who is a creditor of the company, it may direct that the

whole or any part of any debt owed by the company to that person and any interest on the debt shall rank in priority after all other debts owed by the company and after any interest on those debts.

(5) Sections 259 and 260 have effect notwithstanding that the person concerned may be criminally liable in respect of matters on the ground of which the declaration under the section is to be made.

Fraudulent conduct.

263.(1) Where a liquidator of a company is appointed under section 160, a person who is or has been an officer of the company is deemed to have committed an offence if, at any time whilst an officer or during the period of 12 months preceding the commencement of the liquidation, he has—

- (a) made or caused to be made any gift or transfer of, or charge on, or has caused, permitted or acquiesced in the levying of any execution against the company's assets; or
 - (b) has concealed or removed any of the company's assets since, or within, 60 days of the date of any unsatisfied judgment or order for the payment of money obtained against the company.
- (2) A person is not guilty of an offence under this section—
- (a) by reason of conduct constituting an offence under subsection (1)(a) which occurred more than 5 years before the commencement of the liquidation; or
 - (b) if he proves that, at the time of the conduct constituting the offence, he had no intent to defraud the company's creditors.
- (3) A person who commits an offence under this section is liable—
- (a) on summary conviction to imprisonment for 12 months or a fine at level 5 on the standard scale, or both;
 - (b) on conviction on indictment to imprisonment for 5 years or a fine of twice the statutory maximum, or both.

Restriction on re-use of company names.

264.(1) This section applies to a person where—

- (a) a relevant company goes into insolvent liquidation; and
- (b) the person was a director of the company at any time in the period of 12 months prior to the commencement of the liquidation of the company.

(2) For the purposes of this section—

- (a) a name is a prohibited name in relation to a person specified in subsection (1) if—
 - (i) it is a name by which the relevant company was known at any time in the period of 12 months referred to in subsection (1)(b); or
 - (ii) it is a name which is so similar to a name falling within paragraph (a) as to suggest an association with the relevant company; and
- (b) a company is “known”, at any time, by its name at that time or by any name under which the company carries on business at that time.

(3) Except with leave of the court or in such circumstances as may be prescribed, a person to whom this section applies shall not at any time in the period of 5 years beginning with the date on which the liquidation of the relevant company commenced—

- (a) be a director of any other company that is known by a prohibited name;
- (b) in any way, whether directly or indirectly, be concerned or take part in the promotion, formation or management of a company specified in paragraph (a);

- (c) in any way, whether directly or indirectly, be concerned or take part in the carrying on of a business carried on, otherwise than by a company, under a prohibited name.
- (4) A person who contravenes subsection (3) commits an offence and is liable—
- (a) on summary conviction to imprisonment for 2 years or a fine at level 5 on the standard scale, or both;
 - (b) on conviction on indictment to imprisonment for 5 years or a fine of twice the statutory maximum, or both.
- (5) On an application for leave under subsection (3), the Official Receiver may appear and call the attention of the Court to any matters which seem to him to be relevant.

Personal liability for debts, following contravention of section 264.

265.(1) A person is personally responsible for all the relevant debts of a company if at any time—

- (a) in contravention of section 264, he is involved in the management of the company;
 - (b) as a person who is involved in the management of the company, he acts or is willing to act on instructions given (without the leave of the Court) by a person whom he knows at that time to be in contravention in relation to the company of section 264.
- (2) Where a person is personally responsible under this section for the relevant debts of a company, he is jointly and severally liable in respect of those debts with the company and any other person who, whether under this section or otherwise, is so liable.
- (3) For the purposes of this section—
- (a) the relevant debts of a company are—
 - (i) in relation to a person who is personally responsible under subsection (1)(a), such debts and other

liabilities of the company as are incurred at a time when that person was involved in the management of the company; and

- (ii) in relation to a person who is personally responsible under subsection (1)(b), such debts and other liabilities of the company as are incurred at a time when that person was acting or was willing to act on instructions given as referred to in that paragraph;
- (b) a person is involved in the management of a company if he is a director of the company or if he is concerned, whether directly or indirectly, or takes part, in the management of the company; and
- (c) a person who, as a person involved in the management of a company, has at any time acted on instructions given, without the leave of the Court, by a person whom he knew at that time to be in contravention in relation to the company of section 264, is presumed, unless the contrary is shown, to have been willing at any time thereafter to act on any instructions given by that person.

PART 11

DISQUALIFICATION ORDERS AND UNDERTAKINGS

Interpretation for this Part.

266. For the purposes of this Part, a company becomes insolvent if—
- (a) an administration order is made in respect of the company, on the date that the administration order is made;
 - (b) an administrative receiver of the company is appointed, on the date of the appointment of the administrative receiver;
 - (c) a liquidator of the company is appointed at a time when its assets are insufficient to pay its liabilities and the expenses of the liquidation, on the date of the liquidator's appointment; or

- (d) a liquidator is appointed by the Court on the ground specified in section 149(1)(d), that is in the public interest for a liquidator to be appointed, on the date of the liquidator's appointment .

Disqualification orders and undertakings.

267.(1) A disqualification order is an order that a person shall not, for the period specified in the order, engage in a prohibited activity without the leave of the Court.

(2) A disqualification undertaking is an undertaking in writing given by a person to the Official Receiver that he will not, for the period specified in the undertaking, engage in a prohibited activity without the leave of the Court.

(3) For the purpose of this Part, a person engages in a prohibited activity if–

- (a) he is a director of a company;
- (b) he acts as the voluntary liquidator of a company;
- (c) he acts as the receiver of the assets of a company;
- (d) he acts as an insolvency practitioner;
- (e) in any way, whether directly or indirectly, he is concerned with or takes part in the promotion, formation or management of a company; or
- (f) he undertakes any activity prescribed by the Rules as a prohibited activity.

(4) A person is a “disqualified person” for the period in which–

- (a) a disqualification order has effect against him; or
- (b) a disqualification undertaking is in place in respect of him.

(5) The period specified in a disqualification order, or disqualification undertaking, made against or in respect of a person, runs concurrently with

the period specified in any other disqualification order or disqualification undertaking made against or in respect of that person.

Application for disqualification order.

268.(1) Subject to subsection (2), the Official Receiver may apply to the Court for a disqualification order against a person under section 269.

(2) An application for a disqualification order may not be made more than 6 years after the date on which the company concerned became insolvent.

Hearing of application for disqualification order.

269.(1) On an application under section 268, the Court may, make a disqualification order against a person—

- (a) who has been convicted on indictment—
 - (i) of an offence in connection with the promotion, formation, management or dissolution of a company that is or becomes insolvent, or
 - (ii) of an offence under this Act that relates to a company that at any time becomes insolvent,whether the person was convicted before or after the company became insolvent;
- (b) who has had an order under section 259 or section 260 made against him; or
- (c) who is or has been a director, shadow director, voluntary liquidator or receiver of a company that is or becomes insolvent, whether while he was a director, shadow director, voluntary liquidator or receiver or subsequently, and—
 - (i) has been guilty of fraud in relation to the company or of any misfeasance or breach of duty as a director, voluntary liquidator or receiver of the company;

- (ii) where the Court is of the opinion that the person's conduct as director, shadow director, voluntary liquidator or receiver, either taken alone or taken together with his conduct as a director, voluntary liquidator or receiver of any other company or companies, makes him unfit to be concerned in the promotion, formation or management of companies or in their liquidation or dissolution.

(2) For the purposes of subsection (1)(c), "receiver" means a receiver other than an administrative receiver.

(3) The reference in subsection (1)(c)(ii) to a person's conduct as a director, shadow director, voluntary liquidator or receiver of a company includes that person's conduct in relation to any matter connected with or arising out of the insolvency of that company.

(4) The Court shall, on making a disqualification order, specify the period for which the order has effect.

(5) The period referred to in subsection (4) shall commence on a date no earlier than the date of the order and no later than 28 days after the date of the order and shall not exceed 10 years.

(6) A person against whom an application for a disqualification order is made may appear and give evidence or call witnesses on the hearing of the application.

Matters for determining unfitness of directors.

270. Without limiting section 269(1)(c)(ii), in determining whether a person's conduct as a director, shadow director, voluntary liquidator or receiver of a company makes him unfit to be concerned in the promotion, formation or management of companies or in their liquidation or dissolution, the Court shall, as respects his conduct as a director, shadow director, voluntary liquidator or receiver of that company, have regard in particular to—

- (a) any misfeasance or breach of any fiduciary or other duty by him in relation to the company;

- (b) any misapplication or retention by him of, or any conduct by the director or shadow director giving rise to an obligation to account for, any money or other assets of the company;
- (c) the extent of his responsibility for the company entering into any transaction liable to be set aside under Part 9;
- (d) in the case of a director or shadow director—
 - (i) where the company or the directors has persistently failed to comply with the Companies Act, the extent of his responsibility for such failure;
 - (ii) the extent of his responsibility for the causes of the company becoming insolvent, and
 - (iii) the extent of his responsibility for any failure by the company to supply any goods or services which have been paid for (in whole or in part);
- (e) his failure to comply with any obligation imposed on him under this Act; and
- (f) in the case of a voluntary liquidator, any failure to comply with Part VI of the Companies Act.

Disqualification undertaking.

271.(1) A person against whom a disqualification order could be made under section 269 may offer the Official Receiver a disqualification undertaking, whether or not the Official Receiver has made an application against him under that section.

(2) The Official Receiver may accept an offer made to him under subsection (1) if he considers that—

- (a) there is a reasonable prospect that, on the hearing of an application under section 269, the Court would make a disqualification order against the person offering the undertaking; and
- (b) it is expedient and in the public interest to accept the offer.

(3) A disqualification undertaking shall specify a period, commencing on the date of the undertaking, for which the undertaking has effect.

(4) The period referred to in subsection (3) shall not exceed 10 years.

General provisions concerning disqualification orders and undertakings.

272.(1) A disqualification order may be made, or a disqualification undertaking accepted, on grounds which are or include matters other than criminal convictions, notwithstanding that the person concerned may be criminally liable in respect of those matters.

(2) Where the Court makes a disqualification order, or the Official Receiver accepts a disqualification undertaking, the Official Receiver shall, within 14 days of the date of the order or of his acceptance of the undertaking, file a notice in the prescribed form with the Registrar.

Variation of disqualification order or undertaking.

273.(1) The Court may, on the application of a disqualified person, vary a disqualification order or a disqualification undertaking.

(2) Without limiting subsection (1), an order under that subsection may—

- (a) reduce the period for which the disqualification order, or undertaking, is in force; or
- (b) in the case of a disqualification undertaking, provide for it to cease to be in force.

(3) An application for an order under subsection (1) shall be served on the Official Receiver no less than 14 days prior to the date of the hearing and the Official Receiver shall appear or be represented and is entitled to call or give evidence at the hearing.

(4) Where the Court varies a disqualification order or undertaking, the Official Receiver shall, within 14 days of the date of the order, file a notice in the prescribed form with the Registrar.

Offence provisions.

274. A disqualified person who engages in a prohibited activity commits an offence and is liable—

- (a) on summary conviction to imprisonment for 2 years or a fine at level 5 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 5 years or a fine of twice the statutory maximum, or both.

Liability for engaging in prohibited activity.

275.(1) A person incurs personal liability for the debts of a company in accordance with subsection (2) if, without the leave of the Court—

- (a) as a disqualified person, he is involved in the management of a company; or
- (b) as a person involved in the management of a company, he acts on the instructions of a person he knows to be a disqualified person or an undischarged bankrupt.

(2) Subject to subsection (3), the liability of a person to whom subsection (1) applies is—

- (a) to a liquidator of the company for every outstanding liability; and
- (b) to a creditor of the company for a liability to that creditor;

incurred by the company at a time when subsection (1) applies to him.

(3) A creditor may not take action against a person under subsection (2)(b) if the company is in liquidation.

(4) For the purposes of subsection (1), a person is involved in the management of a company if—

- (a) he is a director of the company; or

- (b) he is concerned, whether directly or indirectly, or takes part, in the management of the company.

(5) For the purposes of this section, a person who, as a person involved in the management of a company, has at any time acted on instructions given without the leave of the court by a person whom he knew at that time to be a disqualified person or to be an undischarged bankrupt is presumed, unless the contrary is shown, to have been willing at any time thereafter to act on any instructions given by that person.

Official Receiver to appear on certain applications.

276. The Official Receiver shall appear and call the attention of the Court to any matters which seem to him to be relevant, and may himself give evidence or call witnesses on the hearing of—

- (a) an application by the Official Receiver for a disqualification order;
- (b) an application made by any person for leave under this Part.

Register of Disqualification Orders and Undertakings.

277.(1) The Registrar shall register in a Register of Disqualification Orders and Undertakings to be maintained by him for the purpose—

- (a) each disqualification order or undertaking in respect of which notice is filed under section 272(2); and
- (b) each variation of a disqualification order or undertaking in respect of which notice is filed under section 273(4).

(2) When a disqualification order or undertaking ceases to be in force, the Registrar shall delete the entry from the Register.

(3) The Register of Disqualification Orders and Undertakings shall be open to inspection on payment of such fee as may be prescribed by the Rules.

(4) No person shall be construed as having knowledge that another person is a disqualified person by virtue of an entry in the Register of Disqualification Orders.

Duties of office holders.

278.(1) If it appears to the liquidator, administrator or administrative receiver of a company that the conduct of a director or former director of the company, either taken alone or taken together with his conduct as a director of any other company or companies, makes him unfit to be concerned in the management of companies, he shall, as soon as practicable, prepare a written report in the prescribed form and send it to the Official Receiver.

(2) The Official Receiver may by notice in writing require a liquidator, administrator or administrative receiver who has sent him a report under subsection (1) to—

- (a) provide him with such information or explanations; or
- (b) to produce such books, records or other documents;

as he may reasonably require for considering or preparing an application for an order under section 269.

(3) If a liquidator, administrator or administrative receiver fails to comply with a notice issued under subsection (2), the Court may, on the application of the Official Receiver, make an order directing compliance within the period specified in the order.

(4) The Court may order that the costs of and incidental to an application under subsection (3) shall be borne by the person against whom the order is made.

(5) A liquidator, administrator or administrative receiver who prepares a report under subsection (1) shall not disclose the report to the creditors' committee, if any, or to any person other than the Official Receiver.

(6) Subsection (5) does not prevent a liquidator, administrator or administrative receiver disclosing the report to any person properly employed or appointed by him, or acting for him, in the liquidation, administration or administrative receivership.

(7) A report provided to the Official Receiver under subsection (1) shall, in the absence of fraud or malice, be absolutely privileged for the purposes of the law of defamation.

(8) Subsection (7) shall not apply to the extent that the liquidator, administrator or administrative receiver, or a person to whom the report is disclosed under subsection (6), discloses the report to another person in breach of subsection (5).

(9) A person who fails to comply with an order made under subsection (3) commits an offence and is liable—

- (a) on summary conviction to imprisonment for 6 months or a fine at level 4 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 2 years or a fine at level 5 on the standard scale, or both.

PART 12

INDIVIDUAL VOLUNTARY ARRANGEMENTS

Preliminary

Interpretation for this Part.

279.(1) In this Part—

“debtor” means an individual who intends to make or who has made a proposal under this Part;

“interested person” means—

- (a) in relation to a security interest, the person entitled to the security interest or any receiver appointed under the security interest;
- (b) in relation to an asset not belonging to a debtor which is used or occupied by or in the possession of the debtor, the owner or lessor of the asset;
- (c) in relation to proceedings, execution or legal process, including distress, a person who is entitled to commence or continue the proceedings, execution or legal process or levy the distress; and

- (d) in relation to a guarantee of a liability of the debtor, the person entitled to enforce the guarantee;

“proposal” means a proposal for an arrangement; and

“proposal period”, means the period from the appointment of the interim supervisor to the approval or rejection by the creditors of the proposed arrangement.

- (2) Where the context allows, a reference in this Part–
 - (a) to the creditors of a debtor includes a class of creditors;
 - (b) to the extension of a moratorium period includes a further extension of the moratorium period;
 - (c) to a proposal includes the proposal as amended; and
 - (d) to the rejection of a proposal includes the deemed rejection of a proposal.

Arrangement.

280.(1) An arrangement is a compromise between a debtor and his creditors, or one or more classes of creditors, proposed and approved in accordance with this Part, the implementation of which is supervised by a supervisor acting as a trustee or otherwise.

- (2) Without limiting subsection (1), an arrangement may–
 - (a) cancel all or any part of, or vary, a liability of the debtor;
 - (b) vary the rights of the debtor’s creditors or the terms of a debt; and
 - (c) include any other provision that may be prescribed by the Rules.
- (3) Varying a liability or the terms of a debt under paragraphs (a) or (b) of subsection (2) may include–
 - (a) varying, adding or cancelling rights to interest; and

- (b) varying the dates upon which a liability, or part of a liability, becomes due for payment.
- (4) An arrangement shall not, except with the written agreement of the secured creditor or the preferential creditor concerned—
- (a) affect the right of a secured creditor of the debtor to enforce his security interest or vary the liability secured by the security interest; or
 - (b) result in a preferential creditor receiving less than he would receive in the bankruptcy of the debtor had the bankruptcy commenced at the time of approval of the arrangement.
- (5) An arrangement may provide for the supervisor—
- (a) to carry on the business of the debtor or trade on his behalf and in his name;
 - (b) to realise assets of the debtor; or
 - (c) otherwise to administer or dispose of any of the debtor's funds.
- (6) An arrangement does not effect a release of any surety or co-debtor of the debtor unless the terms of the arrangement expressly provide otherwise.

Authorised persons.

281.(1) An Authorised person shall not enter into an arrangement with his creditors under this Part without the written consent of the Commission and any arrangement entered into in breach of this subsection is void and of no effect.

- (2) Where a proposal is made, or an arrangement approved, in respect of a debtor that is or at any time has been an Authorised person—
- (a) every notice or other document required to be sent to a creditor of the debtor under this Part shall also be sent to the Commission; and

- (b) unless the applicant is the Commission, notice shall be given to the Commission of any application to the Court under this Part.

Proposal and Appointment

Proposal.

282.(1) Any individual other than an undischarged bankrupt may make a proposal under this Part and any arrangement entered into by an undischarged bankrupt is void and of no effect.

- (2) A proposal shall—
 - (a) be made to the debtor’s creditors or any class or classes of his creditors; and
 - (b) nominate an eligible insolvency practitioner or the Official Receiver as interim supervisor to act in relation to the proposed arrangement.
- (3) The Official Receiver may not be nominated as interim supervisor without his written consent.

Procedure for proposal.

- 283.(1) A debtor who intends to make a proposal under this Part shall—
- (a) nominate an eligible insolvency practitioner or the Official Receiver to act as interim supervisor for the purposes of the proposal; and
 - (b) provide the nominated insolvency practitioner or the Official Receiver with—
 - (i) a copy of the proposal;
 - (ii) a statement of assets and liabilities made up to a date no earlier than 4 weeks prior to the date upon which it is provided to the nominated insolvency practitioner; and

- (iii) a notice of intention to appoint the nominated insolvency practitioner or Official Receiver as interim supervisor.

(2) The nominated insolvency practitioner or Official Receiver may accept appointment as interim supervisor, by delivering to the debtor a copy of the notice referred to in subsection (1)(b), endorsed in accordance with the Rules.

(3) Subject to subsection (4), the appointment of an interim supervisor takes effect from the time when he delivers the endorsed notice to the debtor.

(4) The appointment of an interim supervisor is not effective unless he accepts appointment under subsection (2) within 5 business days of the date of receiving the notice of intention to appoint him as interim supervisor from the debtor.

Notification of appointment of interim supervisor.

284. The interim supervisor, unless he is the Official Receiver, shall within 2 business days of his appointment file a copy of the notice of his appointment with the Official Receiver and, if the debtor is an Authorised person, with the Commission.

Functions of interim supervisor and power to obtain information.

285.(1) The functions of an interim supervisor are—

- (a) to prepare a report on the proposal for the Court;
- (b) to carry out any duties assigned to him by this Act or the Rules or by the Court;
- (c) to undertake such functions and duties as he may agree with the debtor.

(2) For the purposes of enabling the interim supervisor to exercise his functions, a debtor shall—

- (a) provide to the interim supervisor such documents, information and explanations, and

- (b) give the interim supervisor such assistance,

as he may reasonably require for the purposes of enabling him to exercise his functions.

(3) On the application of the interim supervisor, the Court may make an order requiring a debtor to comply with subsection (2).

(4) A debtor who fails to comply with an order of the Court made under subsection (3) commits an offence and is liable—

- (a) on summary conviction to a fine at level 3 on the standard scale;
- (b) on conviction on indictment to a fine at level 5 on the standard scale.

Amendment of proposal before creditors' meeting.

286.(1) A debtor may amend or withdraw a proposal in accordance with the Rules—

- (a) before the appointment of an interim supervisor;
- (b) after the appointment of an interim supervisor but before notice of a creditors' meeting has been given under section 294; or
- (c) after notice of a creditor's meeting has been given under section 294 but before the date fixed for the meeting.

(2) A proposal cannot be amended or withdrawn otherwise than in accordance with this section or section 296.

Moratorium

Application for moratorium order.

287.(1) A debtor who intends to make a proposal may apply to the Court for a moratorium order under this section if—

- (a) he is entitled to apply to the Court for a bankruptcy order under section 324;
- (b) an eligible insolvency practitioner or the Official Receiver has accepted appointment as interim supervisor under the proposal in accordance with section 283(2);
- (c) no previous application for a moratorium has been made by the debtor during the 12 months immediately preceding the date of the application; and
- (d) he is not an Authorised person.

(2) An application under subsection (1) shall be supported by an affidavit setting out the matters prescribed by the Rules and exhibiting—

- (a) a copy of the proposal provided to the interim supervisor under section 283(1)(b);
- (b) a copy of the endorsed notice of appointment of the interim supervisor; and
- (c) a statement of assets and liabilities.

(3) The debtor shall give 2 business days' notice of the hearing of an application under this section to—

- (a) the interim supervisor; and
- (b) any creditor who, to his knowledge, has applied to the Court for a bankruptcy order against him.

Court may grant stay.

288.(1) At any time when an application under section 287 for a moratorium order is pending, the Court may, on the application of the debtor or the interim supervisor, stay any action, execution or other legal process against the debtor or his assets.

(2) Any Gibraltar court, or any tribunal in Gibraltar, in which proceedings are pending against a debtor may, on proof that an application

under section 287 has been made by the debtor, either stay those proceedings or allow them to continue on such terms as it considers just.

Moratorium order.

289.(1) The Court may make a moratorium order on an application under section 287 if it considers that it would be appropriate to do so for the purpose of facilitating the consideration of the debtor's proposal.

(2) The Court may, on making a moratorium order, require the interim supervisor to monitor the affairs of the debtor, including the conduct of any business carried on by the debtor, during the proposal period.

(3) Unless extended by the Court under this section, a moratorium order ceases to have effect at the end of the 14th day after the date upon which it is made.

(4) If the Court makes a moratorium order under subsection (1), it shall at the same time fix a venue for consideration of the interim supervisor's report under section 292, no later than the date of expiry of the moratorium order under subsection (3).

(5) In a case where the interim supervisor has failed to submit his report as required by section 292, the Court may, on the application of the debtor, direct that the moratorium order shall continue or, if it has ceased to have effect, be renewed for such further period as the Court may order.

(6) The Court may, on the application of the interim supervisor, extend the period for which the moratorium order has effect so as to enable the interim supervisor to have more time to prepare and submit his report under section 292.

(7) The Court may, at any time, discharge the moratorium order if it is satisfied, whether by reason of a report made to it by the interim supervisor under section 290 or otherwise—

- (a) that the debtor has failed to comply with his obligations under section 285(2);
- (b) that it would not be appropriate for a meeting of creditors to be called to consider the debtor's proposal; or

- (c) that, for any other reason, it is appropriate for the moratorium order to be discharged.

(8) An order discharging the moratorium order may be made by the Court on the application of the debtor or the interim supervisor or on its own motion.

Duty of interim supervisor to report certain matters to the Court.

290. The interim supervisor shall report to the Court forthwith if, at any time during the period when a moratorium order is in force—

- (a) he forms the view that the proposed arrangement no longer has a reasonable prospect of being approved or implemented; or
- (b) the debtor fails to comply with his obligations under section 285(2).

Effect of moratorium order.

291.(1) In the period during which a moratorium order is in force in respect of a debtor—

- (a) no application for a bankruptcy order against the debtor may be presented or proceeded with;
- (b) no bankruptcy order may be made against the debtor;
- (c) no steps may be taken to enforce any security interest over the debtor's assets, except with the leave of the Court;
- (d) no right of forfeiture by peaceable re-entry may be exercised in relation to premises let to the debtor, except with the leave of the Court;
- (e) except with the leave of the Court, no steps may be taken to repossess assets in the possession of the debtor supplied to the debtor—
 - (i) under a hire purchase, conditional sale or chattel leasing agreement; or

(ii) subject to a retention of title agreement;

(f) no legal process, including legal proceedings and execution, may be commenced or continued or distress levied against the debtor or his assets, except with the leave of the Court.

(2) On an application for leave under paragraphs (c) to (e) of subsection (1), the Court may grant leave subject to such terms and conditions as it considers appropriate.

(3) Subsection (1) does not prevent or require the leave of the Court to be obtained for—

(a) the enforcement of a security interest on assets belonging to a debtor if, before the order for a moratorium was made, an interested person lawfully—

(i) entered into possession of or assumed control of the assets, or

(ii) entered into a binding agreement to sell the assets,

for the purpose of enforcing the security interest on those assets;

(b) the repossession of assets being used or occupied by or in the possession of a debtor if, before the order for a moratorium was made, an interested person lawfully entered into possession, or assumed control of those assets; or

(c) the exercise by a creditor of any set-off that he would have been entitled to exercise under section 135 if the debtor was in bankruptcy, the bankruptcy having commenced on the date that the moratorium order was made.

Consideration of Proposal

Interim supervisor's report on debtor's proposal.

292.(1) An interim supervisor shall, before the end of the relevant time limit specified in subsection (3), file with the Court a report including the matters prescribed by the Rules.

- (2) An interim supervisor shall file with the report—
- (a) where the debtor made an application for a moratorium order under section 287 and the proposal has since been amended, a copy of the amended proposal; or
 - (b) where the debtor has not made an application for a moratorium order, copies of the documents referred to in paragraphs (a) to (c) of section 287(2).
- (3) The relevant time limits for the purposes of subsection (1) are—
- (a) where a moratorium order has been made, no less than 2 business days prior to the date of the hearing fixed under section 289(4); and
 - (b) in any other case, within 14 days after the date of the appointment of the interim supervisor.
- (4) The Court may, on the application of the interim supervisor, extend the period within which the interim supervisor shall submit his report under subsection (1) by such further period as it considers appropriate.

Extension of moratorium.

293.(1) This section applies where a moratorium order is in force at the time when the interim supervisor files his report with the Court.

(2) If, on receiving the interim supervisor's report, the Court is satisfied that a meeting of creditors should be called to consider the debtor's proposal, the Court shall extend the period for which the moratorium order is in force for such further period as it may specify for the purpose of enabling the debtor's proposal to be considered by his creditors in accordance with this Part and for the result of the creditors' meeting to be reported to the Court.

Calling creditors' meeting.

294. Unless the Court otherwise orders, where the interim supervisor has reported to the Court that a meeting of creditors should be called, he shall—

- (a) call a meeting of creditors at the venue and for the date proposed in his report, or such other venue or date as may be specified by the Court;
- (b) send to each creditor, together with the notice of the meeting, a copy of the debtor's proposal, his report on the proposal and a copy of the debtor's statement of assets and liabilities; and
- (c) cause the creditors' meeting to be advertised in accordance with the Rules.

Business to be conducted at creditors' meeting.

295.(1) At the meeting called under section 294, the creditors may resolve—

- (a) to approve the proposal, with or without amendment, and appoint the interim supervisor, or such other eligible insolvency practitioner that may be specified in the proposal, or the Official Receiver, to be the supervisor of the arrangement;
- (b) to adjourn the meeting to a date no later than 28 days after the date for which the meeting was originally called; or
- (c) to reject the proposal.

(2) A resolution to approve a proposal is invalid and of no effect if—

- (a) the proposal does not comply with section 280(4);
- (b) the proposal has been amended without the consent of the debtor; or
- (c) the proposal has been amended otherwise than in accordance with section 286 or section 296.

(3) The proposal is deemed to be rejected, and the creditors' meeting concluded, if—

- (a) the creditors fail to pass one of the resolutions specified in subsection (1); or

(b) the creditors' meeting is not held on the date for which it was called or to which it was adjourned.

(4) On the rejection of a proposal the proposal period ends and the appointment of the interim supervisor is terminated.

(5) References in this section to a meeting include, where the meeting is adjourned, the adjourned meeting.

(6) Where a meeting of creditors is adjourned, the interim supervisor shall forthwith file a notice of the adjournment with the Court and the Court may, on the application of the debtor or the interim supervisor, extend the period for which the moratorium order is in force for such further period as it may specify for the purpose of enabling the adjourned meeting to be held and for the result to be reported to the Court.

(7) References in this section and section 296 to a meeting include, where the meeting is adjourned, an adjourned meeting.

Amendment or withdrawal of proposal at creditors' meeting.

296.(1) Where, at a meeting held under section 294, the creditors wish to approve an amended proposal that has not been amended in accordance with section 286, the meeting shall be adjourned for sufficient time to enable the chairman of the meeting to give all creditors not present or represented at the meeting at least 2 business days' notice—

(a) of the venue of the adjourned meeting; and

(b) of the amended proposal to be considered at the adjourned meeting.

(2) Where a meeting is adjourned under subsection (1), section 295 applies to the adjourned meeting.

(3) Subsection (1) does not apply—

(a) if every creditor who was given notice of the meeting under section 294 is present or represented at the meeting; or

(b) if the chairman certifies in writing that an amendment is to correct minor errors or is otherwise not material.

(4) The debtor may withdraw a proposal at a creditors' meeting called under section 294 in accordance with the Rules.

Report of decisions to Court.

297.(1) The interim supervisor shall, within 4 business days of the date of the conclusion of the creditors' meeting—

- (a) file with the Court a report of the meeting complying with subsection (2);
- (b) if the arrangement was approved—
 - (i) file a notice of the arrangement with the Official Receiver; and
 - (ii) if the debtor is an Authorised person, file notice of the arrangement with the Commission.

(2) A report filed under subsection (1)(a) shall—

- (a) state whether the proposal was approved or rejected or withdrawn and, if approved, with what modifications, if any;
- (b) set out the resolutions put to the meeting, and the decision on each one;
- (c) list the creditors, with their respective values, who were present or represented at the meeting; and
- (d) include such further information, if any, that the chairman considers should be made known to the Court.

(3) If a report filed under subsection (1)(a) states that the meeting has rejected the proposal or that it was withdrawn by the debtor under section 296(4), any moratorium order in force is discharged with effect from the end of the 4th business day after the conclusion of the meeting unless the Court otherwise orders.

(4) The chairman of the meeting shall, as soon as practicable after filing his report with the Court, send a notice stating the result of the meeting to all creditors of the debtor.

(5) A person who contravenes subsection (1) or subsection (4) commits an offence and is liable—

- (a) on summary conviction to a fine at level 3 on the standard scale;
- (b) on conviction on indictment to a fine at level 5 on the standard scale.

Effect of approval of proposal.

298.(1) Where the meeting of creditors called under section 294 approves the proposed arrangement, the arrangement—

- (a) takes effect as if made by the debtor at the meeting; and
- (b) is binding on the debtor and each creditor of the debtor as if he were a party to the arrangement.

(2) For the purposes of subsection (1), a person is a creditor of the debtor if he has a claim against the debtor that would be an admissible claim in the bankruptcy of the debtor commencing at the time of the approval of the arrangement.

(3) Where the arrangement is between the company and a class or classes of creditor, the arrangement is binding on a creditor only in relation to any debt due to him as a creditor of the relevant class or classes.

(4) Subject to section 312, any moratorium order in force in relation to the debtor immediately before the end of the period of 28 days beginning with the day on which the report with respect to the creditors' meeting was filed with the Court under section 297 ceases to have effect at the end of that period.

(5) Where proceedings on an application for a bankruptcy order have been stayed by a moratorium order which ceases to have effect under subsection (5), that application is deemed, unless the Court otherwise orders, to have been dismissed.

Arrangement ceasing to have effect.

299.(1) If–

- (a) when the arrangement ceases to have effect any amount payable under the arrangement to a person bound by the arrangement has not been paid; and
- (b) the arrangement did not come to an end prematurely,

the debtor shall, at that time, become liable to pay to that person the amount payable under the arrangement.

(2) For the purposes of subsection (1), an arrangement comes to an end prematurely if, when it ceases to have effect, it has not been fully implemented in respect of all persons bound by the arrangement.

Implementation of Arrangement

Supervisor's functions and powers.

300. The supervisor has such functions and powers as are provided for by the arrangement and, if authorised by the arrangement, may carry on the debtor's business or trade on his behalf or in his name.

Supervisor to be given possession of assets included in arrangement.

301. After the approval of an arrangement the debtor shall forthwith take all necessary steps to put the supervisor into possession of the assets included in the arrangement.

Supervisor's duty to keep accounting records.

302.(1) Where an arrangement permits or requires the supervisor–

- (a) to carry on the debtor's business or trade on his behalf or in his name,
- (b) to realise assets of the debtor, or

(c) otherwise to administer or dispose of any of the debtor's funds,

he shall keep accounting records that correctly record and explain the receipts, expenditure and other transactions relating to his acts and dealings in and in connection with the arrangement.

(2) The supervisor shall retain the accounting records kept under subsection (1) for a period of not less than 6 years after the termination of the arrangement.

Supervisor to prepare and send out regular accounts and reports.

303.(1) The supervisor shall prepare accounts of his receipts and payments, if any, and reports concerning the progress and efficacy of the arrangement covering the periods specified in subsection (2).

(2) The accounts and reports prepared under subsection (1) shall cover—

(a) the period of 12 months following the supervisor's appointment;

(b) each subsequent period of 12 months; and

(c) where the supervisor ceases to act as supervisor

(i) the period from the end of the period covered by the last accounts required to be prepared under this section, or if he acted as supervisor for less than 12 months from the date of his appointment, to the date of his ceasing to act, and

(ii) the period from the date of his appointment to the date of his ceasing to act, unless prepared in accordance with subparagraph (i).

(3) The supervisor shall, within 60 days of the last day of the period covered by the accounts—

(a) file a copy of the accounts and his report with the Court; and

(b) send a copy of the accounts and his report to—

- (i) the Official Receiver,
- (ii) the debtor, and
- (iii) each creditor of the debtor who is bound by the arrangement.

Completion or premature termination of arrangement.

304.(1) Where an arrangement is completed or terminated prematurely, the supervisor shall, within 28 days of its completion or termination, file a notice of completion or termination with the Court and send a copy of the notice to the debtor and to each creditor of the debtor who is bound by the arrangement.

(2) Where an arrangement is completed or terminated, the report prepared under section 303(2)(c) shall explain any difference between the implementation of the agreement and the proposal approved by the creditors.

Modification of Arrangement

Supervisor may propose modification of arrangement.

305.(1) In this section and in section 306–

- (a) “creditor”, in relation to an arrangement, means a creditor bound by that arrangement; and
- (b) “proposal” means a proposal to modify an arrangement.

(2) If the supervisor of an arrangement considers it appropriate, he may propose a modification of the arrangement at a meeting of creditors called for such a purpose.

(3) The supervisor shall call a meeting of creditors under subsection (2) by sending to each creditor–

- (a) a notice of the meeting; and
- (b) a written report on the proposed modification complying with the Rules.

(4) The supervisor shall send a copy of the notice of the meeting and his report on the proposed modification to the debtor and to the Official Receiver.

Modification of arrangement.

306.(1) Subject to the exceptions specified in the Rules, sections 295 and 297 and the relevant Rules apply, with suitable modifications, to a meeting called under section 305.

- (2) Where a proposal to modify an arrangement is approved—
- (a) the modified arrangement is binding on the debtor and on each creditor of the debtor as if he had agreed to the modification; and
 - (b) the provisions of this Part applicable to an arrangement apply to the modified arrangement.

(3) An arrangement may not be modified otherwise than in accordance with section 305 and this section.

Remuneration

Remuneration of interim supervisor and supervisor.

307. A supervisor and an interim supervisor is entitled to be paid remuneration and expenses for his services consisting of—

- (a) any disbursements made by the interim supervisor prior to the approval of the arrangement, and any remuneration for his services as such agreed between himself and the debtor; and
- (b) any fees, costs, charges or expenses which—
 - (i) are sanctioned by the terms of the arrangement, or
 - (ii) would be payable, or correspond to those which would be payable, in a bankruptcy.

Fixing of remuneration by Court.

308.(1) Notwithstanding the terms of the arrangement, on the application of a person referred to in subsection (4), the Court may review and fix the amount paid or to be paid by way of remuneration and expenses to a supervisor or an interim supervisor.

- (2) Subject to subsection (3), the Court's power under subsection (1)–
 - (a) extends to fixing the remuneration and expenses for any period before the making of the order or the application for it;
 - (b) is exercisable notwithstanding that the supervisor or interim supervisor has died or ceased to act before the making of the application or the order; and
 - (c) extends to requiring the supervisor or interim supervisor or his personal representative to account for the excess or such part of it as may be specified in the order to the extent that an amount paid to or retained by the supervisor or interim supervisor as remuneration or expenses exceeds that fixed by the Court for the period concerned.

(3) The power conferred by subsection (2)(c) may not be exercised with respect to a period before the date of the application for an order under this section unless the Court is satisfied that there are special circumstances that justify it.

(4) Application to the Court for an order under subsection (1) may be made by any of the following persons–

- (a) the supervisor or interim supervisor; or
- (b) the debtor.

(5) In fixing the remuneration of a supervisor or interim supervisor under this section, the Court shall apply the general principles specified in section 466.

Applications to Court

Appointment of interim supervisor or supervisor by Court.

309.(1) The Court may, on an application made by a person and in the circumstances specified in subsection (2), order that an eligible insolvency practitioner is appointed as supervisor or interim supervisor either in substitution for the existing supervisor or interim supervisor or to fill a vacancy.

- (2) An application under subsection (1) may be made—
- (a) by the debtor or the Official Receiver, where—
 - (i) the interim supervisor has failed to submit the report required by section 292;
 - (ii) the supervisor or interim supervisor has failed to comply with a duty imposed upon him under this Part or has died, by the debtor;
 - (b) by the debtor or the supervisor or interim supervisor where it is impracticable or inappropriate for the existing supervisor or interim supervisor to continue to act; or
 - (c) by the Official Receiver, where the licence of the supervisor or interim supervisor is suspended or revoked.

(3) An order under subsection (1) may increase the number of persons acting as supervisor or interim supervisor or replace one or more of those persons.

Application in respect of moratorium.

310.(1) Where a moratorium order is or has been in force in respect of a debtor, the Court may, on an application made by the debtor, by the supervisor or interim supervisor, by a creditor, by a person affected by the moratorium or, where the individual is an Authorised person, by the Commission—

- (a) give directions to the supervisor or interim supervisor in relation to any matter arising in connection with the moratorium;
 - (b) confirm, reverse or modify any act or decision of the supervisor or interim supervisor;
 - (c) terminate the moratorium order and make such consequential provisions as it considers appropriate; or
 - (d) make such other order, whether in relation to the supervisor or interim supervisor, the debtor or otherwise as it considers appropriate.
- (2) Without limiting subsection (1)(d), an order under that subsection–
- (a) may require the debtor to refrain from doing or continuing an act complained of by the applicant, or to do an act that the applicant has complained he has omitted to do;
 - (b) may require the calling of a meeting of creditors for the purpose of considering such matters as the Court may direct; and
 - (c) may make such provision as the Court considers necessary to protect the interests of one or more creditors in the period during which the moratorium order is in force.
- (3) An application under subsection (1) may be made during the period in which the moratorium order is in force or after the moratorium order has been discharged.
- (4) In making an order under this section, the Court shall have regard to the need to safeguard the interests of persons who have dealt with the debtor in good faith and for value.

Application where arrangement approved or modified.

311.(1) Where an arrangement is approved or modified, the Court may, on an application made by a person specified in subsection (2)–

- (a) give directions to the supervisor in relation to any matter arising in connection with the arrangement;
- (b) confirm, reverse or modify any act or decision of the supervisor; or
- (c) make such other order as it considers appropriate.

(2) Application under subsection (1) may be made by the supervisor, by the debtor, by a creditor of the debtor, by a surety of a liability of the debtor, by a co-debtor of the debtor, by a person affected by the arrangement or, where the individual is an Authorised person, by the Commission.

Application on grounds of unfair prejudice or material irregularity.

312.(1) An application may be made by a person specified in subsection (2) for an order under subsection (3) on one or both of the following grounds—

- (a) that an arrangement approved or modified by the creditors at a meeting called under section 294 unfairly prejudices the interests of a creditor, surety or co-debtor; or
- (b) that there has been a material irregularity at or in relation to the meeting at which the arrangement was approved or modified.

(2) An application for an order under subsection (1) may be made by—

- (a) the debtor;
- (b) the supervisor or the person who, immediately prior to the approval of the arrangement, acted as interim supervisor;
- (c) a creditor, surety or co-debtor of the debtor; or
- (d) where the individual is an Authorised person, the Commission.

(3) Where it is satisfied as to either of the grounds specified in subsection (1), the Court—

- (a) may revoke or suspend—

- (i) any decision approving or modifying the arrangement;
or
 - (ii) any decision taken at a meeting at or in relation to which there was a material irregularity;
- (b) may give a direction to any person—
- (i) for the calling of a further meeting to consider any amended proposal for an arrangement that the supervisor or the debtor may make;
 - (ii) for the calling of a further meeting to consider any amended proposal for a modification of the arrangement that the supervisor may make;
 - (iii) where there has been a material irregularity, for the calling of a further creditors' meeting to reconsider the proposal for the arrangement or for the modification of an arrangement.

(4) Where at any time after giving a direction under subsection (3)(b)(i), the Court is satisfied that the debtor does not intend to submit an amended proposal, the Court shall revoke the direction and revoke or suspend any decision approving the arrangement or the modification of the arrangement.

(5) Where the Court, on an application under this section gives a direction under subsection (3)(b) or revokes or suspends a decision under subsection (4), the Court may—

- (a) direct that any moratorium order in place be continued or, if it has ceased to have effect, be renewed for such further period as the Court may order; and
- (b) give such supplemental directions as it considers appropriate and, in particular, directions with respect to things done under the arrangement since it took effect.

(6) Except as provided in this section, a decision taken at a meeting called under section 294 or section 305 is not invalidated by any irregularity at or in relation to the meeting.

(7) Without limiting subsection (1)(a), the interests of a member, creditor, surety or co-debtor of the debtor are capable of being unfairly prejudiced on the grounds that the remuneration paid or to be paid to the supervisor is excessive.

(8) Subject to subsection (9), no application under this section shall be made after the arrangement has been completed or has prematurely terminated.

(9) A creditor who did not participate in the approval of an arrangement may make an application under this section after the completion of an arrangement if, when the arrangement was completed, he was unaware of the arrangement.

(10) An application under subsection (9) shall be made within 4 weeks of the creditor first becoming aware of the arrangement.

(11) For the purposes of this section, a creditor does not participate in the approval of an arrangement if, for whatever reason—

- (a) he was not given notice of the meeting of creditors called to consider the proposal; and
- (b) he did not attend the meeting at which the arrangement was approved, whether in person or by proxy.

Miscellaneous

Register of arrangements.

313.(1) The Official Receiver shall maintain a register of arrangements made under this Part and shall record in the register all matters that are required to be reported to him under this Part or under the corresponding Part in the Rules.

(2) A member of the public is entitled to inspect the register maintained under subsection (1) on payment of the fee prescribed by the Rules.

Deeds of Arrangement Act disapplied.

314. The Deeds of Arrangement Act does not apply to an arrangement approved under this Part.

Offences

False representations.

315.(1) A debtor who makes any false representation or who fraudulently does, or omits to do, anything for the purpose of obtaining the approval of his creditors to an arrangement commits an offence and is liable—

- (a) on summary conviction to imprisonment for 12 months or a fine at level 4 on the standard scale, or both;
 - (b) on conviction on indictment to imprisonment for 5 years or a fine at twice the statutory maximum, or both.
- (2) Subsection (1) applies whether or not the proposal is approved.

PART 13

BANKRUPTCY

Preliminary

Interpretation for this Part.

316. In this Part—

“debtor” means the individual to whom an application for a bankruptcy order relates;

“prescribed minimum” means the minimum amount of the debt for which a statutory demand may be issued; and

“trustee” means the bankruptcy trustee of a bankrupt.

Jurisdiction of the Court.

317. The jurisdiction of the Court in relation to the bankruptcy of an individual is subject to Article 3 of the EC Insolvency Regulation.

Meaning of bankruptcy order.

318. A bankruptcy order is an order of the Court vesting the assets of an individual in a bankruptcy trustee appointed by the Court for the purposes of division amongst his creditors in accordance with this Part.

Commencement and duration of bankruptcy.

319.(1) The bankruptcy of an individual commences at the time at which the bankruptcy order is made and continues until the bankrupt is discharged under section 409 or 412.

(2) Throughout the period referred to in subsection (1), the individual is referred to in this Act as “in bankruptcy”.

Application for and Making of Bankruptcy Order

Grounds for making bankruptcy order.

320.(1) The Court shall not make a bankruptcy order against a debtor under this Part unless it is satisfied—

- (a) that on the date that the application was filed, the debtor—
 - (i) was ordinarily resident in Gibraltar;
 - (ii) was personally present in Gibraltar;
 - (iii) had a place of residence or a place of business in Gibraltar;
- (b) that at any time in the period of 3 years prior to the date that the application was filed, the debtor—
 - (i) had carried on business in Gibraltar, either personally or by means of an agent or manager;

- (ii) had been a member of a partnership carrying on business in Gibraltar by means of a partner or partners or of an agent or manager;
- (c) that the debtor has or appears to have assets in Gibraltar; or
- (d) that there is a reasonable prospect that the making of a bankruptcy order will benefit the creditors of the debtor.

(2) For the purposes of subsection (1)(b), a debtor or a partnership is deemed to be carrying on business in Gibraltar if liabilities incurred in the course of a business formerly carried on in Gibraltar remain unpaid.

Persons who may apply for a bankruptcy order.

321. Application to the Court for a bankruptcy order in respect of a debtor may be made—

- (a) by the debtor himself under section 324;
- (b) by a creditor of the debtor, or by one or more of his creditors jointly, under section 325;
- (c) by the supervisor of an arrangement or by a creditor of the debtor under section 330;
- (d) by a temporary administrator within the meaning of Article 38 of the EC Insolvency Regulation; or
- (e) by a liquidator, within the meaning of Article 2(b) of the EC Insolvency Regulation, appointed in proceedings by virtue of Article 3(1) of that Regulation.

Consolidation of applications.

322. Where 2 or more applications for bankruptcy orders are presented against the same debtor, the Court may consolidate the proceedings or any of them on such terms as it considers appropriate.

Leave required to withdraw application.

323. An application for a bankruptcy order may not be withdrawn except with the leave of the Court.

Application by debtor.

324.(1) The Court may make a bankruptcy order against a debtor on the application of the debtor himself if it is satisfied—

- (a) that the debtor is unable to pay his debts as they fall due;
- (b) that the unsecured liabilities of the debtor exceed the prescribed minimum; and
- (c) that, if a bankruptcy order is made, the value of the debtor's assets available for distribution to his unsecured creditors will exceed the prescribed minimum.

(2) An application for a bankruptcy order filed by a debtor under subsection (1) shall be accompanied by a verified statement of his assets and liabilities.

Creditor's application.

325.(1) A creditor's application for a bankruptcy order may only be made in respect of a liability or liabilities where, at the time of the application—

- (a) the amount of the liability owed to the creditor applying for the order, or the aggregate amount of the liabilities, exceeds the prescribed minimum; and
- (b) the liability, or each of the liabilities, is for a liquidated sum payable to the applicant creditor immediately.

(2) An application under subsection (1) may not be made in respect of a liability incurred outside Gibraltar unless the liability is payable by the debtor to the creditor by virtue of a judgment or award enforceable by execution in Gibraltar.

Substitution of applicant.

326.(1) In the circumstances specified in subsection (2), the Court may, by order, substitute as applicant in a creditor's application for a bankruptcy order, a creditor—

- (a) who has given notice of his intention to appear at the hearing of the application in accordance with the Rules;
- (b) who would otherwise have been entitled to make such an application on the date that the original application was made; and
- (c) who consents to being substituted as the applicant.

(2) The Court may make a substitution order under subsection (1) if it considers it appropriate to do so—

- (a) because the applicant applies to withdraw the application or consents to it being dismissed;
- (b) because the Court considers that the application is not being diligently proceeded with;
- (c) where the applicant is not entitled to make the application; or
- (d) for any other reason.

Application by secured creditor.

327.(1) Where the applicant for a bankruptcy order is a secured creditor, he shall in his application state the full amount of the liability of the debtor to him and—

- (a) state that he is willing, in the event of a bankruptcy order being made, to give up his security interest for the benefit of the other creditors of the bankrupt; or
- (b) give an estimate of the value of his security interest and make the application in respect of the full amount of the liability of

the debtor to him less the estimated value of his security interest.

(2) In a case falling within subsection (1)(b), the secured creditor is treated as an unsecured creditor in respect of the unsecured liability of the debtor to him.

Secured creditor failing to disclose security interest.

328.(1) Subject to subsection (2), a secured creditor who fails to disclose his security interest in an application for a bankruptcy order against a debtor is, in the event that a bankruptcy order is made on the application, deemed to have given up his security interest for the benefit of the other creditors of the bankrupt.

(2) If on the application of a secured creditor the Court is satisfied that the failure of the creditor to disclose his security interest was inadvertent or due to an honest mistake, it may disapply subsection (1) subject to such terms and conditions as it considers appropriate.

(3) Where subsection (1) applies, the secured creditor concerned—

- (a) is not entitled to enforce his security interest against the estate of the bankrupt or to retain any proceeds from the realisation of the security interest; and
- (b) shall execute such document of release as is required by the trustee or account and pay over to the trustee all proceeds from any realisation of his security interest.

(4) Where a secured creditor fails to execute a document of release as required by subsection (2)(b), the trustee may apply to the Court for an order that the trustee may execute the document on his behalf and, where the Court makes such an order, the execution of the document by the trustee takes effect as if executed by the secured creditor.

(5) A secured creditor who fails to account or pay to the trustee the proceeds from any realisation of his security interest in accordance with subsection (3)(b) commits an offence and is liable—

- (a) on summary conviction to imprisonment for 6 months or a fine at level 4 on the standard scale, or both;

- (b) on conviction on indictment to imprisonment for 2 years or a fine at level 5 on the standard scale, or both.

Hearing of creditor's application.

329.(1) Subject to subsection (2), the Court may make a bankruptcy order on an application made by a creditor if it is satisfied that the debtor is insolvent within the meaning of section 10(2), and—

- (a) where the debtor has failed to comply with the requirements of a statutory demand, the demand was made by the creditor making the application; or
- (b) where execution or other process has been returned unsatisfied, the debt is payable to the creditor making the application.

(2) The Court shall not make a bankruptcy order under subsection (1) unless it is satisfied that—

- (a) the debt, or one of the debts, in respect of which the application is made is a debt which, having been payable at the date of the application, has neither been paid nor secured nor compounded for; and
- (b) where the debtor does not appear at the hearing, he has been served with the application.

(3) The Court may dismiss an application made by a creditor if—

- (a) it is not satisfied with the proof of the liability or liabilities in respect of which the application is made;
- (b) it is not satisfied with the proof of the service of the application on the debtor;
- (c) it is satisfied that the debtor is able to discharge all his liabilities;
- (d) is satisfied that the debtor has made an offer to secure or compound for a liability in respect of which the application is made, the acceptance of which would have required the

dismissal of the application and that offer has been unreasonably refused by the creditor making the application;

- (e) it is satisfied that for some other sufficient reason, a bankruptcy order ought not to be made.

(4) Nothing in section 325 or in this section limits the power of the Court, in accordance with the rules, to authorise a creditor's application to be amended by the omission of any creditor or liability.

(5) Where an application is amended under subsection (4), the Court may order that the application is proceeded with as if anything done for the purposes of this section or section 325 had been done only by or in relation to the remaining creditors or debts.

Application where individual voluntary arrangement in place.

330.(1) Where an individual voluntary arrangement has been approved under Part 12 and has not been completed or otherwise come to an end, the Court may make a bankruptcy order against a debtor on the application of the supervisor or a creditor bound by the arrangement if it is satisfied—

- (a) that the debtor has failed to comply with his obligations under the arrangement; or
- (b) that information which was false or misleading in any material particular or which contained material omissions—
 - (i) was contained in any statement of assets and liabilities or other document supplied by the debtor under Part 12 to any person, or
 - (ii) was otherwise made available by the debtor to his creditors at or in connection with a meeting summoned under that Part, or
- (c) that the debtor has failed to do all such things as may for the purposes of the arrangement have been reasonably required of him by the supervisor of the arrangement.

(2) Where a bankruptcy order is made on an application under subsection (1), any remuneration of the supervisor is a first charge on the bankrupt's estate.

Court's powers on hearing of application for bankruptcy order.

331. On the hearing of an application for a bankruptcy order under section 324, section 325 or section 330, the Court may—

- (a) make a bankruptcy order;
- (b) if it appears appropriate to do so on the grounds that there has been a contravention of the Rules or for any other reason, dismiss the application or stay proceedings on the application on such terms and conditions as it considers appropriate;
- (c) adjourn the hearing conditionally or unconditionally; or
- (d) make any interim order or other order that it considers appropriate.

Appointment of bankruptcy trustee.

332. Where the Court makes a bankruptcy order, it shall appoint either the Official Receiver or an eligible insolvency practitioner to be the bankruptcy trustee of the bankrupt.

Period within which application shall be determined.

333.(1) Subject to subsection (2), an application for a bankruptcy order shall be determined within 3 months after it is filed.

(2) The Court may, upon such conditions as it considers appropriate, extend the period referred to in subsection (1) for a period of, or where it grants more than one extension for an aggregate period not exceeding, 3 months if—

- (a) it is satisfied that special circumstances justify the extension; and

- (b) the order extending the period is made before the expiry of that period or, if a previous order has been made under this subsection, that period as extended.

(3) If an application is not determined within the period referred to in subsection (1) or within that period as extended, it is deemed to have been dismissed.

Interim Receiver

Protection of assets after application for bankruptcy order.

334.(1) Where an application for a bankruptcy order has been filed in respect of a debtor but not yet determined or withdrawn, the Court may, if it considers it necessary for the protection of the debtor's assets—

- (a) by order, appoint the Official Receiver or an eligible insolvency practitioner as interim receiver to take control of—
 - (i) the debtor's assets, or any part of them, and
 - (ii) such books or other documents of the debtor as may be specified in the order; and
- (b) make any other order in relation to the debtor's assets.

(2) An application for an order under subsection (1) may be made by—

- (a) the applicant for the bankruptcy order;
- (b) the debtor himself; or
- (c) any creditor of the debtor.

(3) An order under subsection (1) may be made on such terms as the Court considers appropriate and may, as a condition precedent, require the applicant to deposit at Court such sum as the Court considers reasonable to cover the remuneration and expenses of the interim receiver.

(4) An order under subsection (1) remains in effect until the earlier of—

- (a) the discharge of the order by the Court of its own motion or on the application of–
 - (i) the Official Receiver or eligible insolvency practitioner appointed under subsection (1)(a), or
 - (ii) any person specified in subsection (2), or
- (b) the determination or withdrawal of the application for a bankruptcy order,

whereupon the appointment of the interim receiver is terminated.

(5) On the order ceasing to have effect, the Court may give such directions or make such order with respect to the accounts of the administration of the appointee, or to any other matter, as it considers appropriate.

Restrictions whilst order under section 334 in place.

335. Whilst an order under section 334(1) is in effect, unless the leave of the Court has been obtained–

- (a) no steps may be taken to enforce any security interest over the debtor's assets;
- (b) no right of forfeiture by peaceable re–entry may be exercised in relation to premises let to the debtor;
- (c) no steps may be taken to repossess assets in the possession of the debtor supplied to the debtor–
 - (i) under a hire purchase, conditional sale or chattel leasing agreement; or
 - (ii) subject to a retention of title agreement;
- (d) no legal process, including legal proceedings and execution, may be commenced or continued or distress levied against the debtor or his assets.

Termination of appointment of interim receiver.

336.(1) The Court may, on the application of the interim receiver or of any person specified in section 334(2) or on its own motion, terminate the appointment of the interim receiver.

(2) If the Court has not previously terminated the appointment of the interim receiver under subsection (1), it terminates on—

- (a) the determination by the Court of the application for a bankruptcy order; or
- (b) the Court granting the applicant leave to withdraw the application under section 323.

(3) On the termination of the appointment of the interim receiver, the Court may give such directions or make such order with respect to the accounts of his administration, or to any other matters, as it considers appropriate.

Remuneration of interim receiver.

337.(1) The interim receiver is entitled to be paid such remuneration as the Court may order applying the general principles specified in section 466 and to be reimbursed for the expenses that he has properly incurred.

(2) Subject to subsections (3) and (4), the remuneration ordered to be paid under subsection (1) and his properly incurred expenses are payable—

- (a) where a bankruptcy order is not made, out of the assets of the debtor;
- (b) where a bankruptcy order is made, out of the bankrupt's estate in accordance with the prescribed priority.

(3) If a bankruptcy order is not made, the Court may order the applicant for the order under section 334 to pay or contribute to the remuneration and expenses of the interim receiver if it is satisfied that the applicant—

- (a) misled the Court when making the application; or

(b) acted unreasonably in making the application.

(4) If the assets of the debtor are not sufficient to pay the remuneration ordered to be paid by the Court under subsection (1) and the interim receiver's expenses, the Court may order the shortfall, or part of the shortfall, to be paid by the applicant for the order under section 334.

(5) Unless the Court otherwise orders, where subsection (2)(a) applies, the Official Receiver, or the insolvency practitioner appointed under section 322, may retain out of the debtor's assets such sums or assets as are, or may be, required for meeting his remuneration and expenses.

Examination.

338. The interim receiver may apply for an order to examine the debtor under section 402, and sections 402 to 406 apply as if—

- (a) references to the Official Receiver or the trustee were to the interim receiver; and
- (b) references to the bankrupt and to his estate were to the debtor and his assets.

Effect of Bankruptcy

Effect of bankruptcy order.

339. On the making of a bankruptcy order, the assets comprised in the bankrupt's estate—

- (a) vest in his trustee without any conveyance, assignment or transfer; and
- (b) become divisible among his creditors in accordance with this Act and the Rules.

Power to stay or restrain proceedings.

340.(1) An order under subsection (2) or (3) may be made—

- (a) after an application for a bankruptcy order has been filed against an individual but not yet determined; or

- (b) whilst an individual is an undischarged bankrupt.
- (2) At any time during either period specified in subsection (1)–
- (a) the Court may stay any action, proceeding, execution, distress or other legal process against the person or the assets of the individual concerned; and
 - (b) any court in which proceedings are pending against any individual may either stay the proceedings or allow them to continue on such terms as it considers appropriate.
- (3) After the making of a bankruptcy order no person who is a creditor of the bankrupt in respect of a debt that may be claimed in the bankruptcy shall–
- (a) have any remedy against the assets or person of the bankrupt in respect of that debt; or
 - (b) before the discharge of the bankrupt, commence any action or other legal proceedings against the bankrupt except with the leave of the court and in such terms as the court may impose.
- (4) This section–
- (a) does not affect the right of a secured creditor to enforce his security; and
 - (b) is subject to section 384 (enforcement procedures) and section 385 (limited right to distress).

Bankrupt's Estate

Definition of bankrupt's estate.

- 341.(1) Subject to subsection (2), the bankrupt's estate comprises–
- (a) all assets belonging to or vested in the bankrupt at the date of the bankruptcy order;
 - (b) assets claimed by the trustee under section 346 or 347; and

- (c) the capacity to exercise and to take proceedings for exercising all such powers in or over or in respect of assets as might have been exercised by the bankrupt for his own benefit at the date of the bankruptcy order.
- (2) Subsection (1) does not apply to—
- (a) assets held by the bankrupt on trust for any other person;
 - (b) such tools, books, vehicles and other items of equipment as are necessary to the bankrupt for use personally by him in his employment or business;
 - (c) such clothing, bedding, furniture, household equipment and provisions as are necessary for satisfying the basic domestic needs of the bankrupt and his family; and
 - (d) any asset of the bankrupt which is excluded from his estate under any other enactment.
- (3) The assets comprised in a bankrupt's estate are divisible amongst his creditors in accordance with this Part.
- (4) Assets comprised in a bankrupt's estate are subject to the rights of any person other than the bankrupt in relation to those assets, whether as a secured creditor of the bankrupt or otherwise, but disregarding—
- (a) any rights given up under section 327(1)(a); and
 - (b) any rights which have been otherwise given up in accordance with the rules.
- (5) Unless the context otherwise requires, a reference in this Part to the assets of the bankrupt means the assets comprised in the bankrupt's estate.

Acquisition by trustee of control of bankrupt's estate.

342.(1) A trustee shall forthwith after the making of a bankruptcy order take possession of—

- (a) all documents which relate to the bankrupt's estate or affairs and which belong to him or are under his control, including documents which would be privileged from disclosure in any proceedings; and
- (b) all assets of the bankrupt that are capable of manual delivery.

(2) A trustee is, in relation to and for the purposes of acquiring or retaining possession of the assets of the bankrupt, in the same position as a receiver of the assets appointed by the Court, and the Court may, on his application, enforce the acquisition or retention accordingly.

(3) Where any part of the bankrupt's estate consists of stock, shares or shares in a ship or any other assets transferable in the books of a company, office or person, the trustee may exercise the right to transfer the assets to the same extent as the bankrupt might have exercised it if he had not become bankrupt.

(4) Where any part of the estate consists of things in action, they are deemed to have been assigned to the trustee.

(5) Notice of the deemed assignment of things in action under subsection (4) need not be given except in so far as it is necessary, in a case where the deemed assignment is from the bankrupt himself, for protecting the priority of the trustee.

Goods subject to pledge, pawn or other security.

343.(1) Where any goods of a bankrupt are held by any person by way of pledge, pawn or other security, the trustee of the bankrupt may, after giving notice of his intention to do so, inspect the goods.

(2) Where a person receives a notice under subsection (1), he is not entitled to realise his security unless he has given the trustee a reasonable opportunity to inspect the goods and, if the goods are comprised in the estate of the bankrupt, to exercise the bankrupt's right of redemption.

Duties of bankrupt in relation to his assets and affairs.

344.(1) Where a bankruptcy order has been made, the bankrupt shall—

- (a) make discovery of and deliver to his trustee all the assets comprised in his estate that are in his possession or control; and
- (b) deliver to his trustee all documents in his possession or control which relate to his assets or affairs, including any documents which, in any proceedings, would be privileged from disclosure.

(2) Where the bankrupt is unable to deliver any assets comprised in his estate to his trustee, the bankrupt shall do everything reasonably required by his trustee to protect those assets.

(3) The bankrupt shall—

- (a) give his trustee such information concerning his assets and affairs;
- (b) attend on him at such times; and
- (c) do all such other things,

as his trustee may reasonably require for the purposes of carrying out his functions under this Act.

(4) If at any time after the time of the bankruptcy order any assets are acquired by, or devolve on, the bankrupt or there is an increase in the bankrupt's income, he shall, within the prescribed time period, give the trustee notice of the assets or of the increased income.

(5) Subsection (3) applies to a bankrupt after his discharge.

(6) If the bankrupt without reasonable excuse fails to comply with any obligation imposed by this section, he commits an offence and is liable—

- (a) on summary conviction to imprisonment for 6 months or a fine at level 4 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 2 years or a fine at level 5 on the standard scale, or both.

Delivery up by other persons.

345.(1) Any person who holds assets to the account of, or for, the bankrupt shall pay or deliver to the trustee the assets in his possession or under his control unless he is, by law, entitled to retain the assets against the bankrupt or the trustee.

(2) Any person who, without reasonable excuse, fails to comply with any obligation imposed by this section, commits an offence and is liable—

- (a) on summary conviction to imprisonment for 6 months or a fine at level 4 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 2 years or a fine at level 5 on the standard scale, or both.

After-acquired assets.

346.(1) Subject to sections 341(2) and 349, the trustee may by notice in writing served on the bankrupt, claim for the bankrupt's estate any assets which have been acquired by, or have devolved upon, the bankrupt after the date of the bankruptcy order but prior to the date of his discharge.

(2) Subject to subsection (3), on the service of a notice under subsection (1) on the bankrupt, the assets to which the notice relates vest in the trustee as part of the bankrupt's estate and the trustee's title to those assets relates back to the time at which the assets were acquired by, or devolved upon, the bankrupt.

(3) Where, whether before or after service of a notice under this section—

- (a) a person acquires assets in good faith, for value and without notice of the bankruptcy, or
- (b) a banker enters into a transaction in good faith and without such notice,

the trustee is not in respect of those assets or that transaction entitled by virtue of this section to any remedy against that person or banker, or any person whose title to any assets derives from that person or banker.

(4) For the purposes of this section, a reference to “assets” does not include any asset which, as part of the bankrupt's income, may be the subject of an income payments order under section 350.

Vesting in trustee of certain items of excess value.

347.(1) Subject to section 349, where—

- (a) assets are excluded from the bankrupt's estate by virtue of section 341(2)(b) or (c), and
- (b) it appears to the trustee that the realisable value of those assets or any of them exceeds the cost of a reasonable replacement,

the trustee may, by notice in writing served on the bankrupt, claim the asset or assets for the bankrupt's estate.

(2) On the service on the bankrupt of a notice under subsection (1), the assets to which the notice relates vest in the trustee as part of the bankrupt's estate; and, except against a purchaser in good faith, for value and without notice of the bankruptcy, the trustee's title to those assets has relation back to the date of the bankruptcy order.

(3) The trustee shall apply funds comprised in the estate to the purchase by or on behalf of the bankrupt of a reasonable replacement for any assets vested in him under this section and the duty imposed by this subsection has priority over the obligation of the trustee to distribute the estate.

(4) For the purposes of this section, an asset is a reasonable replacement for another asset if it is reasonably adequate for meeting the needs met by the other asset.

Money provided in lieu of sale.

348.(1) A third party may offer the trustee a sum of money to enable the bankrupt to be left in possession of assets which would otherwise vest in the trustee under section 339.

(2) The trustee may accept an offer made under subsection (1) if he is satisfied that it is a reasonable offer and that the estate will benefit to the

extent of the value of the assets in question less the cost of a reasonable replacement.

Time limit for notice under sections 346 or 347.

349.(1) Except with the leave of the Court, a notice may not be served—

- (a) under section 346, after the end of the period of 42 days beginning with the day on which it first came to the knowledge of the trustee that the assets in question had been acquired by, or had devolved upon, the bankrupt;
- (b) under section 347, after the end of the period of 42 days beginning with the day on which the assets in question first came to the knowledge of the trustee.

(2) For the purposes of this section—

- (a) anything which comes to the knowledge of the trustee is deemed in relation to any successor of his as trustee to have come to the knowledge of the successor at the same time; and
- (b) anything which comes to the knowledge of a person before he is the trustee, otherwise than under paragraph (a), is deemed to come to his knowledge on his appointment taking effect.

Income payments orders.

350.(1) The Court may, on the application of the trustee, make an income payments order claiming for the bankrupt's estate so much of the income of the bankrupt during the period for which the order is in force as may be specified in the order.

(2) The Court shall not make an income payments order the effect of which would be to reduce the income of the bankrupt below what appears to the Court to be necessary for meeting the reasonable domestic needs of the bankrupt and his family.

(3) An income payments order shall, in respect of any payments of income to which it is to apply, either—

- (a) require the bankrupt to pay the trustee an amount equal to so much of that payment as is claimed by the order; or
 - (b) require the person making the payment to pay so much of it as is so claimed to the trustee, instead of to the bankrupt.
- (4) Sums received by the trustee under an income payments order form part of the bankrupt's estate.
- (5) Subject to section 412(1)(c)(i), an income payments order shall not be made after the discharge of the bankrupt, and if made before, shall not have effect after his discharge.
- (6) Subject to subsection (7), for the purposes of this section, the income of the bankrupt comprises every payment in the nature of income which is from time to time made to him or to which he from time to time becomes entitled, including any payment in respect of the carrying on of any business or in respect of any office or employment and any payment under a pension scheme.
- (7) The Rules may provide that pension payments paid to the bankrupt up to a maximum amount specified in the Rules are exempt from subsection (6).

Bankrupt's and Matrimonial Home

Rights of occupation of bankrupt.

351.(1) This section applies where—

- (a) a person who is entitled to occupy a dwelling house by virtue of a beneficial estate or interest is adjudged bankrupt; and
 - (b) any persons under the age of 18 with whom that person had at some time occupied that dwelling house had their home with that person at the time when the application for a bankruptcy order was made and at the commencement of the bankruptcy.
- (2) Where this section applies—
- (a) the bankrupt has the following rights as against the trustee—

- (i) if in occupation, a right not to be evicted or excluded from the dwelling house or any part of it, except with the leave of the Court;
 - (ii) if not in occupation, a right with the leave of the Court to enter into and occupy the dwelling house; and
- (b) the bankrupt's rights are a charge, having the like priority as an equitable interest created immediately before the commencement of the bankruptcy, on so much of his estate or interest in the dwelling house as vests in the trustee.

(3) On an application under subsection (2), the Court shall make such order under as it thinks just and reasonable having regard to the interests of the creditors, to the bankrupt's financial resources, to the needs of the children and to all the circumstances of the case other than the needs of the bankrupt.

(4) Where such an application is made after the end of the period of one year beginning with the first of the bankrupt's estate in a trustee, the Court shall assume, unless the circumstances of the case are exceptional, that the interests of the bankrupt's creditors outweigh all other considerations.

Payments in respect of premises occupied by bankrupt.

352. Where any premises comprised in a bankrupt's estate are occupied by him, whether by virtue of the section 351 or otherwise, on condition that he makes payments towards satisfying any liability arising under a mortgage of the premises or otherwise towards the outgoings of the premises, the bankrupt does not, by virtue of those payments, acquire any interest in the premises.

Charge on bankrupt's home.

353.(1) Where any property consisting of an interest in a dwelling house which is occupied by the bankrupt or by his spouse or former spouse is comprised in the bankrupt's estate and the trustee is, for any reason, unable for the time being to realise that property, the trustee may apply to the Court for an order imposing a charge on the property for the benefit of the bankrupt's estate.

(2) If on an application under this section the Court imposes a charge on any property, the benefit of that charge shall be comprised in the bankrupt's estate and is enforceable, up to the charged value from time to time, for the payment of any amount which is payable otherwise than to the bankrupt out of the estate and of interest on that amount at the prescribed rate.

(3) In subsection (2) the charged value means—

- (a) the amount specified in the charging order as the value of the bankrupt's interest in the property at the date of the order; plus
- (b) interest on that amount from the date of the charging order at the judgment rate.

(4) In determining the value of an interest for the purposes of this section the court shall disregard any matter which it is required to disregard by the rules.

Bankrupt's home ceasing to form part of estate.

354.(1) This section applies where property comprised in the bankrupt's estate consists of an interest in a dwelling-house which at the date of the bankruptcy was the sole or principal residence of—

- (a) the bankrupt;
- (b) the bankrupt's spouse; or
- (c) a former spouse of the bankrupt.

(2) At the end of the period of three years beginning with the commencement of the bankruptcy, the interest referred to in subsection (1) shall—

- (a) cease to be comprised in the bankrupt's estate; and
- (b) vest in the bankrupt, without conveyance, assignment or transfer.

(3) Subsection (2) shall not apply if during the period mentioned in that subsection—

- (a) the trustee realises the interest referred to in subsection (1);
- (b) the trustee applies to the Court for an order for sale in respect of the dwelling-house;
- (c) the trustee applies for an order for possession of the dwelling-house;
- (d) the trustee applies for an order under section 352 in respect of that interest; or
- (e) the trustee and the bankrupt agree that the bankrupt shall incur a specified liability to his estate, with or without the addition of interest from the date of the agreement, in consideration of which the interest referred to in subsection (1) shall cease to form part of the estate.

(4) Where the trustee makes an application to Court for an order of sale in respect of the dwelling house during the period specified in subsection (2) which is dismissed, unless the Court orders otherwise the interest to which the application relates shall on the dismissal of the application—

- (a) cease to be comprised in the bankrupt's estate; and
- (b) vest in the bankrupt, without conveyance, assignment or transfer.

(5) If the bankrupt does not inform the trustee of his interest in a property before the end of the period of three months beginning with the date of the bankruptcy, the period of three years mentioned in subsection (2)—

- (a) shall not begin with the date of the bankruptcy; but
- (b) shall begin with the date on which the trustee becomes aware of the bankrupt's interest.

(6) The Court may substitute for the period of three years specified in subsection (2) a longer period—

- (a) in such circumstances as may be prescribed in the Rules; and
- (b) in such other circumstances as the Court considers appropriate.

(7) The Rules may make provision for this section to have effect with the substitution of a shorter period for the period of three years specified in subsection (2) in specified circumstances, which may be described by reference to action to be taken by the trustee.

(8) The Rules may also make provision—

- (a) requiring or enabling the trustee of a bankrupt's estate to give notice that this section applies or does not apply; or
- (b) concerning the effect of a notice under paragraph (a).

(9) Rules under subsection (8)(b) may, in particular—

- (a) disapply this section;
- (b) enable the Court to disapply this section;
- (c) make provision in consequence of a disapplication of this section;
- (d) enable the Court to make provision in consequence of a disapplication of this section;
- (e) make provision concerning compensation.

Saving for bankrupt's home.

355.(1) This section applies where—

- (a) there is comprised in the bankrupt's estate property consisting of an interest in a dwelling house which is occupied by the bankrupt or by his spouse or former spouse; and
- (b) the trustee has been unable for any reason to realise that property.

(2) Where this section applies, the trustee shall not summon a meeting under section 382 unless either—

- (a) the Court has made an order under section 353 imposing a charge on that property for the benefit of the bankrupt's estate; or
- (b) the court has declined, on an application under that section, to make such an order.

Bankruptcy Trustee

Bankruptcy trustee officer of Court.

356. In performing his functions and undertaking his duties under this Act, a bankruptcy trustee acts as an officer of the Court.

General duties of trustee.

357.(1) The principal duties of a trustee are—

- (a) to take possession of, protect and realise the bankrupt's estate; and
 - (b) to distribute the bankrupt's estate in accordance with this Act.
- (2) Where the trustee is not the Official Receiver, he has a duty—
- (a) to provide the Official Receiver with such information,
 - (b) to produce to the Official Receiver, and permit inspection by the Official Receiver of, such documents, and
 - (c) to give the Official Receiver such other assistance,

as the Official Receiver may reasonably require for the purpose of enabling him to carry out his functions in relation to the bankruptcy.

(3) A trustee shall, subject to this Act and the Rules, use his own discretion in undertaking his duties.

(4) If it appears to the trustee that the bankrupt is carrying on or has carried on unlicensed financial services business—

- (a) he shall, as soon as reasonably practicable, report the matter to the Commission; and
- (b) for the purposes of subsection (5), he shall treat the bankrupt as an Authorised person.

(5) Where the bankrupt or at any time has been an Authorised person, the trustee shall—

- (a) send to the Commission a copy of every notice or other document that he is required to file with the Court or to send to a creditor of the bankrupt; and
- (b) unless the applicant is the Commission, give the Commission notice of any application made to the Court with respect to the bankruptcy, whether the application is made by him or by some other person.

(6) A trustee also has the other duties imposed by this Act and the Rules and such duties as may be imposed by the Court.

Powers of trustee.

358.(1) A trustee may—

- (a) with the permission of the creditors' committee or court, exercise any of the powers specified in Part 1 of Schedule 3; and
- (b) without that permission, exercise any of the general powers specified in Part 2 of Schedule 3.

(2) With the permission of the creditors' committee or the court, the trustee may appoint the bankrupt—

- (a) to superintend the management of his estate or any part of it;
- (b) to carry on his business, if any, for the benefit of his creditors; or
- (c) in any other respect to assist in administering the estate in such manner and on such terms as the trustee may direct.

(3) A permission given for the purposes of subsection (1)(a) or (2) shall not be a general permission but shall relate to a particular proposed exercise of the power in question and a person dealing with the trustee in good faith and for value is not to be concerned to enquire whether any permission required in either case has been given.

(4) Subject to subsection (5), where the trustee has done anything without the permission required by subsection (1)(a) or (2), the Court or the creditors' committee may, for the purpose of enabling him to meet his expenses out of the bankrupt's estate, ratify what the trustee has done.

(5) The creditors' committee shall not ratify the trustee's actions under subsection (4) unless it is satisfied that the trustee acted in a case of urgency and sought the committee's ratification without undue delay.

(6) Part 3 of Schedule 3 has effect with respect to the things which the trustee is able to do for the purposes of, or in connection with, the exercise of any of his powers under this Part.

(7) Where the trustee, not being the Official Receiver, in exercise of the powers conferred on him by any provision in this Part—

- (a) disposes of any asset comprised in the bankrupt's estate to an associate of the bankrupt, or
- (b) employs a solicitor,

he shall give notice to any creditors' committee of that exercise of his powers.

(8) Nothing in this Act is to be construed as restricting the capacity of the trustee to exercise any of his powers outside Gibraltar.

(9) The acts of the trustee of a bankrupt are valid notwithstanding any defect in his nomination, appointment or qualifications.

Notice of appointment.

359.(1) A trustee shall, within 14 days of the date of his appointment—

- (a) advertise his appointment in accordance with the Rules;

- (b) serve notice of his appointment on the bankrupt;
- (c) if he has been appointed in respect of an individual who is an Authorised person, serve notice of his appointment on the Commission;
- (d) send a notice of his appointment to every creditor of the bankrupt; and
- (e) unless the Official Receiver is the trustee, file notice of his appointment with the Official Receiver.

(2) An advertisement under subsection (1)(a) and a notice under subsection (1)(d) shall set out the powers of the creditors under this Part to require him to call a meeting of creditors.

(3) A trustee who contravenes subsection (1) or (2) commits an offence and is liable on summary conviction to a fine at level 4 on the standard scale.

Appointment of trustee in place of Official Receiver.

360.(1) When the Official Receiver is the trustee of a bankrupt's estate the Court may, on his application, appoint an eligible insolvency practitioner to act as trustee in his place.

(2) An application may be made under subsection (1) notwithstanding that the Court has refused to make an appointment on a previous application by the Official Receiver.

Removal of trustee.

361.(1) The Court may, on application by a person specified in subsection (2) or on its own motion, remove a trustee from office if—

- (a) the trustee—
 - (i) is not eligible to act as an insolvency practitioner in relation to the bankrupt;
 - (ii) breaches any duty or obligation imposed on him by or owed by him under this Act, the Rules or the

Insolvency Practitioners Regulations or, in his capacity as trustee, under any other enactment or law in Gibraltar, or

(iii) fails to comply with any direction or order of the Court made in relation to the bankruptcy; or

(b) the Court is satisfied that—

(i) the trustee's conduct of the bankruptcy is below the standard that may be expected of a reasonably competent trustee;

(ii) the trustee has an interest that conflicts with his role as trustee; or

(iii) that for some other reason he should be removed as trustee.

(2) An application to the Court to remove a trustee from office may be made by—

(a) the creditors' committee, if any;

(b) a creditor of the bankrupt; or

(c) the Official Receiver.

(3) Where the Court removes a trustee from office under this section—

(a) if, following his removal, there is at least one trustee remaining in office, the Court may appoint an eligible insolvency practitioner as trustee in his place; or

(b) if the trustee removed was the sole trustee of the bankrupt, the Court shall appoint the Official Receiver or an eligible insolvency practitioner as trustee in his place.

(4) On the hearing of an application under this section, the Court may make any interim or other order it considers appropriate.

Resignation of trustee.

362.(1) A trustee—

- (a) shall resign if he is no longer eligible to act as an insolvency practitioner in relation to the bankrupt; but
- (b) otherwise may only resign in accordance with this section.

(2) Where a trustee resigns under subsection (1)(a), he shall send a notice of his resignation, to the creditors of the bankrupt and to the Official Receiver, who shall file a copy of the notice with the Court, and his resignation takes effect from the date that the notice is filed by the Official Receiver with the Court.

(3) A trustee may resign in accordance with subsection (5)—

- (a) if he intends to cease to be in practice as an insolvency practitioner;
- (b) if there is some conflict of interest or change of personal circumstances that precludes or makes impracticable the further discharge by him of his duties; or
- (c) on the grounds of ill health.

(4) Notwithstanding subsection (3), where joint trustees are appointed, one or more of the joint trustees may resign in accordance with subsection (5) if—

- (a) all the joint trustees are of the opinion that it is no longer necessary or expedient for the resigning trustee or trustees to continue in office; and
- (b) at least one of them will remain in office.

(5) Where a trustee intends to resign on one of the grounds referred to in subsection (3) or under subsection (4), he shall call a meeting of creditors for the purpose of accepting his resignation as trustee.

(6) If, at the meeting called under subsection (5), the creditors resolve to accept the resignation of the trustee, he shall send a notice of his resignation to the creditors of the bankrupt and to the Official Receiver, who shall file a copy of the notice with the Court, and his resignation takes effect from the date that the notice is filed by the Official Receiver with the Court.

(7) If the creditors refuse or fail to accept the resignation of the trustee, he may apply to the Court for leave to resign in accordance with the Rules.

(8) This section does not apply to the Official Receiver when acting as the trustee of a bankrupt.

Appointment of replacement trustee.

363.(1) Where a trustee dies or resigns under section 362, the Court, on the application of a person specified in subsection (2) or on its own motion,

- (a) if there is at least one trustee remaining in place, may appoint an eligible insolvency practitioner as trustee in his place; or
- (b) if the trustee who has died or resigned was the sole trustee of the bankrupt, shall appoint the Official Receiver or an eligible insolvency practitioner in his place.

(2) An application under subsection (1) may be made

- (a) by any continuing trustee;
- (b) by the creditors' committee, if any; or
- (c) by the Official Receiver.

(3) Where there is a vacancy in the office of trustee, for whatever reason, the Official Receiver is trustee until the vacancy is filled.

Remuneration of trustee.

364. The remuneration payable to a trustee shall be fixed applying the principles specified in section 466.

General control of trustee by the Court.

365.(1) A person aggrieved by an act, omission or decision of a trustee may apply to the Court and the Court may confirm, reverse or modify the act, omission or decision of the trustee.

(2) A trustee may apply to the Court for directions in relation to any particular matter arising under the bankruptcy.

Administration by Trustee

Meetings of creditors.

366.(1) A trustee may at any time call a meeting of the creditors of the bankrupt—

- (a) by sending a notice of the meeting by post to every creditor not less than 7 days before the date upon which the meeting is to be held; and
- (b) by advertising the meeting.

(2) Notwithstanding subsection (1), the trustee shall call a meeting of creditors if—

- (a) a meeting is requisitioned by the creditors of the bankrupt in accordance with subsection (3); or
- (b) he is directed to do so by the Court.

(3) A creditors' meeting may be requisitioned in accordance with the Rules by 25 per cent in value of the creditors of the bankrupt.

(4) The trustee may, if he considers it appropriate, by written notice, require the bankrupt to attend a creditors' meeting called under this section.

(5) The bankrupt commits an offence if—

- (a) he receives a notice to attend a creditors' meeting under subsection (4); and

- (b) without reasonable excuse, he fails to attend the meeting.
- (6) A bankrupt who commits an offence under subsection (5) is liable—
 - (a) on summary conviction to imprisonment for 6 months or a fine at level 3 on the standard scale, or both;
 - (b) on conviction on indictment to imprisonment for 12 months or a fine at level 5 on the standard scale, or both.

Claims and Distribution of Estate

Distribution of bankrupt's estate.

367.(1) The bankrupt's estate shall be applied—

- (a) in paying, in priority to all other claims, the costs and expenses properly incurred in the bankruptcy in accordance with the prescribed priority;
- (b) after payment of the costs and expenses of the bankruptcy, in paying the preferential claims admitted by the trustee in accordance with the provisions for the payment of preferential claims prescribed;
- (c) after payment of the preferential claims, in paying all other claims admitted by the trustee; and
- (d) after paying all admitted claims, in paying any interest payable under section 375.

(2) Subject to section 137, the claims referred to in subsection (1)(c) rank equally and, if the bankrupt's estate is insufficient to meet them all in full, they shall be paid rateably.

Debts to spouse.

368. Any claims in respect of credit provided by a person who was the bankrupt's spouse at the time of the bankruptcy order, whether or not he or she was the bankrupt's spouse at the time the credit was provided—

- (a) rank in priority after the debts and interest specified in section 367(1); and
- (b) are payable with interest at the rate specified in section 367(1)(d) in respect of the period during which they have been outstanding since the date of the bankruptcy order,

and the interest payable under paragraph (b) has the same priority as the debts on which it is payable.

Claims by unsecured creditors.

369.(1) An unsecured creditor may make a claim in the bankruptcy of an individual by submitting to the trustee a written claim, signed by him or on his behalf.

(2) The trustee may require an unsecured creditor who intends to submit, or who has submitted, a claim under subsection (1)–

- (a) to verify his claim by affidavit;
- (b) to provide further particulars of his claim; or
- (c) to provide him with documentary or other evidence to substantiate the claim.

(3) Subject to subsection (7), as soon as reasonably practicable after receiving a claim under subsection (1) from a creditor who has complied with any requirements that the trustee may have imposed under subsection (2), the trustee shall either admit or reject the claim in whole or in part.

(4) If the trustee rejects the claim, whether in whole or in part, he shall as soon as practicable provide the creditor with a notice of rejection in which the reasons for the rejection of the claim shall be specified.

(5) Unless the Court otherwise orders, a creditor shall bear the costs of making a claim under this section, including the costs of complying with any requirements imposed by the trustee under subsection (2).

(6) The trustee shall not admit a claim in the bankruptcy unless it has been made in accordance with this section.

(7) The trustee is not required to admit or reject claims under subsection (3) at any time when it appears to him that there are insufficient assets in the bankrupt's estate to enable a distribution to be made to unsecured creditors.

(8) A person who makes or authorises the making of a claim under this section knowing that—

- (a) the claim is false or misleading in a material matter; or
- (b) a material fact or matter has been omitted from the claim,

commits an offence.

(9) A person who commits an offence under subsection (8) is liable—

- (a) on summary conviction to imprisonment for 12 months or a fine at level 5 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 5 years or a fine at twice the statutory maximum, or both.

Variation, withdrawal and expunging of claims.

370.(1) A claim made under section 369 may—

- (a) be amended or withdrawn by the creditor at any time before the trustee has admitted it; and
- (b) be amended or withdrawn by agreement between the creditor and the trustee at any time after the trustee has admitted it.

(2) The Court, on the application of the trustee or, where the trustee declines to make application under this subsection, a creditor, may expunge or amend an admitted claim if it is satisfied that the claim should not have been admitted or should be reduced.

Claims by secured creditors.

371.(1) A secured creditor may—

- (a) value the assets subject to the security interest and claim in the bankruptcy as an unsecured creditor for the balance of his debt, or
- (b) surrender his security interest to the trustee for the general benefit of creditors and claim in the bankruptcy as an unsecured creditor for the whole of his debt,

but he is not obliged to do either.

(2) A secured creditor may, at any time apply to the trustee to amend the value that he placed on the security interest in his claim.

(3) If, on receiving an application under subsection (2), the trustee is satisfied that—

- (a) the value placed on the security interest was an estimate made in good faith on a mistaken basis; or
- (b) the value of the security interest has subsequently changed,

he may permit the secured creditor to amend the value that he places on the security interest.

(4) If the trustee is dissatisfied with the value placed on a security interest by a secured creditor, whether under subsection (1)(a) or on an amendment under subsection (3), he may require the assets comprised in the security interest to be offered for sale.

(5) A sale under subsection (4) is to be on such terms and conditions as are agreed by the secured creditor and the trustee or, in default, as the Court determines.

(6) If assets are offered for sale by public auction, both the secured creditor and the trustee are entitled to bid for and purchase them.

Redemption of security interest by trustee.

372.(1) Where a secured creditor has claimed in a bankruptcy under section 371(1)(a), the trustee may at any time give notice to the creditor that he proposes at the expiration of 28 days from the date of the notice to redeem the security interest at the value placed on it by the creditor.

(2) A secured creditor who receives a notice under subsection (1) may, within 21 days of the date of the notice, apply to the trustee to revise the value that he places on the security interest in accordance with section 371(2).

(3) At the expiration of 28 days from the date of the notice under subsection (1), the trustee may redeem the security interest at the value placed on it by the creditor unless—

- (a) the secured creditor has applied to the trustee to amend the value that he places on the security interest and that application has not been determined; or
- (b) the secured creditor has appealed to the Court against the refusal of the trustee to permit him to amend the value that he places on his security interest, and that appeal has not been determined.

(4) Where, subsequent to a notice to redeem issued under subsection (1), the value placed by the secured creditor on his security interest is amended, whether with the consent of the trustee or on appeal to the Court, the trustee may only redeem the security interest at the new value.

(5) A secured creditor may, by serving a notice to elect on the trustee, require him to elect whether or not to exercise his power to redeem under this section.

(6) Where a notice to elect is served on a trustee under subsection (5), he is not entitled to redeem the security interest unless he does so within 6 months of the date of service of the notice on him or within such extended period as the Court may allow.

Realisation of security interest by secured creditor.

373.(1) Where a secured creditor realises his security interest and there is a surplus remaining from the net amount realised after satisfaction of the debt secured, he shall account to the trustee for the surplus, after making any proper payments to the holder of any other security interest over the assets subject to that charge.

(2) Where a secured creditor realises his security interest and the net amount realised is not sufficient to satisfy the debt secured—

- (a) if the creditor has previously valued his security interest and claimed in the bankruptcy for the balance under section 371(1)(a), the net amount realised is substituted for the value previously placed by the creditor on the security interest; or
- (b) in any other case, the creditor may claim in the bankruptcy as an unsecured creditor for the balance of his debt.

(3) For the purposes of this section, the secured debt includes contractual interest payable to the secured creditor on the debt up to the time of its satisfaction.

Surrender for non-disclosure.

374.(1) Subject to subsection (2), if a secured creditor omits to disclose his security interest when submitting a claim in a bankruptcy, he shall surrender his security interest for the general benefit of the creditors.

(2) The Court may, on application by a secured creditor who is required to surrender his security interest under subsection (1), if it is satisfied that the omission was inadvertent or the result of an honest mistake by order direct—

- (a) that he is not required to surrender his security interest; and
- (b) that he values his security interest and amends his claim accordingly.

Interest after commencement of bankruptcy.

375.(1) Interest is payable on any claim in a bankruptcy in respect of the period after the commencement of the bankruptcy in accordance with this section.

(2) Any surplus remaining after the payment of all claims in the bankruptcy shall, before being applied for any other purpose, be applied in paying interest on those claims in respect of the periods during which they have been unpaid since the commencement of the bankruptcy.

(3) Subject to section 137, all interest payable under this section ranks equally, whether or not the claims on which it is payable rank equally.

(4) The rate of interest payable under this section is the greater of—

- (a) the judgment rate; and
- (b) the rate that would be applicable to the claim if a bankruptcy order had not been made.

Distribution by means of dividend.

376.(1) Whenever the trustee has sufficient funds in hand for the purpose, he shall, subject to the retention of such sums as may be necessary for his remuneration and the other costs and expenses of the bankruptcy, distribute dividends among the creditors whose claims he has admitted.

(2) Before distributing a dividend under subsection (1), the trustee shall send each creditor a notice—

- (a) stating that he intends to distribute a dividend; and
- (b) fixing a date on or before which creditors shall submit their claims to him.

(3) In determining the funds available for distribution to creditors by way of a dividend, the trustee shall make provision—

- (a) for any admissible debts which appear to him to be due to persons who, by reason of the distance of their place of residence, may not have had sufficient time to submit their claims;
- (b) for any admissible debts which are the subject of claims which have not yet been determined; and
- (c) for disputed claims.

Claims by unsatisfied creditors.

377.(1) A creditor who has not submitted his claim by the date fixed in the notice issued under section 376(2) is not entitled to disturb, by reason that he has not participated in it, the distribution of that dividend, but—

- (a) when that claim has been admitted, he is entitled to be paid out of any money for the time being available for the payment of any further dividend, any dividend or dividends which he has failed to receive; and
- (b) any dividend or dividends payable under paragraph (a) shall be paid before that money is applied to the payment of any such further dividend.

(2) Subject to section 379, where the trustee makes more than one distribution, section 376 and subsection (1) of this section apply to each distribution.

Distribution of assets in specie.

378.(1) Without prejudice to the provisions in this Act concerning disclaimer, the trustee may, with the permission of the creditors' committee or the Court, divide in their existing form amongst the bankrupt's creditors, according to their estimated value, any assets which from their peculiar nature or other special circumstances cannot be readily or advantageously sold.

(2) A permission given for the purposes of subsection (1) shall not be a general permission but shall relate to a particular proposed exercise of the power in question and a person dealing with the trustee in good faith and for value is not to be concerned to enquire whether any permission required by subsection (1) has been given.

(3) Subject to subsection (4), where the trustee has done anything without the permission required by subsection (1), the Court or the creditors' committee may, for the purpose of enabling him to meet his expenses out of the bankrupt's estate, ratify what the trustee has done.

(4) The committee may only ratify the trustee's actions under subsection (3) if it is satisfied that the trustee acted in a case of urgency and that he has sought its ratification without undue delay.

Final distribution.

379.(1) When the trustee has realised all the bankrupt's estate or so much of it as can, in the trustee's opinion, be realised without needlessly protracting the bankruptcy, he shall give notice in the prescribed manner either—

- (a) of his intention to distribute a final dividend; or
- (b) that no dividend, or further dividend, will be distributed.

(2) A notice given under subsection (1) shall require claims against the bankrupt's estate to be established by a date specified in the notice (referred to in this section as "the final date").

(3) The Court may, on the application of any person, postpone the final date.

(4) After the final date, the trustee shall—

- (a) defray any outstanding expenses of the bankruptcy out of the bankrupt's estate; and
- (b) if he intends to distribute a final dividend, distribute that dividend without regard to the claim of any person in respect of a claim not already admitted in the bankruptcy.

No action for dividend.

380. No action lies against the trustee for a dividend, but if the trustee refuses to pay a dividend the Court may, if it considers it appropriate, order him to pay it and also to pay out of his own money—

- (a) interest on the dividend at the judgment rate from the time it was withheld; and
- (b) the costs of the application.

Right of bankrupt to surplus.

381.(1) Subject to subsection (2), the bankrupt is entitled to any surplus remaining after payment in full of the costs, expenses and claims referred to in section 367(1).

(2) The Court may make an order directing the trustee not to distribute the surplus or any part of it to the bankrupt if, on the application of the Attorney General, it is satisfied that—

- (a) proceedings under any enactment dealing with the confiscation of the proceeds of crime are pending; and
- (b) the assets of the bankrupt may become subject to a confiscation order or to be required to meet some other order made in those proceedings.

(3) The Court may, on the application of the Attorney General or the bankrupt vary or revoke an order made under subsection (2).

Final Meeting.

382.(1) Where it appears to the trustee that the administration of the bankrupt's estate in accordance with this Act is for practical purposes complete and the trustee is not the Official Receiver, he shall call a final general meeting of the bankrupt's creditors to receive the trustee's report of his administration of the bankrupt's estate.

(2) The trustee may, if he thinks appropriate, call the final general meeting at the same time as giving notice under section 379 but, if called for an earlier date, the meeting shall be adjourned (and, if necessary, further adjourned) until a date on which the trustee is able to report to the meeting that the administration of the bankrupt's estate is for practical purposes complete.

(3) As soon as reasonably practicable after the final meeting has been held, the trustee shall send to the Official Receiver and file with the Court a notice that the meeting has been held and shall file a copy of his final report with the Court.

(4) The trustee shall vacate office on filing a notice to the Court under subsection (3).

(5) In the administration of the estate it is the trustee's duty to retain sufficient sums from the estate to cover the expenses of summoning and holding the meeting required by this section.

Prior Transactions

Contracts to which bankrupt is a party.

383.(1) Where a contract has been made with a person who subsequently becomes bankrupt, the Court may, on the application of any other party to the contract, make an order discharging obligations under the contract on such terms as to payment by the applicant or the bankrupt of damages for non-performance or otherwise as appear to the Court to be equitable.

(2) Any damages payable by the bankrupt by virtue of an order of the Court under this section are provable as a bankruptcy debt.

(3) Where an undischarged bankrupt is a contractor in respect of any contract jointly with any person, that person may sue or be sued in respect of the contract without the joinder of the bankrupt.

Enforcement procedures.

384.(1) Subject to section 340 and to this section, where the creditor of a bankrupt has, before the commencement of that bankruptcy—

- (a) issued execution against the goods or land of the bankrupt; or
- (b) attached a debt due to the bankrupt from another person,

the creditor is not entitled, as against the bankruptcy trustee, to retain the benefit of the execution or attachment, or any sums paid to avoid it, unless the execution or attachment was completed, or the sums were paid, before the commencement of the bankruptcy.

(2) Where any goods of a person have been taken in execution, then, if before the completion of the execution notice is given to the officer charged with the execution that a bankruptcy order has been made against that person—

- (a) that officer shall on request deliver the goods and any money seized or recovered in part satisfaction of the execution to the trustee; but
 - (b) the costs of the execution are a first charge on the goods or money so delivered and the trustee may sell the goods or a sufficient part of them for the purpose of satisfying the charge.
- (3) Subject to subsection (6) below, where—
- (a) under an execution in respect of a judgment for a sum exceeding such sum as may be prescribed for the purposes of this subsection, the goods of any person are sold or money is paid in order to avoid a sale; and
 - (b) before the end of the period of 14 days beginning with the day of the sale or payment the officer charged with the execution is given notice that a bankruptcy application has been filed in relation to that person; and
 - (c) a bankruptcy order is or has been made on that application,
- the balance of the proceeds of sale or money paid, after deducting the costs of execution, shall (in priority to the claim of the execution creditor) be comprised in the bankrupt's estate.
- (4) Accordingly, in the case of an execution in respect of a judgment for a sum exceeding the sum prescribed for the purposes of subsection (3), the officer charged with the execution shall—
- (a) not dispose of the balance mentioned in subsection (3) at any time within the period of 14 days so mentioned or while there is pending an application for a bankruptcy order of which he has been given notice under that subsection; and
 - (b) pay that balance, where by virtue of that subsection it is comprised in the bankrupt's estate, to the trustee.
- (5) For the purposes of this section—
- (a) an execution against goods is completed by seizure and sale;

(b) an execution against land is completed by seizure or by the appointment of a receiver;

(c) an attachment of a debt is completed by the receipt of the debt.

(6) The rights conferred by subsections (1) to (3) on the trustee may, to such extent and on such terms as it considers appropriate, be set aside by the court in favour of the creditor who has issued the execution or attached the debt.

(7) Nothing in this section entitles the trustee to claim goods from a person who has acquired them in good faith under a sale by an officer charged with an execution.

(8) Neither subsection (2) nor subsection (3) applies in relation to any execution against assets which have been acquired by or have devolved upon the bankrupt since the commencement of the bankruptcy unless, at the time the execution is issued or before it is completed—

(a) the assets have been or are claimed for the bankrupt's estate under section 346 (after-acquired assets); and

(b) a copy of the notice given under that section has been or is served on the officer charged with the execution.

Distress.

385.(1) The right of any landlord or other person to whom rent is payable to distrain upon the goods and effects of an undischarged bankrupt for rent due to him from the bankrupt is available (subject to subsection (5) below) against goods and effects comprised in the bankrupt's estate, but only for 6 months' rent accrued due before the commencement of the bankruptcy.

(2) Where a landlord or other person to whom rent is payable has distrained for rent upon the goods and effects of an individual to whom a bankruptcy application relates and a bankruptcy order is subsequently made on that application, any amount recovered by way of that distress which—

(a) is in excess of the amount which by virtue of subsection (1) would have been recoverable after the commencement of the bankruptcy; or

- (b) is in respect of rent for a period or part of a period after the distress was levied,

shall be held for the bankrupt as part of his estate.

(3) Where any person (whether or not a landlord or person entitled to rent) has distrained upon the goods or effects of an individual against whom a bankruptcy order is made before the end of the period of 3 months beginning with the distraint, so much of those goods or effects, or the proceeds of their sale, as is not held for the bankrupt under subsection (2) shall be charged for the benefit of the bankrupt's estate with the preferential debts of the bankrupt to the extent that the bankrupt's estate is for the time being insufficient for meeting those debts.

(4) Where by virtue of any charge under subsection (3) any person surrenders any goods or effects to the trustee of a bankrupt's estate or makes a payment to such a trustee, that person ranks, in respect of the amount of the proceeds of the sale of those goods or effects by the trustee or, as the case may be, the amount of payment, as a preferential creditor of the bankrupt, except as against so much of the bankrupt's estate as is available for the payment of preferential creditors by virtue of the surrender of payment.

(5) A landlord or other person to whom rent is payable is not at any time after the discharge of a bankrupt entitled to distrain upon any goods or effects comprised in the bankrupt's estate.

(6) Nothing in this Part affects any right to distrain otherwise than for rent, and any such right is at any time exercisable without restriction against assets comprised in a bankrupt's estate, even if that right is expressed by any enactment to be exercisable in like manner as a right to distrain for rent.

(7) Any right to distrain against assets comprised in a bankrupt's estate is exercisable notwithstanding that the assets have vested in the trustee.

(8) The provisions of this section are without prejudice to a landlord's right in a bankruptcy to claim for any bankruptcy debt in respect of rent.

Unenforceability of liens on books, papers and records.

386.(1) A lien or other right to retain possession of any of the books, papers or other records of a bankrupt is unenforceable to the extent that such

enforcement would deny possession of any books, papers or other records to the Official Receiver or the trustee of the bankrupt's estate.

(2) Subsection (1) does not apply to a lien on documents which give a title to assets and are held as such.

General Powers of Court

General control of Court.

387.(1) Every bankruptcy is under the general control of the Court and, subject to anything to the contrary in this Act, the Court has full power to decide all questions of priorities and all other questions, whether of law or fact, arising in any bankruptcy.

(2) Without limiting this Part, an undischarged bankrupt or a discharged bankrupt whose estate is still being administered shall do all such things as he may be directed to do by the Court for the purposes of his bankruptcy or, as the case may be, the administration of that estate.

(3) The Official Receiver or the trustee of a bankrupt's estate may at any time apply to the court for a direction under subsection (2).

(4) A person who without reasonable excuse fails to comply with any obligation imposed on him by subsection (2) commits an offence and is liable—

- (a) on summary conviction to imprisonment for 6 months or a fine at level 4 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 2 years or a fine at level 5 on the standard scale, or both..

Power of arrest.

388.(1) In the cases specified in subsection (2) the Court may cause a warrant to be issued to a police officer or a prescribed officer of the Court—

- (a) for the arrest of a debtor to whom an application for a bankruptcy order relates or of an undischarged bankrupt, or of a discharged bankrupt whose estate is still being administered; and

- (b) for the seizure of any documents, money or goods in possession of a person arrested under the warrant,

and may authorise a person arrested under such a warrant to be kept in custody, and anything seized under such a warrant to be held, in accordance with the Rules, until such time as the court may order.

(2) The powers conferred by subsection (1) are exercisable in relation to a debtor or undischarged or discharged bankrupt if, at any time after the filing of the application for a bankruptcy order or the making of the bankruptcy order against him, it appears to the Court—

- (a) that there are reasonable grounds for believing that he has absconded, or is about to abscond, with a view to avoiding or delaying the payment of any of his debts or his appearance to an application for a bankruptcy order or to avoiding, delaying or disrupting any proceedings in bankruptcy against him or any examination of his affairs; or
- (b) that he is about to remove his goods with a view to preventing or delaying possession being taken of them by the trustee; or
- (c) that there are reasonable grounds for believing that he has concealed or destroyed, or is about to conceal or destroy, any of his assets or any documents which might be of use to his creditors in the course of his bankruptcy or in connection with the administration of his estate; or
- (d) that he has, without the leave of his trustee, removed any assets in his possession which exceed in value such sum as may be prescribed for the purpose of this paragraph; or
- (e) that he has failed, without reasonable excuse, to attend any examination ordered by the Court.

Seizure of bankrupt's assets.

389.(1) At any time after a bankruptcy order has been made, the Court may, on the application of the Official Receiver or the trustee of the bankrupt's estate, issue a warrant authorising the person to whom it is directed to seize any assets comprised in the bankrupt's estate which is, or any documents or

records relating to the bankrupt's estate or affairs which are, in the possession or under the control of the bankrupt or any other person who is required to deliver the assets, books, papers or records to the Official Receiver or trustee.

(2) Any person executing a warrant under this section may, for the purpose of seizing any assets comprised in the bankrupt's estate or any documents relating to the bankrupt's estate or affairs, break open any premises where the bankrupt or anything that may be seized under the warrant is or is believed to be and any receptacle of the bankrupt which contains or is believed to contain anything that may be so seized.

(3) If, after a bankruptcy order has been made, the Court is satisfied that any assets comprised in the bankrupt's estate or any documents relating to the bankrupt's estate or affairs are concealed in any premises not belonging to him, it may issue a warrant authorising any police officer or prescribed officer of the Court to search those premises for the assets or documents.

(4) A warrant under subsection (3) shall not be executed except in the prescribed manner and in accordance with its terms.

Re-direction of bankrupt's mail.

390.(1) Where a bankruptcy order has been made, the Court may from time to time, on the application of the trustee of the bankrupt's estate, order the Post Office to re-direct and send or deliver to the trustee or otherwise any mail which would otherwise be sent or delivered to the bankrupt at such place or places as may be specified by the order.

(2) An order under this section has effect for such period, not exceeding 3 months, as may be specified in the order.

Disclaimer

Trustee may disclaim onerous property.

391.(1) For the purposes of this section, "onerous property" means—

- (a) an unprofitable contract; or

- (b) an asset comprised in the bankrupt's estate which is unsaleable or not readily saleable, or which may give rise to a liability to pay money or perform an onerous act.

(2) Subject to sections 393 and 394(2), a trustee may, by filing a notice of disclaimer with the Court, disclaim any onerous property comprised in the bankrupt's estate even though he has taken possession of it, tried to sell or assign it or otherwise exercised rights of ownership in relation to it.

(3) A trustee who disclaims onerous property shall, within 14 days of the date on which the disclaimer notice is filed, give notice to every person whose rights are, to his knowledge, affected by the disclaimer.

(4) A trustee who contravenes subsection (3) commits an offence and is liable—

- (a) on summary conviction to a fine at level 5 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 2 years or a fine at level 5 on the standard scale, or both.

When disclaimer takes effect.

392.(1) Subject to subsections (2) and (4), a disclaimer takes effect on the date when the notice of disclaimer is filed at Court.

(2) The disclaimer of property of a leasehold nature does not take effect unless a copy of the disclaimer notice has been given, so far as the trustee is aware of their addresses, to every person claiming under the bankrupt as underlessee or mortgagee and either—

- (a) no application for a vesting order is made under section 395 with respect to that property before the end of a period of 14 days beginning with the day on which the last notice under this subsection was given; or
- (b) where such an application is made, the Court directs that the disclaimer is to take effect.

(3) Where the Court gives a direction under subsection (2)(b), it may also, instead of or in addition to any order it makes under section 395, make

such orders with respect to fixtures, tenant's improvements and other matters arising out of the lease as it considers appropriate.

(4) Without prejudice to subsections (1) to (3), the disclaimer of any property in a dwelling house does not take effect unless a copy of the disclaimer notice has been given, so far as the trustee is aware of their addresses, to every person in occupation of or claiming a right to occupy the dwelling house and either—

- (a) no application under section 395 is made with respect to the property before the end of a period of 14 days beginning with the day on which the last notice under this subsection was given; or
- (b) where such an application is made, the Court directs that the disclaimer is to take effect.

Notice to trustee to elect whether to disclaim.

393.(1) A person interested in property or whose rights would be effected by the disclaimer of property may, by serving a notice to elect on the trustee, require him to elect whether or not to disclaim the property.

(2) Where a notice to elect is served on a trustee, he is not entitled to disclaim the property under section 391 unless he does so within 28 days of the date of service of the notice on him or within such extended period as the Court may allow.

(3) The trustee is deemed to have adopted any contract which by virtue of this section he is not entitled to disclaim.

Effect of disclaimer.

394.(1) Subject to subsection (2), a disclaimer of onerous property under section 391—

- (a) operates so as to determine, with effect from the date of the disclaimer, the rights, interests and liabilities of the bankrupt and his estate in or in respect of the property disclaimed; and
- (b) discharges the trustee from all personal liability in respect of that property as from the date of his appointment,

but, except so far as is necessary to release the bankrupt, the bankrupt's estate and the trustee from liability, does not affect the rights or liabilities of any other person.

(2) A notice of disclaimer shall not be given under section 391 in respect of any property that has been claimed for the estate under section 346 (after-acquired property) or 347 (personal property of bankrupt exceeding reasonable replacement value), except with the leave of the court.

(3) A person sustaining loss or damage as a result of a disclaimer of onerous property under section 391 may claim in the bankruptcy of the bankrupt as a creditor for the amount of the loss or damage.

Vesting orders and orders for delivery.

395.(1) Subject to section 396, if a trustee disclaims onerous property under section 391, the Court may make an order under subsection (2) on the application of—

- (a) a person who claims an interest in the disclaimed property;
- (b) a person who is under a liability in respect of the disclaimed property, that has not been discharged by the disclaimer; or
- (c) where the disclaimed property is property in a dwelling house, any person who at the time when the bankruptcy order was made was in occupation of or entitled to occupy the dwelling house.

(2) On an application under subsection (1), the Court may, on such terms as it considers appropriate, order that the disclaimed property be vested in or delivered to—

- (a) a person entitled to the property;
- (b) a person under a liability in respect of the property that has not been discharged by the disclaimer;
- (c) a trustee for a person referred to in paragraph (a) or (b); or

- (d) where the disclaimed property is property in a dwelling house, any person who at the time when the bankruptcy order was made was in occupation of or entitled to occupy the dwelling house.

(3) The Court shall not make an order in respect of a person specified in subsection (2)(b), or in respect of a trustee of such a person, unless it appears to the Court that it would be fair to do so for the purpose of compensating the person subject to the liability in respect of the disclaimer.

(4) The effect of any order under this section shall be taken into account in assessing the extent of the loss or damage sustained by a person for the purposes of section 394(3).

(5) Subject to subsection (6), where a vesting order is made under this section vesting property in a person, the property vests immediately without any conveyance, transfer or assignment.

- (6) Where another Gibraltar enactment—
 - (a) requires the transfer of property vested by an order under this section to be registered; and
 - (b) that enactment enables the order to be registered,

on the making of a vesting order, the property vests in equity but does not vest at law until the registration requirements of the enactment have been complied with.

Vesting orders in respect of leases.

396.(1) Where the Court makes an order under section 395 vesting property of a leasehold nature in a person, the vesting order shall be made on terms that make that person subject—

- (a) to the same liabilities and obligations as the bankrupt was subject to under the lease on the date that the bankruptcy order was made; or
- (b) to the same liabilities and obligations as that person would have been subject to if the lease had been assigned to him on that date.

(2) Where the property vested by an order under section 395 relates to only part of the property comprised in a lease, subsection (1) applies as if the lease comprised the property subject to the vesting order.

(3) Where no person is willing to accept a vesting order made subject to subsection (1), the Court, by order—

- (a) may vest the property in any person who is liable, whether personally or in a representative capacity and whether alone or jointly with the bankrupt, to perform the lessee's covenants in the lease; and
- (b) where a vesting order is made under paragraph (a), may vest the property free from all estates, encumbrances and interests created by the bankrupt.

(4) Where a person declines to accept a vesting order made subject to subsection (1), he is excluded from all interest in the property.

Land subject to rentcharge.

397. Where land subject to a rentcharge is disclaimed and that land vests by operation of law in any person, including the Crown, that person and his successors in title are not subject to any personal liability in respect of any sums becoming due under the rentcharge except sums becoming due after he, or some person claiming title under or through him, has taken possession or control of the land or has entered into occupation of it.

Disclaimer presumed valid.

398. Unless it is proved that a trustee has breached his duty to give notice under section 391(3) or that he has otherwise breached his duties under this Act or the Rules with regard to disclaimer, a disclaimer of property by the trustee is presumed to be valid and effective.

Investigation of Bankrupt's Affairs

Statement of assets and liabilities.

399.(1) Where a bankruptcy order has been made against an individual otherwise than on his own application, the bankrupt shall submit a verified

statement of his assets and liabilities to his trustee within 21 days of the date of the bankruptcy order.

- (2) A statement of assets and liabilities shall contain—
- (a) such particulars of the bankrupt's creditors and of his debts and other liabilities and of his assets as may be prescribed by the Rules; and
 - (b) such other information as may be prescribed.
- (3) The trustee or the Court may, in accordance with the Rules—
- (a) release the bankrupt from his duty under subsection (1); or
 - (b) extend the period of time specified in that subsection.

(4) Where the trustee considers that it would prejudice the conduct of the bankruptcy for the whole or part of a statement of assets and liabilities submitted to him to be disclosed, he may apply to the Court for an order of limited disclosure in respect of the statement, or any specified part of it.

(5) The Court may, on an application under subsection (4), order that the statement of assets and liabilities or, as the case may be, the specified part of it, is not filed in Court, or that it is filed separately and that it is not to be open to inspection otherwise than with the leave of the Court.

- (6) A bankrupt who—
- (a) fails to submit a statement of his assets and liabilities in accordance with subsection (1); or
 - (b) submits a statement of his assets and liabilities that does not comply with the prescribed requirements,

commits an offence.

- (7) A bankrupt who commits an offence under subsection (6) is liable—
- (a) on summary conviction to imprisonment for 6 months or a fine at level 4 on the standard scale, or both;

- (b) on conviction on indictment to imprisonment for 2 years or a fine at level 5 on the standard scale, or both.

Preliminary report.

400.(1) The trustee of a bankrupt shall, within 60 days of the date of the bankruptcy order, prepare a preliminary report stating whether, in his opinion, further enquiry is desirable with respect to—

- (a) whether the bankrupt has committed a bankruptcy offence;
- (b) whether there are any claims under Part 15;
- (c) any matter relating to the conduct by the bankrupt of his business or affairs.

(2) The trustee shall send a copy of the report prepared under subsection (1) to the Official Receiver.

(3) Subsection (2) does not apply to the Official Receiver when he is acting as trustee.

(4) The Court may, on the application of the trustee, extend the period specified in subsection (1) on such terms and conditions as it considers appropriate.

Duty of Official Receiver concerning report under section 400.

401. Where the Official Receiver receives a report under section 400, he shall carry out such investigation, if any, as he considers appropriate.

Application for examination of bankrupt and others.

402.(1) Where a bankruptcy order is made, an application may be made to the Court, ex parte, by the trustee or by the Official Receiver at any time before the discharge of the bankrupt for an order that a person specified in subsection (2) appear before the Court to be examined concerning the affairs, dealings and assets of the bankrupt.

(2) An application under subsection (1) may be made in respect of one or more of the following—

- (a) the bankrupt;
- (b) the bankrupt's spouse or former spouse;
- (c) any person known or believed to be indebted to the bankrupt or to have in his possession any asset comprised in the bankrupt's estate; and
- (d) any person appearing to the Court to be able to give information concerning the bankrupt or the bankrupt's dealings, affairs, assets or liabilities.

(3) The examination of a bankrupt may be held in public or in private but the examination of any other person shall be held in private.

(4) Unless the Court otherwise orders, the trustee shall make an application under subsection (1) in respect of the bankrupt if notice requiring him to do so is given to him, in accordance with the Rules, by not less than 50 per cent, in value, of the creditors of the bankrupt.

Order for examination.

403.(1) In this section, "examinee" means the person to be examined before the Court.

(2) On hearing an application made under subsection 402, the Court may order the examinee to appear before the Court to be examined.

- (3) An order under subsection (2)–
- (a) shall direct the examinee to appear before the Court to be examined at a venue specified in the order;
 - (b) where the examinee is the bankrupt, shall state whether the examination is to be a public or a private examination;
 - (c) may require the person concerned to produce at the examination any books, records or other documents in his possession or control that relate to the bankrupt or his dealings, affairs, liabilities or assets;

- (d) may provide for an alternative method of service of the order on the examinee;
- (e) shall state the action that may be taken against a person if he does not appear before the Court as required by the order; and
- (f) where the examination is to be a public examination, may require the examination to be advertised, specifying the method of such advertisement.

(4) Where the Court makes an order under subsection (2), the applicant shall, forthwith serve a sealed copy of the order on the examinee and, where the trustee is not the Official Receiver—

- (a) if the applicant is the trustee, send a sealed copy of the order to the Official Receiver; or
- (b) if the applicant is the Official Receiver, send a sealed copy of the order to the trustee.

(5) Where an order under subsection (2) is for the public examination of the bankrupt, the applicant shall give not less than 14 days' notice of the examination to each creditor of the bankrupt.

(6) The Court may as part of an order made under this section, or at any subsequent time, make one or more of the following directions—

- (a) a direction specifying the matters upon which the examinee may be examined;
- (b) a direction specifying the procedures to be followed at the examination; and
- (c) in the case of the bankrupt's spouse or former spouse, a direction that the examinee—
 - (i) file with the Court an affidavit containing such matters as are specified by the Court; or
 - (ii) produce at his examination any documents in his possession or under his control relating to the bankrupt's dealings, affairs, assets or liabilities.

Conduct of examination.

404.(1) This section applies to an examination held pursuant to an order made under section 403.

(2) An examinee shall be examined on oath, either orally or by interrogatories, and he shall answer such questions as the Court may put, or allow to be put to him.

(3) Subject to subsections (4) and (5), an examination is conducted by the applicant, or by his legal practitioner, and the person examined is entitled to be represented by a legal practitioner who may put such questions to the examinee as the Court may allow for the purpose of explaining or qualifying answers given by him.

(4) The examinee may also be examined—

- (a) if the applicant is the Official Receiver, by the trustee; or
- (b) if the applicant is the trustee, by the Official Receiver.

(5) At a public examination of the bankrupt, questions may, with the leave of the Court, be put to the examinee by any creditor present at the examination or by the legal practitioner representing such a creditor.

(6) An examination shall be recorded in writing and the examinee shall sign the record.

(7) Subject to section 405, the written record of an examination is admissible in evidence in any proceedings under this Act.

Examinee shall answer questions put to him.

405.(1) An examinee is not excused from answering a question put to him at an examination held pursuant to an order made under section 403 on the ground that the answer may incriminate him or tend to incriminate him.

(2) Notwithstanding subsection (1), the record of an examination held pursuant to an order made under section 403 is not admissible as evidence in any criminal proceedings against the examinee except where he is charged with the offence of perjury.

Examinee failing to appear for his examination.

406.(1) Where a person without reasonable excuse fails to attend an examination ordered to be held under section 403, or there are reasonable grounds for believing that the examinee has absconded, or is about to abscond, with a view to avoiding or delaying his examination, the Court may issue a warrant to a police officer or a prescribed officer of the Court—

- (a) for the arrest of that person; and
- (b) for the seizure of any books, papers, records, money or goods in that person's possession.

(2) The Court may authorise a person arrested under a warrant issued under subsection (1) to be kept in custody, and anything seized under such a warrant to be held, in accordance with the Rules, until that person is brought before the Court under the warrant or until such other time as the Court may order.

(3) A person who fails to attend an examination ordered to be held under section 403 commits an offence and is liable—

- (a) on summary conviction to imprisonment for 6 months or a fine at level 4 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 2 years or a fine at level 5 on the standard scale, or both.

Court's enforcement powers.

407.(1) If it appears to the Court, on consideration of any evidence obtained under section 404, 406 or this section, that any person has in his possession any assets comprised in the bankrupt's estate, the Court may, on the application of the trustee, order that person to deliver the assets or any of them to the trustee at such time, in such manner and on such terms as the Court considers appropriate.

(2) If it appears to the Court, on consideration of any evidence obtained under section 404, 406 or this section, that any person is indebted to the bankrupt, the Court may, on the application of the trustee, order that person to pay the trustee, at such time and in such manner as the Court may direct,

the whole or part of the amount due, whether in full discharge of the debt or otherwise as the Court considers appropriate.

(3) The Court may order that any person who, if within the jurisdiction of the Court, would be liable to be examined pursuant to an order made under section 403 shall be examined in Gibraltar or any place outside Gibraltar.

Discharge and Annulment of Bankruptcy

Bankrupt ineligible for automatic discharge.

408.(1) For the purposes of section 409, a bankrupt is ineligible for automatic discharge if—

- (a) he has been an undischarged bankrupt at any time in the 10 years prior to the date of the bankruptcy order; or
- (b) he has been convicted of a bankruptcy offence.

(2) Where a previous bankruptcy order made against a person has been annulled under section 415, the period during which that person was an undischarged bankrupt by virtue of that bankruptcy order shall be ignored for the purposes of subsection (1)(a).

Automatic discharge.

409.(1) Subject to subsection (2), a bankrupt is discharged from bankruptcy at the end of the period of 3 years commencing on the date of the bankruptcy order unless—

- (a) he is ineligible for automatic discharge by virtue of section 408; or
- (b) he has previously been discharged under section 412(1)(b) or (c).

(2) On the application of a person specified in subsection (3), the Court may, on the grounds specified in subsection (4)—

- (a) extend the period referred to in subsection (1);

- (b) order that the period will cease to run until the fulfilment of such conditions as it may specify; or
 - (c) order that the bankrupt is not entitled to automatic discharge.
- (3) An application under subsection (2) may be made on the application of the Official Receiver or the trustee of the bankrupt.
- (4) The Court may–
- (a) make an order under subsection (2)(a) or (b) if it is satisfied that the bankrupt has failed or is failing to comply with any of his obligations under this Act or the Rules; or
 - (b) make an order under subsection (2)(c) on any of the grounds upon which it could refuse to discharge the bankrupt under section 412.
- (5) An application under subsection (2)–
- (a) shall be made before the bankrupt has been discharged under subsection (1); and
 - (b) when made, operates to suspend the period referred to in subsection (1) until after the determination of the application by the Court.
- (6) The Court may not, by an order made under section 493(1), permit an application to be made under subsection (2) after the discharge of a bankrupt under subsection (1).

Application by bankrupt concerning order for suspension of discharge.

410.(1) Where the Court has made an order under section 409(2)(b) that the period for automatic discharge will cease to run, the bankrupt may apply to the Court for the order to be varied or discharged.

(2) On an application made under subsection (1), the Court may vary or discharge its order.

Application for discharge by Court order.

411.(1) A bankrupt may apply to the Court for his discharge,

- (a) where he is ineligible for automatic discharge or where the Court has made an order under section 409(2)(c) that he is not entitled to automatic discharge, at any time after 3 years from the date of the bankruptcy order; or
- (b) in any other case, at any time after 6 months from the date of the bankruptcy order.

(2) An application under subsection (1) shall be served on—

- (a) the Official Receiver; and
- (b) his trustee, if not the Official Receiver,

not less than 42 days before the date fixed for the hearing.

Court order on application for discharge.

412.(1) Subject to subsection (3), on an application under section 411, the Court may—

- (a) refuse the application;
- (b) make an order discharging the bankrupt absolutely; or
- (c) make an order discharging the bankrupt subject to such conditions as it considers appropriate, including conditions with respect to—
 - (i) any income which may subsequently become due to him; or
 - (ii) any assets that may devolve on him or be acquired by him after his discharge.

(2) An order under subsection (1)(c) may be made with immediate effect or may be made effective after such period or until the fulfilment of such conditions as may be specified in the order.

(3) Where an application is made under section 411 more than 8 years after the date of the bankruptcy order, the Court shall not refuse the application unless it is satisfied that there are exceptional reasons for not granting the bankrupt his discharge.

(4) Subject to subsection (3), the Court may refuse to grant a bankrupt his discharge if—

- (a) the bankrupt has failed or is failing to comply with his obligations under this Act or the Rules;
- (b) the bankrupt has, after the date of the bankruptcy order, engaged in a prohibited activity;
- (c) the bankrupt has been convicted of a bankruptcy offence;
- (d) the bankrupt has failed, whether intentionally or not, to disclose to his trustee particulars of—
 - (i) any of his assets;
 - (ii) any liability existing at the date of the bankruptcy order; or
 - (iii) any income or expected income;
- (e) where the bankrupt has been engaged in any business for any of the period of 3 years prior to the date of the bankruptcy order, he has—
 - (i) failed to keep such books and accounts as would sufficiently disclose his business transactions and financial position whilst engaged in his business; or
 - (ii) having kept the books and accounts referred to in subparagraph (i), he has failed to preserve them;

- (f) the bankrupt continued to trade after knowing, or having reason to believe himself to be unable to pay his debts as they fell due;
- (g) the bankrupt contracted any liability that is claimable in his bankruptcy without having at the time of contracting it any reasonable expectation that he would be able to discharge it;
- (h) that the bankrupt, either before or after the bankruptcy order, has committed any fraud or breach of trust;
- (i) that the bankrupt has entered into a voidable transaction within the meaning of section 433; or
- (j) for any other reason it considers it appropriate to do so.

Effect of discharge.

413.(1) Subject to this section, where a bankrupt is discharged, the discharge releases him from all debts claimable in the bankruptcy, but has no effect—

- (a) on the functions, so far as they remain to be carried out, of the trustee; or
 - (b) on the operation, for the purposes of the carrying out of those functions, of the provisions of this Act;
- (2) The discharge of a bankrupt does not affect the right—
- (a) of any creditor of the bankrupt to claim in the bankruptcy for any debt from which the bankrupt is released; or
 - (b) of any secured creditor of the bankrupt to enforce his security interest for the payment of a debt from which the bankrupt is released.
- (3) The discharge of a bankrupt does not release the bankrupt from—
- (a) a liability incurred by means of a fraud or fraudulent breach of trust to which the bankrupt was a party or a liability of which he has obtained forbearance by fraud;

- (b) a liability under a recognizance; or
- (c) a liability in respect of a fine imposed for an offence.

(4) Except to such extent and subject to such conditions as the Court may otherwise order, the discharge of a bankrupt does not release the bankrupt from—

- (a) a liability under a maintenance agreement or maintenance order or arrears payable under such an agreement or order;
- (b) a liability to pay damages for negligence, nuisance or breach of a statutory, contractual or other duty, being damages in respect of personal injuries to any person; or
- (c) such other liabilities, not being liabilities that may be claimed in the bankruptcy, as may be prescribed.

(5) The discharge of a bankrupt does not release any person other than the bankrupt from any liability, whether as partner or co-trustee of the bankrupt or otherwise, from which the bankrupt is released by the discharge, or from any liability as surety for the bankrupt or as a person in the nature of such a surety.

(6) In subsection (4), “personal injuries” includes death and any disease or other impairment of a person's physical or mental condition.

Discharged bankrupt to give assistance.

414.(1) A discharged bankrupt shall, even though discharged, give such assistance as his trustee reasonably requires in the realisation and distribution of such of his assets as are vested in his trustee.

(2) A discharged bankrupt who contravenes subsection (1) commits an offence and is liable—

- (a) on summary conviction to imprisonment for 6 months or a fine at level 4 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 2 years or a fine at level 5 on the standard scale, or both.

Annulment of bankruptcy order.

415.(1) The Court may annul a bankruptcy order if at any time it appears to the Court—

- (a) that, on any grounds existing at the time the order was made, the order ought not to have been made; or
- (b) that, to the extent required by this Act and the Rules, the claims made in the bankruptcy and the expenses of the bankruptcy have all, since the making of the order, been either paid or secured for to the satisfaction of the Court.

(2) The Court may annul a bankruptcy order whether or not the bankrupt has been discharged.

(3) Where the court annuls a bankruptcy order—

- (a) any sale or other disposition of assets, payment made or other thing done, under any provision in this Part, by or under the authority of the trustee or by the Court is valid; but
- (b) if any of the bankrupt's estate is then vested, under any such provision, in such a trustee, it shall vest in such person as the Court may appoint or, in default of any such appointment, revert to the bankrupt on such terms, if any, as the court may direct.

(4) The Court may, in an order made under subsection (2), include such supplemental provisions as may be authorised by the Rules.

(5) The trustee shall vacate office if the bankruptcy order is annulled.

Release of trustee.

416.(1) Where the Official Receiver ceases to be the trustee of a bankrupt's estate and another person is appointed trustee in his place, the Official Receiver obtains his release—

- (a) from the appointment of the new trustee; or

(b) such later date as the Court may determine.

(2) If the Official Receiver, while he is the trustee, gives notice to the Court that the administration of the bankrupt's estate in accordance with this Part is for practical purposes complete, he obtains his release with effect from such time as the Court may determine.

(3) A person other than the Official Receiver who ceases to be trustee may apply to the Court for his release and the Court may grant the release unconditionally or subject to such conditions as it considers appropriate, or withhold it.

(4) If the Court withholds the release it may make an order against the former trustee under section 417.

(5) Where a bankruptcy order is annulled, the trustee at the time of the annulment has his release with effect from such time as the Court may determine.

(6) Subject to subsection (7), where a former trustee is released under this section, he is discharged from all liability in respect of any act or default of his in relation to the administration of the estate and otherwise in relation to his conduct as trustee.

(7) Subsection (6) does not prevent the Court from making an order under section 417 against a trustee who has been released under this section.

(8) A trustee, other than the Official Receiver, who obtains his release under this section shall file a notice in the prescribed form with the Official Receiver.

Liability of trustee.

417.(1) Where on an application under this section the Court is satisfied—

- (a) that the trustee of a bankrupt's estate has misapplied or retained, or become accountable for, any money or other assets comprised in the bankrupt's estate; or
- (b) that a bankrupt's estate has suffered any loss in consequence of any misfeasance or breach of fiduciary or other duty by a trustee of the estate in the carrying out of his functions,

the Court may order the trustee, for the benefit of the estate, to repay, restore or account for money or other assets, together with interest at such rate as the Court considers just, or, as the case may require, to pay such sum by way of compensation in respect of the misfeasance or breach of fiduciary or other duty as the Court considers just.

(2) Subject to subsection (3), an application under this section may be made by the Official Receiver, a creditor of the bankrupt or, whether or not there is, or is likely to be, a surplus for the purposes of section 381, the bankrupt himself.

(3) The leave of the Court is required for the making of an application under this section if it is to be made by the bankrupt or if it is to be made after the trustee has had his release under section 416.

(4) Where—

- (a) the trustee seizes or disposes of any asset which is not comprised in the bankrupt's estate; and
- (b) at the time of the seizure or disposal the trustee believes, and has reasonable grounds for believing, that he is entitled, whether pursuant to an order of the court or otherwise, to seize or dispose of that asset,

the trustee is not liable to any person, whether under this section or otherwise, in respect of any loss or damage resulting from the seizure or disposal except in so far as that loss or damage is caused by negligence of the trustee and the trustee has a lien on the asset, or the proceeds of its sale, for such of the expenses of the bankruptcy as were incurred in connection with the seizure or disposal.

(5) Subsection (1) does not prevent any person from instituting any other proceedings in relation to matters in respect of which an application can be made under that subsection.

Second or Subsequent Bankruptcy

Stay of distribution in case of second bankruptcy.

418.(1) This section and section 419 apply where a bankruptcy order is made against an undischarged bankrupt and in both sections–

“earlier bankruptcy” means the bankruptcy, or the most recent bankruptcy, from which the bankrupt has not been discharged at the time when the later bankruptcy commences;

“existing trustee” means the trustee, if any, of the bankrupt's estate for the purposes of the earlier bankruptcy; and

“later bankruptcy” means the bankruptcy arising from the bankruptcy order made against an undischarged bankrupt.

(2) Where the existing trustee has been given notice of the application for the later bankruptcy, any distribution or other disposition by him of any asset to which subsection (3) applies made after the giving of the notice is void except to the extent that it was made with the consent of the Court or is or was subsequently ratified by the Court.

(3) Subsection (2) applies to–

- (a) any asset which is vested in the existing trustee under section 346;
- (b) any money paid to the existing trustee pursuant to an income payments order under section 347; and
- (c) any asset or money which is, or in the hands of the existing trustee represents, the proceeds of sale or application of an asset or money falling within paragraphs (a) or (b).

Adjustment between earlier and later bankruptcy estates.

419.(1) With effect from the commencement of the later bankruptcy any asset to which section 418(3) applies which, immediately before the commencement of that bankruptcy, is comprised in the bankrupt's estate for the purposes of the earlier bankruptcy is to be treated as comprised in the bankrupt's estate for the purposes of the later bankruptcy.

(2) Any sum which in pursuance of an income payments order made under section 347 is payable after the commencement of the later bankruptcy to the existing trustee shall form part of the bankrupt's estate for the purposes

of the later bankruptcy and the court may give such consequential directions for the modification of the order as it considers appropriate.

(3) Anything comprised in a bankrupt's estate by virtue of subsections (1) or (2) is so comprised subject to a first charge in favour of the existing trustee for his remuneration or any bankruptcy expenses incurred by him in relation thereto.

(4) Except as provided in this section and in section 418, any asset which is, or by virtue of section 341 is capable of being, comprised in the bankrupt's estate for the purposes of the earlier bankruptcy, or of any bankruptcy prior to it, is not comprised in his estate for the purposes of the later bankruptcy.

(5) The creditors of the bankrupt in the earlier bankruptcy and the creditors of the bankrupt in any bankruptcy prior to the earlier bankruptcy, are not to be creditors of his in the later bankruptcy in respect of the same liabilities but the existing trustee may claim in the later bankruptcy for—

- (a) the unsatisfied balance of the liabilities, including any liability under this subsection, claimable against the bankrupt's estate in the earlier bankruptcy;
- (b) any interest payable on that balance; and
- (c) any unpaid expenses of the earlier bankruptcy.

(6) Any amount claimable under subsection (5) ranks in priority after all the other claims admitted in the later bankruptcy and after interest on those claims and, accordingly, shall not be paid unless those claims and that interest have first been paid in full.

PART 14

BANKRUPTCY OFFENCES

Definitions.

420. In this Part,

- (a) references to assets comprised in the bankrupt's estate or to assets possession of which is required to be delivered up to the trustee include any assets specified in section 341;
- (b) "initial period" means the period between the filing of the application for the bankruptcy order and the commencement of the bankruptcy; and
- (c) a reference to a number of months or years before the application is to that period ending with the filing of the application for the bankruptcy order.

Defence of innocent intention.

421.(1) Subject to subsection (2), the bankrupt does not commit a bankruptcy offence if he proves that, at the time of the conduct constituting the offence, he had no intent to defraud or to conceal the state of his affairs.

(2) Subsection (1) does not apply to sections 423(e), 425(b), 425(c), 425(d), 425(e), 429(1), 430 and 431.

Non-disclosure.

422.(1) The bankrupt commits an offence if—

- (a) he does not to the best of his knowledge and belief disclose all the assets comprised in his estate to the trustee; or
- (b) he does not inform the trustee of any disposal of any assets which, but for the disposal, would be so comprised, stating how, when, to whom and for what consideration the asset was disposed of.

(2) Subsection (1)(b) does not apply to any disposal in the ordinary course of a business carried on by the bankrupt or to any payment of the ordinary expenses of the bankrupt or his family.

(3) A bankrupt who commits an offence under subsection (1) is liable—

- (a) on summary conviction to imprisonment for 12 months or a fine at level 5 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 5 years or a fine at twice the statutory maximum, or both.

Concealment of assets.

423.(1) The bankrupt commits an offence if—

- (a) he does not deliver up possession to the trustee, or as the trustee may direct, those assets comprised in his estate as are in his possession or under his control of which he is required by law so to deliver up;
- (b) he conceals any debt due to or from him or conceals any asset, the value of which is not less than the prescribed amount and possession of which he is required to deliver up to the trustee;
- (c) in the 12 months before the application, or in the initial period, he did anything which would have been an offence under paragraph (b) if the bankruptcy order had been made immediately before he did it;
- (d) he removes, or in the initial period removed, any asset the value of which was not less than the prescribed amount and possession of which he is or would have been required to deliver up to the trustee; or
- (e) he without reasonable excuse fails, on being required to do so by the Official Receiver or the Court—
 - (i) to account for the loss of any substantial part of his assets incurred in the 12 months before the application or in the initial period, or

- (ii) to give a satisfactory explanation of the manner in which such a loss was incurred.
- (2) A bankrupt who commits an offence under subsection (1) is liable–
- (a) on summary conviction to imprisonment for 12 months or a fine at level 5 on the standard scale, or both;
 - (b) on conviction on indictment to imprisonment for 5 years or a fine at twice the statutory maximum, or both.

Concealment of books and papers; falsification.

424.(1) The bankrupt commits an offence if–

- (a) he does not deliver up possession to the trustee, or as the trustee may direct, of all documents in his possession or control which relate to his estate or his affairs;
 - (b) he prevents, or in the initial period prevented, the production of any documents relating to his estate or affairs;
 - (c) he conceals, destroys, mutilates or falsifies, or causes or permits the concealment, destruction, mutilation or falsification of, any documents relating to his estate or affairs;
 - (d) he makes, or causes or permits the making of, any false entries in any documents relating to his estate or affairs;
 - (e) he disposes of, or alters or makes any omission in or causes or permits the disposal, altering or making of any omission in , any document relating to his estate or affairs; or
 - (f) in the 12 months before the application, or in the initial period, he did anything which would have been an offence under paragraph (c), (d) or (e) if the bankruptcy order had been made before he did it.
- (2) A bankrupt who commits an offence under subsection (1) is liable–

- (a) on summary conviction to imprisonment for 12 months or a fine at level 5 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 5 years or a fine at twice the statutory maximum, or both.

False statements.

425.(1) The bankrupt commits an offence if–

- (a) he makes any false statement or any material omission in any statement made under this Act relating to his affairs;
- (b) knowing or believing that a false claim has been made by any person under the bankruptcy, he fails to inform the trustee as soon as practicable; or
- (c) he attempts to account for any part of his assets by fictitious losses or expenses; or
- (d) at any meeting of his creditors in the 12 months before the application or, whether or not at such a meeting, at any time in the initial period, he did anything which would have been an offence under paragraph (c) if the bankruptcy order had been made before he did it; or
- (e) he is, or at any time has been, guilty of any false representation or other fraud for the purposes of obtaining the consent of his creditors, or any of them, to an agreement with reference to his affairs or to his bankruptcy.

(2) A bankrupt who commits an offence under subsection (1) is liable–

- (a) on summary conviction to imprisonment for 12 months or a fine at level 5 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 5 years or a fine at twice the statutory maximum, or both.

Fraudulent disposal of assets.

426.(1) The bankrupt commits an offence if–

- (a) he makes or causes to be made, or has during the period of 5 years prior to the date of the bankruptcy order made or caused to be made, any gift or transfer of, or any charge on, his assets; or
- (b) he conceals or removes, or has at any time before the commencement of the bankruptcy, concealed or removed, any of his assets after, or within 60 days before, the date on which a judgement or order for the payment of money has been obtained against him, being a judgement or order which was not satisfied before the commencement of the bankruptcy.

(2) The reference in subsection (1) to making a transfer of or a charge on any asset includes causing or conniving at the levying of any execution against that asset.

(3) A bankrupt who commits an offence under subsection (1) is liable—

- (a) on summary conviction to imprisonment for 2 years or a fine at level 5 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 5 years or a fine at twice the statutory maximum, or both.

Absconding.

427.(1) The bankrupt commits an offence if—

- (a) he leaves, or attempts or makes preparations to leave Gibraltar with any assets the value of which is not less than the prescribed amount and possession of which he is required to deliver up to the Official Receiver or the trustee; or
- (b) in the 6 months before the application, or in the initial period, he did anything which would have been an offence under paragraph(a)if the bankruptcy order had been made immediately before he did it.

(2) A bankrupt who commits an offence under subsection (1) is liable—

- (a) on summary conviction to imprisonment for 12 months or a fine at level 5 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 5 years or a fine at twice the statutory maximum, or both.

Fraudulent dealing with asset obtained on credit.

428.(1) The bankrupt commits an offence if, in the 12 months before the application, or in the initial period, he disposed of any asset which he had obtained on credit and, at the time he disposed of it, had not paid for.

(2) A person commits an offence if, in the 12 months before the application, or in the initial period, he acquired or received an asset from the bankrupt knowing or believing—

- (a) that the bankrupt owed money in respect of the asset; and
- (b) that the bankrupt did not intend, or was unlikely to be able, to pay the money so owed.

(3) A person does not commit an offence under subsection (1) or (2) if the disposal, acquisition or receipt of the asset was in the ordinary course of a business carried on by the bankrupt at the time of the disposal, acquisition or receipt.

(4) In determining for the purposes of this section whether any asset is disposed of, acquired or received in the ordinary course of a business carried on by the bankrupt, regard may be had, in particular, to the price paid for the asset.

(5) In this section, references to disposing of an asset include pawning or pledging it and references to acquiring or receiving an asset shall be read accordingly.

(6) A bankrupt who commits an offence under subsection (1) or subsection (2) is liable—

- (a) on summary conviction to imprisonment for 12 months or a fine at level 5 on the standard scale, or both;

- (b) on conviction on indictment to imprisonment for 5 years or a fine at twice the statutory maximum, or both.

Obtaining credit; engaging in business.

429.(1) The bankrupt commits an offence if–

- (a) either alone or jointly with any other person, he obtains credit to the extent of the prescribed amount or more without informing the person from whom he obtains credit that he is an undischarged bankrupt;
- (b) he engages, whether directly or indirectly, in any business under a name other than that in which he was made bankrupt without disclosing to all persons with whom he enters into any business transaction the name under which he was made bankrupt.

(2) The reference to the bankrupt obtaining credit includes the following cases–

- (a) where goods are billed to him under a hire-purchase agreement, or agreed to be sold to him under a conditional sale agreement; and
- (b) where he is paid in advance, whether in money or otherwise, for the supply of goods and services.

(3) A bankrupt who commits an offence under subsection (1) is liable–

- (a) on summary conviction to imprisonment for 12 months or a fine at level 5 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 3 years or a fine at twice the statutory maximum, or both.

Failure to keep proper accounts of business.

430.(1) Where the bankrupt has been engaged in any business for any of the period of 2 years before the application, he commits an offence if he–

- (a) has not kept proper accounting records throughout that period and throughout any part of the initial period in which he was so engaged; or
 - (b) has not preserved all the accounting records which he has kept.
- (2) The bankrupt does not commit an offence under subsection (1)–
- (a) if his unsecured liabilities at the commencement of the bankruptcy did not exceed the prescribed amount; or
 - (b) if he proves that in the circumstances in which he carried on business the omission was honest and excusable.
- (3) For the purpose of this section, a person is deemed not to have kept proper accounting records if he has not kept such records as are necessary to show or explain his transactions and financial position in his business, including–
- (a) records containing entries from day to day, in sufficient detail, of all cash paid and received;
 - (b) where the business involves dealing in goods, statements of annual stock-takings; and
 - (c) except in the case of goods sold by way of retail trade to the actual customer, records of all goods sold and purchased showing the buyers and sellers in sufficient detail to enable the goods and the buyers and sellers to be identified.
- (4) A bankrupt who commits an offence under subsection (1) is liable–
- (a) on summary conviction to imprisonment for 12 months or a fine at level 5 on the standard scale, or both;
 - (b) on conviction on indictment to imprisonment for 3 years or a fine at twice the statutory maximum, or both.

Gambling.

431.(1) The bankrupt commits an offence if he has–

- (a) in the 2 years before the application, materially contributed to, or increased the extent of, his insolvency by gambling or by rash and hazardous speculations; or
- (b) in the initial period, lost any of his assets by gambling or by rash and hazardous speculations.

(2) In determining for the purposes of this section whether any speculations were rash and hazardous, the financial position of the bankrupt at the time when he entered into them shall be taken into consideration.

(3) A bankrupt who commits an offence under subsection (1) is liable—

- (a) on summary conviction to imprisonment for 12 months or a fine at level 5 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 2 years or a fine at twice the statutory maximum, or both.

Supplementary provisions.

432.(1) Proceedings for a bankruptcy offence may not be instituted after the annulment of the bankruptcy.

(2) Without limiting the liability of a bankrupt in respect of a subsequent bankruptcy, the bankrupt does not commit an offence under this Part in respect of anything done after his discharge but nothing in this Act prevents the institution of proceedings against a discharged bankrupt for an offence committed before his discharge.

(3) It is not a defence in proceedings for an offence under this Part that anything relied on, in whole or in part, as constituting that offence was done outside Gibraltar.

PART 15

VOIDABLE TRANSACTIONS

Interpretation for this Part.

433.(1) In this Part—

“debtor” means the individual against whom a bankruptcy order is made;

“insolvent bankruptcy” means a bankruptcy where the assets comprised in the bankrupt’s estate are insufficient to pay his liabilities and the expenses of the bankruptcy;

“insolvency transaction” has the meaning specified in subsection (2);

“onset of insolvency” means the date on which the application for a bankruptcy order was filed;

“voidable transaction” means

- (a) an unfair preference;
- (b) an undervalue transaction;
- (c) a voidable general assignment of book debts; or
- (d) an extortionate credit transaction;

“vulnerability period” means,

- (a) for the purposes of sections 434, 435 and 436,
 - (i) in the case of a transaction entered into with, or a preference given to, a connected person, the period commencing 2 years prior to the onset of insolvency and ending on the date of the bankruptcy order; and
 - (ii) in the case of a transaction entered into with, or a preference given to, any other person, the period commencing 6 months prior to the onset of insolvency and ending on the date of the bankruptcy order; and
 - (b) for the purposes of section 437, the period commencing 5 years prior to the onset of insolvency and ending on the date of the bankruptcy order;
- (2) A transaction is an insolvency transaction if–
- (a) it is entered into at a time when the debtor is insolvent; or

(b) it causes the debtor to become insolvent;

(3) For the purposes of subsection (2), an individual is insolvent if he is unable to pay his debts as they fall due for payment.

(4) This Part applies in respect of an individual only if a bankruptcy order is made against him.

Unfair preferences.

434.(1) Subject to subsection (2), a transaction entered into by an individual is an unfair preference given by the individual to a creditor if the transaction—

(a) is an insolvency transaction;

(b) is entered into within the vulnerability period; and

(c) has the effect of putting the creditor into a position which, in the event of the individual becoming a bankrupt, will be better than the position he would have been in if the transaction had not been entered into.

(2) A transaction is not an unfair preference if the transaction took place in the ordinary course of business.

(3) A transaction may be an unfair preference notwithstanding that it is entered into pursuant to the order of a court or tribunal in or outside Gibraltar.

(4) Where a transaction entered into by an individual within the vulnerability period has the effect specified in subsection (1)(c) in respect of a creditor who is a connected person, unless the contrary is proved, it is presumed that the transaction was an insolvency transaction and that it did not take place in the ordinary course of business.

Undervalue transactions.

435.(1) Subject to subsection (2), an individual enters into an undervalue transaction with a person if—

- (a) he makes a gift to that person or otherwise enters into a transaction with that person on terms that provide for him to receive no consideration; or
 - (b) he enters into a transaction with that person for a consideration the value of which, in money or money's worth, is significantly less than the value, in money or money's worth, of the consideration provided by him; and
 - (c) in either case, the transaction concerned
 - (i) is an insolvency transaction; and
 - (ii) is entered into within the vulnerability period.
- (2) An individual does not enter into an undervalue transaction with a person if—
- (a) the individual enters into the transaction in good faith and for the purposes of his business; and
 - (b) at the time when he enters into the transaction, there were reasonable grounds for believing that the transaction would benefit him.
- (3) A transaction may be an undervalue transaction notwithstanding that it is entered into pursuant to the order of a court or tribunal in or outside Gibraltar.
- (4) Where an individual enters into a transaction with a connected person within the vulnerability period and the transaction falls within subsection (1)(a) or subsection (1)(b), unless the contrary is proved, it is presumed that—
- (a) the transaction was an insolvency transaction; and
 - (b) subsection (2) did not apply to the transaction.

Voidable general assignment of book debts.

436.(1) This section applies where an individual engaged in any business makes a general assignment to another of his existing or future book debts, or any class of them, and a bankruptcy order is subsequently made against him.

(2) The assignment is voidable as regards book debts which were not paid before the filing of the application for the bankruptcy order, unless the assignment has been registered under the Bills of Sale Act.

(3) For the purposes of subsections (1) and (2)–

(a) “assignment” includes an assignment by way of security or charge on book debts; and

(b) “general assignment” does not include

(i) an assignment of book debts due at the date of the assignment from specified debtors or of debts becoming due under specified contracts, or

(ii) an assignment of book debts included either in a transfer of a business made in good faith and for value or in an assignment of assets for the benefit of creditors generally.

(4) For the purposes of registration under the Bills of Sale Act, an assignment of book debts is to be treated as if it were a bill of sale given otherwise by way of security for the payment of a sum of money; and the provisions of that Act with respect to the registration of bills of sale apply accordingly with such necessary modifications as may be made by rules under that Act.

Extortionate credit transactions.

437. A transaction entered into by an individual within the vulnerability period for, or involving the provision of, credit to him is an extortionate credit transaction if, having regard to the risk accepted by the person providing the credit–

- (a) the terms of the transaction are or were such as to require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of credit; or
- (b) the transaction otherwise grossly contravenes ordinary principles of fair trading.

Orders in respect of voidable transactions.

438.(1) Subject to section 439, where it is satisfied that a transaction entered into by an individual is a voidable transaction the Court, on the application of the bankruptcy trustee of the individual—

- (a) may make an order setting aside the transaction in whole or in part;
- (b) in respect of an unfair preference or an undervalue transaction, may make such order as it considers appropriate for restoring the position to what it would have been if the bankrupt had not entered into that transaction; and
- (c) in respect of an extortionate credit transaction, may by order provide for any one or more of the following—
 - (i) the variation of the terms of the transaction or the terms on which any security interest for the purposes of the transaction is held;
 - (ii) the payment by any person who is or was a party to the transaction to the trustee of any sums paid by the bankrupt to that person by virtue of the transaction;
 - (iii) the surrender by any person to the trustee of any asset held by him as security for the purposes of the transaction; and
 - (iv) the taking of accounts between any persons.

(2) Without prejudice to the generality of subsection (1)(b), an order under that paragraph may—

- (a) require any asset transferred as part of the transaction to be vested in the trustee;
- (b) require any asset to be vested in the trustee if it represents in any person's hands the application either of the proceeds of sale of an asset transferred or of money transferred, in either case as part of the transaction;
- (c) release or discharge, in whole or in part, any security interest given by the bankrupt or the liability of the bankrupt under any contract;
- (d) require any person to pay, in respect of benefits received by him from the bankrupt, such sums to the trustee as the Court may direct;
- (e) provide for any surety or guarantor whose obligations to any person were released or discharged, in whole or in part, under the transaction, to be under such new or revived obligations to that person as the Court considers appropriate;
- (f) provide for security to be provided for the discharge of any obligation imposed by or arising under the order, for such an obligation to be charged on any asset and for the security interest or charge to have the same priority as a security interest or charge released or discharged, in whole or in part, under the transaction;
- (g) provide for a person effected by an order made under subsection (1) to claim in the bankruptcy of the bankrupt in such amount as the Court considers appropriate; and
- (h) require the bankrupt or trustee to make a payment or transfer an asset to any person affected by an order made under subsection (1).

(3) Subject to section 439, in respect of an unfair preference or an undervalue transaction, an order under subsection (1) may affect the assets of, or impose any obligation on, any person whether or not he is the person with whom the bankrupt entered into the transaction.

Limitations on orders under section 438.

439.(1) This section applies to an order made under section 438(1) in respect of an unfair preference or an undervalue transaction.

- (2) An order to which subsection (1) applies shall not—
 - (a) prejudice any interest in an asset that was acquired in good faith and for value from a person other than the bankrupt, or prejudice any interest deriving from such an interest; or
 - (b) require a person who received a benefit from the transaction in good faith and for value to pay a sum to the trustee, except where that person was a party to the transaction or, in respect of an unfair preference, the preference was given to that person when he was a creditor of the bankrupt.

(3) For the purposes of subsection (2), where a person would, apart from the requirement for good faith, fall within the circumstances specified in paragraph (a) or (b), it is presumed, unless the contrary is proved, that he acquired the interest or received the benefit in good faith.

- (4) Subsection (3) does not apply to a person—
 - (a) who, at the time of the transaction, had notice of—
 - (i) the fact that the transaction was an unfair preference or an undervalue transaction, as the case may be; or
 - (ii) the relevant proceedings as defined in subsection (5); or
 - (b) who was, at the time of the transaction, a connected person.

(5) For the purposes of subsection (4), a person has notice of the relevant proceedings if he had notice of the application on which the bankruptcy order was made.

Recoveries.

440. Any money paid to, asset recovered or other benefit received by the trustee as a result of an order made under section 438 is deemed to be an asset comprised in the bankrupt's estate that is available to pay his unsecured creditors.

Remedies not exclusive.

441. The provisions of this Part apply without prejudice to the availability of any other remedy.

PART 16

BANKRUPTCY RESTRICTIONS ORDERS AND UNDERTAKINGS

Interpretation for this Part.

442. In this Part—

“restricted person” means a person—

- (a) against whom a bankruptcy restrictions order or an interim order has effect; or
- (b) in respect of whom a bankruptcy restrictions undertaking is in place.

Bankruptcy restrictions orders and undertakings.

443.(1) A bankruptcy restrictions order is an order that an individual shall not, for the period specified in the order, engage in a prohibited activity without the leave of the Court.

(2) A bankruptcy restrictions undertaking is an undertaking in writing given by an individual to the Official Receiver that he will not, for the period specified in the undertaking, engage in a prohibited activity without the leave of the Court.

(3) For the purpose of this Part, an individual engages in a prohibited activity if—

- (a) he is a director of a company;
- (b) he acts as the voluntary liquidator of a company;
- (c) he acts as the receiver of the assets of a company;
- (d) he acts as an insolvency practitioner;
- (e) in any way, whether directly or indirectly, he is concerned with or takes part in the promotion, formation or management of a company; or
- (f) he undertakes any activity prescribed as a prohibited activity.

Application for and hearing of application for bankruptcy restrictions order.

444.(1) The Official Receiver may apply to the Court for a bankruptcy restrictions order against a bankrupt.

(2) On an application under subsection (1), the Court may, make a bankruptcy restrictions order against a bankrupt where it considers it appropriate having regard to the conduct of the bankrupt, whether before or after the making of the bankruptcy order against him.

(3) Without limiting subsection (2), the Court shall in particular take into account—

- (a) any behaviour of the bankrupt that constitutes a bankruptcy offence, whether or not the bankrupt has been convicted of the offence; and
- (b) whether the bankrupt was an undischarged bankrupt at some time during the 6 years prior to the making of the bankruptcy order in respect of which the application is made.

Duration of bankruptcy restrictions order.

445.(1) The Court shall, on making a disqualification order, specify the period for which the order has effect.

(2) The period referred to in subsection (1) shall commence on a date no earlier than the date of the order and no later than 28 days after the date of the order and shall not exceed 10 years.

Interim bankruptcy restrictions order.

446.(1) In this section, “interim order” means an interim bankruptcy restrictions order.

(2) The Official Receiver may apply to the Court for an interim order at any time between—

- (a) the filing by him of an application for a bankruptcy restrictions order; and
- (b) the determination of that application.

(3) The Court may, on an application made under subsection (1), make an interim order against a bankrupt if it considers—

- (a) that there are *prima facie* grounds to suggest that the application for the bankruptcy restrictions order will be successful; and
- (b) it is in the public interest to make an interim order.

(4) An interim order shall—

- (a) take effect on the date that it is made; and
- (b) have the same effect as a bankruptcy restrictions order.

(5) An interim order shall cease to have effect—

- (a) on the determination of the application for the bankruptcy restrictions order;
- (b) on the acceptance of a bankruptcy restrictions undertaking made by a bankrupt; or
- (c) on the discharge of the interim order by the Court on the application of the Official Receiver or the bankrupt.

Bankruptcy restrictions undertaking.

447.(1) A bankrupt may offer the Official Receiver a bankruptcy restrictions undertaking, whether or not the Official Receiver has made an application against him for a bankruptcy restrictions order.

(2) The Official Receiver may accept an offer made to him under subsection (1) if he considers that—

- (a) there is a reasonable prospect that, on the hearing of an application under section 444, the Court would make a bankruptcy restrictions order against the bankrupt offering the undertaking; and
- (b) it is expedient and in the public interest to accept the offer.

(3) A bankruptcy restrictions undertaking shall specify a period, commencing on the date of the undertaking, for which the undertaking has effect.

(4) The period referred to in subsection (3) shall not exceed 10 years.

Variation of disqualification order or undertaking.

448.(1) The Court may, on the application of the Official Receiver or a restricted person, vary a bankruptcy restrictions order or a bankruptcy restrictions undertaking.

(2) Without limiting subsection (1), an order under that subsection may—

- (a) reduce the period for which the order, or undertaking, is in force; or
- (b) provide for the order or undertaking to cease to be in force.

(3) An application made by a restricted person for an order under subsection (1) shall be served on the Official Receiver no less than 14 days prior to the date of the hearing and the Official Receiver shall appear or be represented and is entitled to call or give evidence at the hearing.

Offence provisions.

449. A restricted person who engages in a prohibited activity commits an offence and is liable—

- (a) on summary conviction to imprisonment for 2 years or a fine at level 5 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 5 years or a fine at twice the statutory maximum, or both.

Official Receiver to appear on certain applications.

450. The Official Receiver shall appear and call the attention of the Court to any matters which seem to him to be relevant, and may himself give evidence or call witnesses on the hearing of—

- (a) an application by the Official Receiver for a bankruptcy restrictions order; or
- (b) any other application made under this Part.

Register of disqualification orders.

451.(1) The Official Receiver shall register in a Register of Bankruptcy Restrictions Orders and Undertakings to be maintained by him for the purpose—

- (a) each bankruptcy restrictions order and interim bankruptcy restrictions order made or bankruptcy restrictions undertaking accepted under this Part; and
- (b) each variation of a bankruptcy restrictions order, an interim bankruptcy restrictions order or bankruptcy restrictions undertaking under this Part.

(2) When a bankruptcy restrictions order or undertaking ceases to be in force, the Official Receiver shall delete the entry from the Register.

(3) The Register of Bankruptcy Restrictions Orders and Undertakings shall be open to inspection on payment of such fee as may be prescribed.

(4) No person shall be construed as having knowledge that another person is a restricted person by virtue of an entry in the Register of Bankruptcy Restrictions Orders and Undertakings.

Annulment of bankruptcy order.

452.(1) Where a bankruptcy order is annulled under section 327(1)(a)–

- (a) any bankruptcy restrictions order, interim order or undertaking which is in force in respect of the bankrupt shall be annulled;
- (b) no new bankruptcy restrictions order or interim order may be made in respect of the bankrupt; and
- (c) no new bankruptcy restrictions undertaking by the bankrupt may be accepted.

(2) Where a bankruptcy order is annulled under section 415(1)(b)–

- (a) the annulment shall not affect any bankruptcy restrictions order, interim order or undertaking which is in force in respect of the bankrupt;
- (b) the Court may make a bankruptcy restrictions order or an interim order in respect of the bankrupt on an application instituted before the annulment;
- (c) the Official Receiver may accept a bankruptcy restrictions undertaking offered by the bankrupt before the annulment; and
- (d) an application for a bankruptcy restrictions order may not be instituted after the annulment.

PART 17

**GENERAL PROVISIONS WITH REGARD TO INSOLVENCY
PROCEEDINGS UNDER THIS ACT**

Preliminary

Interpretation for and scope of this Part.

453. In this Part—

“fixing remuneration” includes fixing the currency of payment;

“insolvency proceeding” means the insolvency proceeding in respect of which an insolvency practitioner is appointed; and

“insolvency practitioner” means an administrator, liquidator, bankruptcy trustee, receiver, supervisor or interim supervisor, as the case may be; and

“office holder” means—

- (a) in respect of a company, its administrator, its liquidator or its administrative receiver;
- (b) in respect of an unregistered company, its liquidator, and
- (c) in respect of an individual, his bankruptcy trustee;

and a reference to an officer holder is to the office holder appointed in the insolvency proceeding in respect of which the creditors’ committee is appointed.

Creditors’ Committee

Establishment of creditors’ committee.

454.(1) The creditors of a company in liquidation, administration or administrative receivership or of a bankrupt may, by resolution passed at a meeting, establish a creditors’ committee—

- (a) in the case of a company in administration, at any time after the approval of the administrator's proposals;
- (b) in the case of a company in administrative receivership, at any time after the appointment of the administrative receiver;
- (c) in the case of a company in liquidation, at any time after the appointment of the liquidator; and
- (d) in the case of an individual, at any time after the bankruptcy order.

(2) A resolution to establish a creditors' committee shall also appoint the first members of the committee, each of whom shall be eligible to serve on the committee in accordance with section 457.

(3) A resolution to establish a creditors' committee may only be passed—

- (a) in the administration, administrative receivership or liquidation of a company—
 - (i) at a meeting called under section 80, 132 or 170; or
 - (ii) at a meeting requisitioned for the purpose by at least 10 per cent in value of the creditors of the company; and
- (b) in the bankruptcy of an individual, at a meeting of the creditors called under section 366.

Notice of establishment of committee.

455.(1) Where an office holder is satisfied that a creditors' committee has been validly established, he shall, within 5 business days of the passing of the resolution, file a notice to that effect—

- (a) in the case of an administrator, a liquidator appointed by the Court or a bankruptcy trustee, with the Court; or
- (b) in the case of an administrative receiver or a liquidator not appointed by the Court, with the Registrar.

(2) The notice required to be filed under subsection (1) shall specify the names and addresses of the persons appointed to the creditors' committee.

(3) The creditors' committee cannot act until the relevant notice is filed by the office holder under subsection (1).

(4) The appointment of a member of a creditors' committee may be in the form of the appointment of a designated representative of the member.

Functions and powers of creditors' committee.

456.(1) The functions of a creditors' committee are—

- (a) to consult with the office holder about matters relating to the insolvency proceeding;
- (b) to receive and consider reports of the insolvency holder;
- (c) to assist the officer holder in discharging his functions; and
- (d) to discharge any other functions assigned to it under this Act or the Rules.

(2) A creditors' committee may—

- (a) call a meeting of creditors;
- (b) on giving the office holder reasonable notice, require him to provide the committee with such reports and information concerning the insolvency proceeding as the committee reasonably requires; and
- (c) on giving the office holder not less than 5 business days' notice, require him to attend before the committee at any reasonable time to provide it with such information and explanations concerning the insolvency proceeding as it reasonably requires.

(3) Where the creditors' committee requires the attendance of the office holder at a meeting under subsection (2)(c)—

- (a) the notice shall be signed in writing by a majority of the members of the committee; and
- (b) the meeting shall be fixed for a business day and shall be held at such time and place as the committee may agree with the office holder.

(4) The designated representative of a committee member may sign a notice under subsection (3)(a) on the member's behalf.

(5) Unless expressly permitted to do so by the Act or the Rules, a creditors' committee cannot give directions to the officer holder.

Composition of committee and eligibility to act.

457.(1) A creditors committee shall comprise at least 3 but not more than 5 members each of whom shall be a creditor of the company or bankrupt—

- (a) who has consented in writing to serve on the committee; and
- (b) whose claim has not been rejected for the purposes of his entitlement to vote or, in the case of a liquidation or bankruptcy, for distribution purposes.

(2) A body corporate may be a member of the creditors' committee, but it cannot act as a member otherwise than by its designated representative appointed under section 458.

Committee member's designated representative.

458.(1) A committee member may be represented by another person authorised by him as his designated representative for that purpose.

(2) A person acting as the designated representative of a committee member shall hold a letter of authority entitling him to act, either generally or specifically, and signed by or on behalf of the committee member.

(3) The chairman at any meeting of the committee may call on a person claiming to act as a committee member's representative to produce his letter of authority, and may exclude him if it appears that his authority is deficient.

(4) No committee member may be represented by—

- (a) a body corporate;
- (b) a person who is an undischarged bankrupt;
- (c) a person who is a disqualified person within the meaning of section 267; or
- (d) a person who is a restricted person within the meaning of section 442.

(5) No person shall, on the same committee, act at one and the same time as representative of more than one committee member.

(6) Where a member's representative signs any document on the member's behalf, the fact that he so signs shall be stated below his signature.

Resignation and termination of committee member.

459.(1) A member of a creditors' committee may resign by giving notice in writing to the office holder.

- (2) The membership of a committee member is terminated if—
 - (a) he becomes bankrupt or compounds or arranges with his creditors;
 - (b) he is absent from 3 consecutive meetings of the committee without the leave of the other members;
 - (c) ceases to be, or is found never to have been, a creditor; or
 - (d) in the case of the designated representative of a member, his designation as a designated representative is terminated by the member he represents.

(3) A member of the committee may be removed by a resolution of creditors of which he has been given at least 5 business days' notice, stating the object of that meeting.

(4) If a member of the creditors' committee becomes bankrupt, his bankruptcy trustee replaces him as a member of the committee.

Vacancies and appointment of new members.

460.(1) Where there is a vacancy in the membership of the committee, the continuing members of the committee, if not less than 2 in number, may continue to act.

(2) The continuing members of the committee, or where their number has fallen below 2, the office holder, may appoint a person eligible under section 457 as a member of the committee to fill a vacancy.

(3) Where there is any change in the membership of the committee, the office holder shall, within 5 business days, file a notice specifying the members of the committee following the change—

- (a) in the case of an administrator, a liquidator appointed by the Court or a bankruptcy trustee, with the Court; or
- (b) in the case of an administrative receiver or a liquidator appointed by the company, with the Registrar.

(4) The notice required to be filed under subsection (3) shall specify the names and addresses of the members of the creditors' committee.

Proceedings of creditors' committee.

461. A creditors' committee may, by resolution, adopt rules that are not inconsistent with this Act or the Rules.

Members dealing with company.

462.(1) In the case of the administration or administrative receivership of a company, membership of the creditors' committee does not prevent a person from dealing with the company while the officer holder is acting, provided that any transactions in the course of such dealings are entered into in good faith and for value.

(2) The Court may, on the application of any person interested, set aside a transaction which appears to it to be contrary to the requirements of this section, and may give such consequential directions as it considers fit for compensating the company for any loss which it may have incurred in consequence of the transaction.

(3) The Rules may specify procedures for dealing with potential or actual conflicts of interest of committee members.

Formal defects.

463. The acts of a creditors' committee are valid notwithstanding any defect in the appointment, election or qualifications of any member of the committee or in the formalities of its establishment.

Remuneration

Remuneration of administrator, liquidator or bankruptcy trustee.

464.(1) The remuneration of an administrator, liquidator or bankruptcy trustee is fixed—

- (a) by the creditors' committee, if any;
- (b) if there is no creditors' committee, if approved in accordance with the Rules by 75% in value of the creditors; or
- (c) by the Court on an application made under subsection (2).

(2) An administrator, liquidator or bankruptcy trustee may apply to the Court to fix his remuneration and expenses, or to fix an interim payment under section 467, if—

- (a) no creditors' committee is appointed and the creditors fail, for whatever reason, to fix his remuneration and expenses, or an interim payment;
- (b) the creditors' committee fails, for whatever reason, to fix his remuneration and expenses, or an interim payment; or
- (c) he considers that the remuneration and expenses, or an interim payment, fixed by the creditors' committee or the creditors—
 - (i) is insufficient,
 - (ii) is not in an appropriate currency, or

(iii) is on unacceptable terms.

(3) Not less than 14 days' notice of an application under subsection (2) shall be given—

- (a) in the case of an administrator, to the company in administration;
- (b) in the case of a bankruptcy trustee, to the bankrupt; and
- (c) in any other case—
 - (i) to each member of the creditors' committee; or
 - (ii) if there is no creditors' committee, to such creditors as the Court may direct.

(4) The members of the creditors' committee or, if there is no creditors' committee, the creditors given notice of the hearing may appear and be heard at the hearing of an application made under subsection (2).

(5) On the hearing of an application under subsection (2), the Court shall fix the remuneration and expenses of the administrator, liquidator or bankruptcy trustee at such amount as it considers appropriate.

(6) In this section, "liquidator" does not include a provisional liquidator.

Application by creditors for reduction of remuneration.

465.(1) Where the creditors' committee has fixed the remuneration and expenses of an administrator, liquidator or bankruptcy trustee, a creditor may, with the concurrence of at least 25 per cent in value of the creditors, including himself, apply to the Court for an order reducing the remuneration and expenses fixed on the grounds that they are excessive.

- (2) On an application made under subsection (1), the Court may—
- (a) if it considers that the applicant has not shown sufficient cause for a reduction, dismiss the application; or

(b) set a venue for the application to be heard.

(3) An application shall not be dismissed under subsection (2)(a) unless the Court has given the applicant the opportunity to attend the Court for an ex parte hearing, of which he has been given at least 7 days' notice.

(4) An applicant for an order under subsection (1) shall give the administrator, liquidator or bankruptcy trustee not less than 14 days' notice of the date, time and place set by the Court under subsection (2).

(5) If it considers that the remuneration and expenses of the administrator, liquidator or bankruptcy trustee fixed by the creditors' committee is excessive, the Court shall fix the remuneration and expenses to such amount as it considers appropriate.

General principles to be applied in fixing remuneration.

466.(1) This section applies–

- (a) to the fixing of the remuneration of an administrator, liquidator or bankruptcy trustee by a creditors committee under section 464(1)(a);
- (b) to the fixing of the remuneration of an administrator, liquidator or bankruptcy trustee by the creditors under section 464(1)(b);
- (c) to the fixing of the remuneration of an administrator, liquidator or bankruptcy trustee by the Court under section 464(1)(c);
- (d) to the fixing of the remuneration of a provisional liquidator by the Court under section 163 and of an interim receiver by the Court under section 337;
- (d) to the fixing of the remuneration of a receiver by the Court under section 116;
- (e) to the fixing of the remuneration of a supervisor or interim supervisor by the Court under section 38 or 308; and
- (f) to the fixing of the remuneration of an administrator, liquidator or bankruptcy trustee by the Court under section 465(5).

(2) Subject to subsection (3), the remuneration of an insolvency practitioner shall be fixed by reference to the time properly given by him and his staff in carrying out his duties in the insolvency proceeding.

(3) Where the insolvency practitioner so requests and the creditors' committee or the Court considers that the circumstances justify it, the remuneration of an insolvency practitioner may be fixed in whole or in part as a percentage of the value of the assets realised and the value of the assets distributed, or as a percentage of either.

(4) When fixing the remuneration of an insolvency practitioner in the circumstances specified in subsection (1) or sanctioning an interim payment under section 467(3), the creditors' committee or the Court—

- (a) shall take into account—
 - (i) the need for the remuneration to be fair and reasonable,
 - (ii) the time properly spent by the insolvency practitioner and his staff in carrying out his duties,
 - (iii) the complexity of the insolvency proceeding and whether the insolvency practitioner has been required to take any responsibility of an exceptional kind or degree,
 - (iv) the effectiveness with which the insolvency practitioner is carrying out, or has carried out, his duties,
 - (v) the value and nature of the assets with which the insolvency practitioner has had to deal,
 - (vi) the hourly rates charged by other insolvency practitioners, both within and outside Gibraltar, in undertaking similar work; and
- (b) may take into account—
 - (i) the commercial and personal risks accepted by the insolvency practitioner,

- (ii) the time spent by the insolvency practitioner and his staff outside Gibraltar and the amount of travelling required,
- (iii) the standards and practice used for assessing remuneration in jurisdictions other than Gibraltar.

Time for fixing remuneration and interim payments.

467.(1) The remuneration of an office holder shall be fixed by the creditors' committee or the Court after the conclusion of the insolvency proceeding.

(2) In fixing the remuneration of an office holder, the creditors' committee or the Court shall take account of any interim payment made under subsection (3).

(3) Notwithstanding subsection (1), a creditors' committee, the creditors or the Court may at any time set an interim payment to be made to the insolvency practitioner on account of his remuneration.

(4) An interim payment may be made under subsection (3) subject to such conditions as the creditors' committee, the creditors or the Court considers appropriate.

PART 18

OFFICIAL RECEIVER

Appointment of Official Receiver.

468.(1) The Minister shall appoint a person to be Official Receiver on such terms and conditions as he considers appropriate.

(2) The Official Receiver is an employee of the Government.

Deputy Official Receiver and staff.

469. The Minister may appoint a person to be Deputy Official Receiver and shall provide the Official Receiver with such other staff and resources as the Minister considers appropriate to perform his functions under this Act and the Rules.

Official Receiver as officer of the Court.

470. For the purposes of the performance of his functions under this Act and the Rules, the Official Receiver is an officer of the Court and he—

- (a) may apply to the Court for directions in connection with his functions; and
- (b) shall comply with any directions given to him by the Court.

Functions of Official Receiver.

471.(1) The Official Receiver has the duties, powers and functions imposed or conferred on him by this Act and any other enactment, the Rules and the Regulations made under this Act.

(2) Any assets vested in the Official Receiver in his official capacity shall, on his dying or otherwise ceasing to hold office, vest in his successor without any conveyance, assignment or transfer.

Right of audience.

472. The Official Receiver and the Deputy Official Receiver have a right of audience in insolvency proceedings before the Court.

Application of this Act to Official Receiver.

473. Subject to any provision in this Act or the Rules to the contrary—

- (a) a reference to the liquidator, provisional liquidator, receiver, supervisor or interim supervisor of an individual voluntary arrangement, interim receiver or bankruptcy trustee includes the Official Receiver when acting in that capacity; and
- (b) where the Official Receiver acts in a capacity referred to in paragraph (a), the provisions of this Act that apply to a person acting in that capacity also apply to the Official Receiver, except as otherwise provided.

PART 19

INSOLVENCY PRACTITIONERS

Preliminary

Interpretation for this Part.

474. In this Part—

“licence” means a licence to act as an insolvency practitioner granted under section 478; and

“licensee” means a licensed insolvency practitioner.

Persons having responsibility for the licensing, regulation and supervision of insolvency practitioners.

475.(1) The Minister or such other person or entity as he may from time to time designate by legal notice is responsible for the licensing of insolvency practitioners.

(2) The Commission is responsible for supervising and enforcing the compliance of insolvency practitioners with this Act, the Insolvency Practitioners Regulations and the Insolvency Practitioners Code.

Prohibition on acting as insolvency practitioner without a licence.

476.(1) For the purposes of this Act, a person acts as an insolvency practitioner by acting as—

- (a) the administrator or administrative receiver of a company;
- (b) the liquidator or provisional liquidator of a company;
- (c) the interim supervisor under a proposal for an arrangement;
- (d) the supervisor of an arrangement;
- (e) the interim receiver of an individual; or

- (f) the bankruptcy trustee of an individual.
- (2) Subject to subsection (3), no person shall act as an insolvency practitioner unless he holds a licence.
- (3) Subsection (2) does not apply–
 - (a) to the Official Receiver; or
 - (b) to a foreign insolvency practitioner whilst he is acting jointly with a licensee or with the Official Receiver in accordance with, and as may be permitted by Rules or Regulations.
- (4) A person who contravenes subsection (2) commits an offence and is liable–
 - (a) on summary conviction to imprisonment for 2 years or a fine at level 5 on the standard scale, or both;
 - (b) on conviction on indictment to imprisonment for 5 years or a fine at twice the statutory maximum, or both.

Licensing

Application for licence.

477.(1) An individual resident in Gibraltar may apply to the Minister for a licence to act as an insolvency practitioner.

- (2) An application under subsection (1) shall–
 - (a) contain the information and be in the form prescribed; and
 - (b) be accompanied by the documentation prescribed.
- (3) The Minister may require an applicant for a licence to provide him with such other documentation and information as he considers necessary to determine the application.

Issue of licence.

478.(1) The Minister may issue a licence to the applicant if he is satisfied–

- (a) that the applicant—
 - (i) is an individual resident in Gibraltar who is fit and proper and qualified to act as an insolvency practitioner;
 - (ii) satisfies the requirements of this Act in respect of the application and will, upon issuance of the licence, be in compliance with this Act and the Insolvency Practitioners Regulations; and
 - (iii) is not disqualified from holding a licence under section 479; and
- (b) that issuing the licence is not against the public interest.

(2) The Minister shall, within fourteen days of determining an application, give written notice of his decision to the applicant.

(3) A licence may be issued under subsection (1) subject to such terms and conditions as the Minister considers appropriate.

(4) If the Minister refuses to issue a licence to an applicant, the decision notice shall contain, or be accompanied by, a statement of the Minister's reasons for the refusal.

(5) The Minister may, upon giving reasonable notice to the licensee—

- (a) vary or cancel any terms or conditions imposed under subsection (1); or
- (b) impose new terms or conditions.

(6) The Minister shall publish the issuance of a licence under this section in the Gazette.

Persons disqualified from holding a licence.

479. An individual is disqualified from holding a licence if—

- (a) he is a bankrupt; or

- (b) he is a disqualified person within the meaning of section 267(4) or a restricted person within the meaning of section 442.

Control of Licensees and Enforcement

Production of accounts and records.

480.(1) The Commission may, at any time during or after the completion of an insolvency proceeding, require a licensee appointed in respect of the proceeding to produce for inspection, at such place as it may specify—

- (a) the licensee's records and accounts in respect of the proceeding; and
- (b) any reports that the licensee has prepared in respect of the proceeding.

(2) The Commission may cause the accounts and records produced to him under subsection (1) to be audited.

(3) The licensee shall give the Commission such further information, explanations and assistance in relation to the records, accounts and reports as the Commission may require.

(4) A licensee who contravenes this section commits an offence and is liable—

- (a) on summary conviction to imprisonment for 12 months or a fine at level 5 on the standard scale, or both;
- (b) on conviction on indictment to imprisonment for 2 years or a fine at the statutory maximum, or both.

Suspension and revocation of licence.

481.(1) The Minister shall suspend or revoke the licence of a licensee if—

- (a) in the opinion of the Minister, the licensee is no longer a fit and proper person to hold a licence;

- (b) the licensee—
 - (i) is disqualified from holding a licence; or
 - (ii) is no longer resident in Gibraltar.

(2) The Minister may suspend or revoke the licence of a licensee if the licensee—

- (a) is in breach of any condition of his licence;
- (b) has failed to comply with his obligations under this Part, the Insolvency Practitioners Regulations or the Insolvency Practitioners Code;
- (c) has provided the Minister or the Commission with any false, inaccurate or misleading information, whether on making application for a licence or subsequent to the issue of the licence;
- (d) has committed an offence under this Act;
- (e) has failed to pay the prescribed annual fee payable within 6 weeks of the date upon which it fell due for payment; or
- (f) he fails to comply with a directive issued by the Commission under section 483.

(3) The Minister may revoke the licence of a licensee if requested to do so by the licensee.

(4) Subject to subsection (5), the period of suspension of a licence under subsection (1) shall not exceed 30 days.

(5) If it is satisfied that it is in the public interest to do so, the Court may, on the application of the Minister, extend the period of suspension of a licence under this section for one or more further periods not exceeding 30 days each.

(6) Before suspending or revoking a licence under subsections (1) or (2), the Minister shall give written notice to the licensee stating—

- (a) the grounds upon which he intends to revoke or suspend the licence; and
- (b) that unless the licensee, by written notice filed with the Minister, shows good reason why its licence should not be revoked or suspended, the licence will be revoked or suspended, as the case may be, on a date not less than 14 days after the date of the notice.

(7) Where the Minister revokes or suspends a licence under this section, he shall—

- (a) send a written notice to the licensee stating—
 - (i) that the licence has been revoked or suspended, as the case may be; and
 - (ii) the grounds upon which and the date from which the licence has been revoked or suspended;
- (b) cause notice of the revocation or suspension to be published in the Gazette.

Right to make representations.

482.(1) A licensee who receives a notice given under section 481(6) may, within 14 days of the date of the notice, make written representations to the Minister.

(2) The Minister shall consider the representations made to him under subsection (1) in determining whether to suspend or revoke the licence.

Directives.

483. Where a licensee has contravened, or is in contravention of, this Act, the Insolvency Practitioners Regulations or the Insolvency Practitioners Code, the Commission may with the prior written consent of the Minister issue one or more of the following directives—

- (a) that the licensee shall take all necessary steps to resign as an insolvency practitioner in respect of certain specified

insolvency matters or specified types or descriptions of insolvency matters;

- (b) that the licensee shall not accept any new appointments as an insolvency practitioner or any new appointments of a specified type or description;
- (c) that the licensee shall take such other action as the Commission considers may be necessary to ensure that he properly fulfils his duties as an insolvency practitioner either generally or in respect of particular insolvency matters.

Obligations of Licensees

Filing of returns and other documents.

484. A licensee shall file with the Minister or the Commission, as the case may be, such returns and other documents as may be specified in the Insolvency Practitioners Regulations or the Insolvency Practitioners Code.

Eligible Insolvency Practitioners

Eligible insolvency practitioner.

485.(1) A person is eligible to act as an insolvency practitioner in relation to a company or an individual if—

- (a) he is a licensed insolvency practitioner;
- (b) he has given his written consent to act in the prescribed form;
- (c) he is not disqualified from holding a licence under section 479;
- (d) he is not disqualified from acting—
 - (i) in the case of a company, under subsection (2), or
 - (ii) in the case of an individual, under subsection (3); and

- (e) there is in force such security for the proper performance of his functions as may be specified in the Insolvency Practitioners Regulations.
- (2) A person is disqualified from acting as an insolvency practitioner in respect of a company if he is, or at any time in the previous 3 years has been—
- (a) the auditor of the company or an employee of such auditor; or
 - (b) a director of the company.
- (3) An insolvency practitioner is disqualified from acting as an insolvency practitioner in respect of an individual if he is connected to the individual within the meaning prescribed by the Rules.

Miscellaneous

Insolvency Practitioners Regulations.

- 486.(1) The Minister may make Regulations generally for giving effect to this Part and specifically in respect of—
- (a) the inspection by the Commission of the records of a licensee;
 - (b) the submission to the Commission of complaints and the procedures for dealing with such complaints;
 - (c) fees payable on application for a licence and by licensees generally;
 - (d) matters that shall be, or may be, provided for in the Insolvency Practitioners Code; and
 - (e) any other matter required or permitted by this Part to be specified in the Regulations.
- (2) The Insolvency Practitioners Regulations—
- (a) may make different provision in relation to different persons, circumstances or cases; and

(b) may provide for offences and penalties for any prohibition or contravention or failure to comply with a requirement prescribed in the Insolvency Practitioners Regulations.

(3) The Insolvency Regulations may make provision disapplying or modifying the application of this Part to foreign insolvency practitioners.

(4) The Insolvency Practitioners Regulations, and any amendment to the Regulations, shall be published in the Gazette.

Insolvency Practitioners Code.

487.(1) Subject to subsections (2) and (3), the Minister may, by publication in the Gazette, issue a Code specifying requirements, not inconsistent with this Act or the Insolvency Practitioners Regulations, relating to the licensing of insolvency practitioners and the carrying on by licensees of their business.

(2) Without limiting subsection (1), the Insolvency Practitioners Code may specify or provide for—

- (a) the criteria that will be used in assessing applications for a licence, including the criteria for determining whether or not an individual is to be regarded as being resident in Gibraltar;
- (b) the minimum security, including insurance cover, to be maintained by a licensee;
- (c) the records to be kept by a licensee, and the length of time such records shall be kept;
- (d) documents to be filed with, and returns to be made to, the Minister or the Commission by licensees;
- (e) policies, systems and controls, including internal controls, to be maintained by licensees;
- (f) the procedures to be followed by and the conduct expected of a licensee when acting as an insolvency practitioner.

(3) The Insolvency Practitioners Code may—

- (a) make different provision in relation to different persons, circumstances or cases and, where a minimum standard, including a minimum level of security, is specified, may impose a higher standard or a greater level of security, according to the circumstances of a particular licensee or insolvency proceeding; and
 - (b) include such transitional provisions as the Minister considers necessary or expedient.
- (4) The Minister may amend, add to, repeal or replace the Insolvency Practitioners Code by notice published in the *Gazette*.
- (5) Before issuing a notice under subsection (4), the Minister shall—
- (a) ensure that a draft of the proposed amendment, addition to or replacement of the Code, is sent to, or can reasonably be expected to come to the notice of, every licensee affected by the notice, specifying the period within which written representations are to be provided to the Minister; and
 - (b) consider such written representations as he may receive.
- (6) The failure of the Minister to comply with his obligations under subsection (5) shall not invalidate the Insolvency Practitioners Code or any amendment of, the addition to or the replacement of the Code, whether in respect of a licensee that did not receive the required notice or generally.

Approved forms.

488.(1) The Minister may, by publication in such manner as may be specified in the Insolvency Practitioners Regulations, approve forms for the purposes of this Part, the Insolvency Practitioners Regulations or the Insolvency Practitioners Code.

- (2) Where the Minister has published an approved form with respect to a document, the document shall—
- (a) be in the form of, and contain the information specified in, the approved form; and

- (b) have attached to it such documents as may be specified in the approved form.

Insolvency Surplus Account.

489.(1) The Financial Secretary shall maintain one or more accounts together referred to in this section as the Insolvency Surplus Account.

(2) The Financial Secretary shall pay into the Insolvency Surplus Account all monies representing the unclaimed assets of companies and bankrupts that are received by him in accordance with the Rules.

(3) The Rules may provide for the management of the Insolvency Surplus Account by the Financial Secretary, the investment of monies held in the Insolvency Surplus Account and the circumstances in which monies shall or may be paid into and out of the Insolvency Surplus Account.

PART 20

MISCELLANEOUS PROVISIONS

Appointment of 2 or more office holders.

490.(1) Where this Act provides for the appointment of a supervisor, interim supervisor, administrator, receiver, liquidator, provisional liquidator, interim receiver or bankruptcy trustee, 2 or more persons may be jointly appointed to the relevant office.

(2) Where 2 or more persons are jointly appointed to an office, a function or power of the office may be performed or exercised by any one of the office holders, or by any 2 or more of them together, except so far as the order, deed, instrument or resolution appointing them otherwise provides.

Use of prescribed forms.

491.(1) If a document required or permitted by this Act or the Rules to be prepared or filed is of a type the form of which is prescribed by the Rules, that form shall be used with such modifications as the circumstances require.

(2) Notwithstanding subsection (1), a prescribed form shall not be varied so as to omit any information or guidance which the form gives to the intended recipient of the form.

Notices.

492.(1) Subject to subsection (2), all notices required or authorised to be given by or under this Act or the Rules shall be in writing.

- (2) Subsection (1) does not apply where—
- (a) this Act or the Rules provide otherwise; or
 - (b) the Court requires or permits a notice to be given in some other way.

Time.

493.(1) Unless this Act or the Rules expressly provide otherwise, where the Act or the Rules specify a time within which an action shall or may be done, the Court—

- (a) may extend the time either before or after it has expired; or
- (b) abridge the time,

on such terms as it considers appropriate.

(2) Without limiting subsection (1), where it is satisfied that an application is urgent, the Court may—

- (a) hear the application immediately, either with or without notice to, or the attendance of, other parties; or
- (b) authorise a shorter period of service than that provided for by the Act or the Rules.

Resolutions.

494.(1) Anything which is required or permitted to be done under this Act or the Rules by a resolution of the creditors of a company, a bankrupt or an individual debtor, by a resolution of a creditors' committee or by a resolution of the members of a company may be done by written resolution of the creditors, creditors' committee or members in accordance with and subject to any conditions specified in the Rules.

(2) The Rules may specify types or classes of resolution to which subsection (1) does not apply.

(3) Subject to subsection (2)–

- (a) a reference in this Act or the Rules to a resolution of a creditors' or members' meeting or to anything done at a creditors' or members' meeting includes a reference to anything done by a written resolution in accordance with this section; and
- (b) a requirement to hold a creditors' or members' meeting is satisfied by the passing of a written resolution in accordance with this section.

Insolvency Rules.

495.(1) The Minister may make Rules generally for giving effect to this Act and specifically in respect of anything required or permitted to be prescribed by this Act.

(2) Without prejudice to the generality of sub-section (1), the Rules may–

- (i) provide for offences and penalties for any prohibition or contravention or failure to comply with a requirement prescribed by the Rules;
- (ii) provide for the application of the EC Insolvency Regulation in relation to the United Kingdom, with or without modification;
- (iii) provide for co-operation between courts exercising jurisdiction in relation to insolvency in any specified country;
- (iv) provide for the implementation in Gibraltar of any international treaty or other measure relating to insolvency including but not limited to the Model Law on Cross Border Insolvency as adopted by the United Nations Commission on International Trade Law on 30th May 1997.

(3) The Rules may make different provision for different persons, circumstances or cases.

Insolvent partnerships.

496.(1) The Minister may make Rules providing for the liquidation of partnerships as unregistered companies, specifying which provisions of this Act shall apply to insolvent partnerships and the modifications applicable to insolvent partnerships.

(2) The Rules made under subsection (1) may contain such incidental, supplemental and transitional provisions as the Minister considers necessary or expedient.

Insolvent estates.

497.(1) The Rules shall specify which provisions of this Act shall apply to the administration of insolvent estates of deceased persons and the modifications applicable to the administration of such estates.

(2) The Rules may contain such incidental, supplemental and transitional provisions as the Minister considers necessary or expedient.

Offences by corporate bodies.

498. Where an offence under this Act is committed by a body corporate, a director or officer who authorised, permitted or acquiesced in the commission of the offence also commits an offence and is liable to the same penalty as the body corporate.

Transitional provisions.

499. The Minister may, by regulations, provide for transitional provisions.

SCHEDULE 1

**POWERS OF ADMINISTRATOR
AND ADMINISTRATIVE RECEIVER**

1. Power to take possession of, collect and get in the assets of the company and, for that purpose, to take such proceedings as he considers expedient to recover possession of any assets of the company.
2. Power to sell, charge or otherwise dispose of assets of the company.
3. Power to borrow money, whether on the security of the assets of the company, or otherwise.
4. Power to appoint a solicitor or accountant or other professionally qualified person to assist the administrator or administrative receiver in the performance of his functions.
5. Power to commence, continue, discontinue or defend any action or other legal proceedings in the name and on behalf of the company.
6. Power to refer to arbitration any question affecting the company.
7. Power to effect and maintain insurances in respect of the business and assets of the company.
8. Power to draw, accept, make and endorse a bill of exchange or promissory note in the name and on behalf of the company.
9. Power to appoint any agent to do any business which he is unable to do himself or which can be more conveniently done by an agent and power to employ and dismiss employees.

10. Power to do all such things (including the carrying out of works) as may be necessary for the realisation of the assets of the company.
11. Power to make any payment which is necessary or incidental to the performance of his functions or that he thinks it likely to assist achievement of the objectives of the administration.
12. Power to carry on the business of the company.
13. Power to establish subsidiaries of the company.
14. Power to transfer to subsidiaries of the company the whole or any part of the business and assets of the company.
15. Power to grant or accept a surrender of a lease or tenancy of any of the assets of the company, and to take a lease or tenancy of any property required or convenient for the business of the company.
16. Power to make any arrangement or compromise on behalf of the company.
17. Power to call up any uncalled capital of the company.
18. Power to rank and claim in the bankruptcy, liquidation, insolvency or sequestration of any person indebted to the company and to receive dividends, and to accede to trust deeds for the creditors of any such person.
19. Power to make or defend an application for the winding up of the company.
20. Power to amend the Memorandum of Association and to change the situation of the company's registered office.
21. Power to do all things incidental to the exercise of the foregoing powers.

SCHEDULE 2

POWERS OF LIQUIDATOR

1. Power to pay any class of creditors in full.
2. Power to make a compromise or arrangement with creditors or persons claiming to be creditors, or having or alleging that they have any claim against the company, whether present or future, certain or contingent, ascertained or not.
3. Power to compromise, on such terms as may be agreed—
 - (a) calls and liabilities to calls, debts and liabilities capable of resulting in debts, and claims, whether present or future, certain or contingent, ascertained or not, subsisting or supposed to subsist between the company and any person, and
 - (b) questions in any way relating to or affecting the assets or the liquidation of the company,and take security for the discharge of any such call, debt, liability or claim and give a complete discharge in respect of it.
4. Power to commence, continue, discontinue or defend any action or other legal proceedings in the name and on behalf of the company.
5. Power to carry on the business of the company so far as may be necessary for its beneficial liquidation.
6. Power to sell or otherwise dispose of property of the company.
7. Power to do all acts and execute, in the name and on behalf of the company, any deeds, receipts or other document.
8. Power to use the company's seal.

9. Power to prove, rank and claim in the bankruptcy, liquidation, insolvency or sequestration of any member or past member for any balance against his estate, and to receive dividends, in the bankruptcy, liquidation, insolvency, sequestration or in respect of that balance, as a separate debt due from the bankrupt or insolvent, and rateably with the other separate creditors.
10. Power to draw, accept, make and endorse any bill of exchange or promissory note in the name and on behalf of the company with the same effect with respect to the company's liability as if the bill or note had been drawn, accepted, made or indorsed by or on behalf of the company in the course of its business.
11. Power to borrow money, whether on the security of the assets of the company or otherwise.
12. Power to take out in his official name letters of administration to any deceased member or past member or debtor, and to do any other act necessary for obtaining payment of any money due from a member or past member or debtor, or his estate, that cannot conveniently be done in the name of the company.

For the purpose of enabling the liquidator to take out letters of administration or do any other act under this paragraph, to be due to the liquidator himself.

13. Power to call meetings of creditors or members for—
 - (a) the purpose of informing creditors or members concerning the progress of or matters arising in the liquidation;
 - (b) the purpose of ascertaining the views of creditors or members on any matter arising in the liquidation; or
 - (c) such other purpose connected with the liquidation as the liquidator considers appropriate.
14. Power to appoint a solicitor, accountant or other professionally qualified person to assist him in the performance of his duties.

15. Power to appoint an agent to do any business that the liquidator is unable to do himself, or which can be more conveniently done by an agent.

SCHEDULE 3

POWERS OF BANKRUPTCY TRUSTEE

Part I - Powers Exercisable With Sanction

1. Power to carry on any business so far as may be necessary for winding it up beneficially and so far as the bankruptcy trustee is able to do so without contravening any requirement imposed by or under any enactment.
2. Power to bring, institute or defend any action or legal proceedings relating to the assets comprised in the bankrupt's estate.
3. Power to accept as the consideration for the sale of any asset comprised in the bankrupt's estate a sum of money payable at a future time subject to such stipulations as to security or otherwise as the creditor's committee or the Court considers fit.
4. Power to mortgage or pledge any part of the assets comprised in the bankrupt's estate for the purpose of raising money for the payment of his liabilities.
5. Power, where any right, option or other power forms part of the bankrupt's estate, to make payments or incur liabilities with a view to obtaining, for the benefit of the creditors, any asset which is the subject of the right, option or power.
6. Power to refer to arbitration, or compromise on such terms as may be agreed on, any claims or liabilities subsisting or supposed to subsist between the bankrupt and any person who may have incurred any liability to the bankrupt.
7. Power to make such compromise or other arrangement as may be thought expedient with creditors, or persons claiming to be creditors, in respect to bankruptcy liabilities.

8. Power to make such compromise or other arrangement as may be thought expedient with respect to any claim arising out of or incidental to the bankrupt's estate made or capable of being made on the bankruptcy trustee by any person or by the trustee on any person.

Part 2 - General Powers

9. Power to sell any of the assets for the time being comprised in the bankrupt's estate, including the goodwill and book debts of any business.
10. Power to give receipts for any money received by him, being receipts which effectually discharge the person paying the money from all responsibility in respect of its application.
11. Power to prove, rank, claim and draw a dividend in respect of such debts due to the bankrupt as are comprised in his estate.
12. Power to exercise in relation to any asset comprised in the bankrupt's estate any powers the capacity to exercise which is vested in him under Part 13 of this Act.
13. Power to deal with any asset comprised in the estate to which the bankrupt is beneficially entitled as tenant in tail in the same manner as the bankrupt might have dealt with it.
14. Power to at any time summon a general meeting of the bankrupt's creditors.

Part 3 - Ancillary Powers

15. For the purposes of, or in connection with, the exercise of any of his powers under Part 13 of this Act, the bankruptcy trustee may, by his official name—
 - (a) hold assets of every description;
 - (b) make contracts;
 - (c) sue and be sued;

- (d) enter into engagements binding on himself and, in respect of the bankrupt's estate, on his successors in office;
- (e) employ an agent;
- (f) execute any power of attorney, deed or other instrument,

and he may do any other act which is necessary or expedient for the purposes of or in connection with the exercise of those powers.