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**SUMMATIVE (FORMAL) ASSESSMENT: MODULE 5E**

**JERSEY**

This is the **summative (formal) assessment for Module 5E** of this course and must be submitted by all candidates who **selected this module as one of their elective modules**.

**The mark awarded for this assessment will determine your final mark for Module 5E**. In order to pass this module, you need to obtain a mark of 50% or more for this assessment.

**INSTRUCTIONS FOR COMPLETION AND SUBMISSION OF ASSESSMENT**

**Please read the following instructions very carefully before submitting / uploading your assessment on the Foundation Certificate web pages.**

1. You must use this document for the answering of the assessment for this module. The answers to each question must be completed using this document with the answers populated under each question.

2. All assessments must be submitted electronically in **Microsoft Word format**, using a standard A4 size page and an 11-point Arial font. This document has been set up with these parameters – **please do not change the document settings in any way**. **DO NOT** submit your assessment in PDF format as it will be returned to you unmarked.

3. No limit has been set for the length of your answers to the questions. However, please be guided by the mark allocation for each question. More often than not, one fact / statement will earn one mark (unless it is obvious from the question that this is not the case).

4. You must save this document using the following format: **[studentID.assessment5E]**. An example would be something along the following lines: 202223-336.assessment5E. **Please also include the filename as a footer to each page of the assessment** (this has been pre-populated for you, merely replace the words “studentID” with the student number allocated to you). Do not include your name or any other identifying words in your file name. **Assessments that do not comply with this instruction will be returned to candidates unmarked**.

5. Before you will be allowed to upload / submit your assessment via the portal on the Foundation Certificate web pages, you will be required to confirm / certify that you are the person who completed the assessment and that the work submitted is your own, original work. Please see the part of the Course Handbook that deals with plagiarism and dishonesty in the submission of assessments. **Please note that copying and pasting from the Guidance Text into your answer is prohibited and constitutes plagiarism. You must write the answers to the questions in your own words**.

6.The final submission date for this assessment is **31 July 2023**. The assessment submission portal will close at **23:00 (11 pm) BST (GMT +1) on 31 July 2023**. No submissions can be made after the portal has closed and no further uploading of documents will be allowed, no matter the circumstances.

7. Prior to being populated with your answers, this assessment consists of **10 pages**.

**ANSWER ALL THE QUESTIONS**

**QUESTION 1 (multiple-choice questions) [10 marks in total]**

Questions 1.1. – 1.10. are multiple-choice questions designed to assess your ability to think critically about the subject. Please read each question carefully before reading the answer options. Be aware that some questions may seem to have more than one right answer, but you are to look for the one that makes the most sense and is the most correct. When you have a clear idea of the question, find your answer and mark your selection on the answer sheet by highlighting the relevant paragraph **in yellow**. Select only **ONE** answer. Candidates who select more than one answer will receive no mark for that specific question.

**Question 1.1**

Which court can **hear an appeal** in respect of a Jersey legal matter?

1. Royal Court.
2. Court of Appeal.
3. Petty Debts Court.
4. Privy Council.

Choose the **correct answer**:

1. Option (ii).
2. Options (ii) and (iv).
3. Option (i).
4. All of the above are correct.

**Question 1.2**

Debtors that can become **subject to *Désastre*** in Jersey under the Bankruptcy (*Désastre*) (Jersey) Law 1990, include the following:

1. A dissolved company that was registered in Jersey under the Companies (Jersey) Law 1991.
2. An individual who was ordinarily resident in Jersey until 18 months ago, but has had no connection to Jersey since that time.
3. An incorporated Limited Partnership.
4. An individual who has never been ordinarily resident in Jersey or carried on business in Jersey, but owns movable property in Jersey.

Choose the **correct answer**:

1. All of the above.
2. Options (i), (iii) and (iv).
3. Option (ii) and (iv).
4. Options (i) and (iii).

**Question 1.3**

Which parties can **make an application for** ***Désastre*** under the Bankruptcy (*Désastre*) (Jersey) Law 1990?

1. The Viscount.
2. The Jersey Financial Services Commission.
3. A creditor with a claim of GBP 2,000.
4. The debtor.

Choose the **correct answer**:

1. Options (ii), (iii) and (iv).
2. All of the above.
3. Options (ii) and (iv).
4. Option (i).

**Question 1.4**

Which statutory processes provide a **moratorium** against action being brought by non-secured creditors?

1. Summary winding-up.
2. Creditors’ winding-up.
3. Just and equitable winding-up.
4. *Désastre*.
5. *Dégrèvement* or Realisation.
6. Debt Remission Order.
7. *Remise de Biens*.
8. Compromises or arrangements.

Choose the **correct answer**:

1. Options (i), (ii), (iii), (iv), (vi), (vii) and (viii).
2. Options (i), (ii), (iii) and (iv).
3. Options (i), (ii), (iii), (vii) and (viii).
4. All of the above.

**Question 1.5**

Which liquidation processes under Part 21 of the Companies (Jersey) Law 1991, as amended, are available in respect of **solvent companies**?

1. Summary winding-up.
2. Creditors’ winding-up through court.
3. Creditors’ winding-up not through court.
4. Just and equitable winding-up.

Choose the **correct answer**:

1. Option (i).
2. Options (i) and (ii).
3. Options (i), (iii) and (iv).
4. All of the above.

**Question 1.6**

Which one of the following statements is **correct**?

1. Jersey is part of Britain, the UK and the EU.
2. Jersey is part of Britain and the EU but not the UK.
3. Jersey is part of Britain but not the UK and not the EU.
4. Jersey is not part of Britain, or the UK or the EU.

**Question 1.7**

Jersey is an attractive destination for **international** **finance**, due in part to its:

1. Tax neutrality.
2. Political independence.
3. Economic stability.
4. Legal and regulatory infrastructure.

Choose the **correct answer**:

1. All of the above.
2. Options (i), (iii) and (iv).
3. Options (i), (ii) and (iii).
4. Options (i), (ii) and (iii).

**Question 1.8**

Which **type of mortgage** can be created by agreement between two or more parties as to the granting and taking of security expressed in the form of a contract passed before the Jersey court?

1. A conventional hypothec.
2. A judicial hypothec.
3. A pledge.
4. A legal hypothec.

**Question 1.9**

Which statutory processes require a liquidator to be on the **approved register of liquidators**?

1. Summary winding-up.
2. Creditors’ winding-up through court.
3. Just and equitable winding-up.
4. Creditors’ winding-up not through court.

Choose the **correct answer**:

1. Options (i), (ii) and (iii).
2. Options (ii) and (iii).
3. Options (ii) and (iv).
4. All of the above.

**Question 1.10**

Which **other responsibilities** are overseen by the office of the Viscount, besides insolvency functions?

1. Coroner.
2. Data Protection.
3. Farming and fishing.
4. Prison services.

**QUESTION 2 (direct questions) [10 marks in total]**

**Question 2.1 [maximum 3 marks]**

Describe the powers that are available to a Viscount in respect of a *Désastre* and to a liquidator in respect of a winding-up.

*Powers available to a Viscount*

The Viscount will carry out (and administer) the Désastre procedures under the Bankruptcy Law. Upon declaring the assets of a debtor *en* *Désastre*, these assets will vest in the Viscount who will be able to realise the assets for the benefit of the debtor's creditors. The Viscount also has the power to:

1. conduct investigations to determine why insolvency occurred and whether any offences were committed;
2. bring, institute or defend action in respect of any property vested in the Viscount;
3. composite debts, claims and liabilities;
4. pay creditors; and
5. disclaim onerous property.

*Powers available to a Liquidator*

This depends on whether a liquidity is acting in a summary winding-up, a just and equitable winding-up or a creditors winding-up (either voluntarily or through the court.) In a summary winding-up, a Liquidator powers are only as required to realise assets, discharge liabilities and distribute assets. In a just and equitable winding-up a Liquidator has those powers determined by the Court, but are likely to be similar to either a summary winding-up or a creditors' winding-up (depending on whether it is a solvent or insolvent winding-up). In a creditors' winding-up, the Liquidator has the power to:

1. carry out all things necessary for the beneficial winding-up;
2. pay creditors;
3. disclaim onerous property and contract leases; and
4. pursue recovery in respect of antecedent transactions.

Question 2.2 [maximum 2 marks]

Describe briefly the practical reasons why Jersey may not have a statutory or customary corporate rescue and turnaround procedure equivalent to an English administration or US Chapter 11:

The reason for this is that Jersey is an offshore jurisdiction and international finance centre and therefore operates a different a business landscape to a typical onshore jurisdiction (including, 33,000 live companies registered). These companies are often SPV's holding companies or other group companies, as opposed to more traditional "trading businesses" found onshore. Consequently, the number of managed solvent liquidations is high, whereas the requirement for rescue and turnaround process is low.

Question 2.3 [maximum 2 marks]

Describe the ways in which a creditor might take enforcement action in Jersey.

A creditor has various options available to it. These include:

1. issuing *Désastre* processes, however the creditor would need to have a valid claim of at least JEP 3,000;
2. Creditors winding-up, which allows a creditor of an insolvent company to apply to court for the company to be placed into a creditors' winding up and for a liquidator to be appointed;
3. The old process of *Dégrèvement*, Realisation or Remise de Biens (Remise); and
4. The recent addition of Debtor Remissions Order's.

Question 2.4 [maximum 3 marks]

What claims potentially rank as priority claims in a *Désastre*?

In Désastre, the Viscount's costs are paid in priority to other creditors from amounts liquidated. Thereafter, the Viscount shall apply money the Viscount receives by the realization of the property of a debtor in the following order (see article 32 of the the Bankruptcy (*Désastre)* (Jersey) Law 1990 (the "**Bankruptcy Law**")):

1. in payment to any employee of the debtor of any amount due to the employee at the date of the declaration in respect of arrears of wages or salary for services rendered to the debtor during the 6 months immediately preceding the declaration, and holiday pay and bonuses;
2. in payment of all sums payable to the Health Insurance Fund, the Social Security Fund, all amounts due under the [Income Tax (Jersey) Law 1961](https://www.jerseylaw.je/laws/current/Pages/24.750.aspx), all amounts due under the [Goods and Services Tax (Jersey) Law 2007](https://www.jerseylaw.je/laws/current/Pages/24.700.aspx), an amount due by the debtor to his or her landlord for the payment of rent due to the extent, if any, that his or her claim qualifies for preference by virtue of customary law, and parochial rates due to any parish in Jersey for a period not exceeding 2 years;
3. in payment of all other debts proved in the “désastre”

Finally, it should be noted that secured creditors rank ahead of all other creditors. Holders of hypothecs will also have preferential rights in relation to the sale proceeds of any property that was once subject to a hypothec.

**QUESTION 3 (essay-type question) [15 marks in total]**

Question 3.1 [maximum 7 marks]

Write a short essay to describe the personal insolvency options available in Jersey, being *Désastre*, *Degrevement* and Realisation, Debt Remission Order and *Remise de Biens*.

Despite Jersey having a small population and having an economy is largely based on international financial services, Jersey has a number of personal insolvency options available, with the most common being *Désastre*, which is the Jersey law equivalent of bankruptcy. In addition to *Désastre,* Jersey alsohas various old processes including *Dégrèvement*, Realisation or Remise de Biens (Remise), and recently added Debt Remissions Order's to its armoury.

***Désastre***is a procedure for the winding up of the affairs of a company (either a company registered in Jersey under the Companies Law or a company that been dissolved pursuant to the Companies Law, including an incorporated LP or LLP), or an individual . *Désastre proceedings* are instituted in accordance with the Bankruptcy Law, and can be instigated by a creditor, provided the creditor has a valid claim of at least JEP 3,000. The Viscount will administer the *Désastre* process. The Jersey Court has a discretion to make a *Désastre* order. The Jersey Court will exercise this discretion on a case-by-case basis. A *Désastre* order will usually last for four years however, it is possible to shorten or lengthen such a term. Upon making a *Désastre* order, the debtor's worldwide assets vest in the Viscount, who will, *inter alia*, realise the assets for the benefits of the debtor's creditors. During the *Désastre* process, secured creditors will rank ahead of all other creditors.

***Degrevement* and Realisation** is also available in personal insolvency. Dealing first with Degrevement, where a person owns immoveable property in Jersey, a judgment creditor can seek to enforce using the process of *Degrevement*. The property will become "discumbered" [sic] so that all charges and debts are removed so that there a new owner with clean unencumbered title. Realisation applies to moveable assets and sits alongside *Degrevement*. When a debtor's property is adjudged renounced the moveable assets of the debtor are realised typically at auction. In both *Degrevement* and Realisation, a debtor is not necessarily discharged from all of their debts if they are not fully paid off. A moratorium is not available in respect of *Degrevement* and Realisation.

**Debt Remission Order** is the next weapon in the personal insolvency armoury and is a recent addition to Jersey law. A Debt Remission Order ("**DRO**") is a local small debt proceeding administered by the Citizens Advice Bureau and run by the Viscount. A disadvantage of a DRO is that it is only available in very limited circumstances including where the applicant has, *inter alia*, assets worth less than JEP 5,000, less than JEP 100 of disposable income on a monthly basis and acted in good faith whilst incurring the debts. An advantage to a DRO however is that a DRO creates a moratorium for the debtor for 12 months, after which all debts covered by the DRO will be written off. The DRO therefore also allows the rehabilitation of debtors.

Finally,***Remise de Biens***is a court process available to a debtor who owns immoveable property. The debtor does not necessarily need to be insolvent but will be having difficulty satisfying his creditors. In this court process, the debtor surrenders his property to the Jersey Court for a period of time, which offers protection to the debtor, and the Jersey Court then realises the property to discharge the debts – any surplus of assets may be returned to the debtors. A moratorium is also available and *Remise* allows the rehabilitation of debtors.

Question 3.2 [maximum 8 marks]

Write a short essay describing in detail the creditor claims process in respect of a creditors’ winding-up. In your essay, you should refer to at least the following:

1. The relevant Jersey law that applies.
2. Which areas are covered under the relevant Jersey law.
3. Advertising for claims and notice periods.
4. Which debts are provable.
5. Interest on debts.
6. Proving of debts and the cost of proving.
7. Examination of proofs of debts.
8. Adjudication and the process of admitting or rejecting claims.

Jersey's insolvency law underwent significant changes in March 2022, which included amendments to the Companies (Jersey) Law, 1999 (the "**Companies Law**") to introduce a creditor led creditors' winding-up process. The Companies Law covers liquidations (or winding-up) of companies (principally those registered in Jersey but also Protected Cell Companies ("**PCCs**") and Incorporated Cell Companies ("**ICCs**")). Part 21 of the Companies Law covers the winding-up of corporate entities and Part 18A covers compromise and arrangements with creditors. In Jersey, a creditors winding-up can take two forms: (1) voluntary winding-up by shareholders and (2) court winding-up. A voluntary winding-up by shareholders is available for insolvent companies or companies that are solvent but where the directors are not willing to sign a statement of solvency. It is commenced by the shareholders passing a special resolution. A Court creditors' winding-up is a process which allows a creditor of an insolvent company to apply to the court for a company to be placed into a creditors' winding-up and for a liquidator to be appointed.

According to Article 166 of the Companies Law, and subject to this provision and article 165:

*"…in a creditors’ winding up the same rules prevail with regard to the respective rights of secured and unsecured creditors, to debts provable, to the time and manner of proving debts, to the admission and rejection of proofs of debts, to the order of payment of debts and to setting off debts as are in force for the time being with respect to persons against whom a declaration has been made under the Désastre Law with the substitution of references to the winding up for references to the désastre and references to the liquidator for references to the Viscount"*

This means when considering the creditor claims process in respect of a creditors’ winding-up the Bankruptcy (*Désastre)* (Jersey) Law 1990 (the "**Bankruptcy Law**") applies, alongside the Bankruptcy (*Désastre)* (Jersey) Rules 2006 (the "**Rules**").

In these circumstances, all debts and liabilities, present or future, or contingent, to which the debtor is subject at the time of the liquidation, or to which the debtor becomes subject before payment of the final dividend by reason of any obligation incurred before the time of the winding-up order, shall be debts provable in the winding-up (see Article 29 of the Bankruptcy Law). This subject however to any winding-up order which has been made in respect of the property of a person before the commencement of this Law, no debt or liability which would not have been provable in the liquidation if the Bankruptcy Law had not been passed shall be provable in the liquidation.

Where a debt bears interest, interest to the date of the winding-up order is provable as part of the debt, except in the case of a debt secured by a hypothec, security interest, or pledge, when interest is provable to the date of payment of the claim and payable out of the proceeds of sale of the secured property to the extent that it is required and able to meet it and is secured thereby (see Article 29 of the Bankruptcy Law).  In the case of a debt which, by reason of its being subject to any contingency or contingencies or for any other reason does not bear a certain value, and a debt provable by virtue of Article 15(4) the creditor shall make an estimate of its value.

Following a winding-up order the Liquidator must with the least possible delay, cause a notice to be published in the Jersey Gazette; and  may cause a notice to be published in any other way the Liquidator thinks fit (see Rule 3 of the Rules). The notice must require each creditor to file with the Liquidator a statement that contains full particulars of the creditor’s claim, and specify the date by which claims are to be filed, being a date that is not less than 40 and not more than 60 days after the date of the declaration. A creditor who believes he or she has a surety (“caution”), guarantee, hypothec, security interest or other charge affecting the property of the debtor must so claim.   Except as provided by Rule 10, a creditor who does not submit a claim within the time fixed by the Viscount in pursuance of these Rules forfeits his or her right to participate in the distribution of the assets of the debtor under Article 33 of the Bankruptcy Law.

Every creditor shall prove the creditor’s debt at the time and in the manner prescribed by the court (see Article 30 of the Bankruptcy Law). A creditor shall bear the cost of proving the debt unless the court decides otherwise. Every creditor who has lodged a proof shall be entitled to see and examine the proofs of other creditors at a time fixed by the Liquidator. A creditor may from time to time amend or withdraw the creditor’s proof and every such amendment shall be subject to the same formalities as the original proof. A Liquidator may admit or reject proof of a debt in whole or in part. A creditor who believes that an amount due to the creditor ranks for payment in priority to any other debt must so claim.

The Liquidator may admit or reject proof of a debt in whole in part (see Article 31 of the Bankruptcy Law). Before admitting or rejecting proof of a debt the Liquidator shall examine the proof and any statement opposing the admission of the debt. Before admitting or rejecting proof of a debt the Liquidator may require further evidence in support of, or in opposition to, its admission. The Liquidator may reject in whole or part any claim for interest on a debt if the Liquidator considers the rate of interest to be extortionate. If the Liquidator rejects proof of a debt in whole or in part the Liquidator shall serve notice of rejection in the manner prescribed by the court on the person who provided the proof. If the Liquidator rejects a statement opposing admission of a debt in whole or in part the Liquidator shall serve notice of rejection in the manner prescribed by the court on the person who provided that statement.

 If a person upon whom notice has been served is dissatisfied with the decision of the Liquidator and wants the decision reviewed by the court he or she must, within the time prescribed by the court, request the Liquidator to apply to the court for a date to be fixed for the court to review the decision.

**QUESTION 4 (fact-based application-type question) [15 marks in total]**

XYZ Limited, is a major high-street retailer registered in England with stores throughout England as well as a store in Jersey. Like many retailers, XYZ has struggled in recent times due to the change in shopping habits of the British public. Sales have fallen, as customers increasingly look for cheaper alternatives online, and XYZ is struggling to meet its ongoing rent commitments at its many stores. The majority of XYZ’s stores have been loss-making for some time, including its store in Jersey. XYZs secured lender, Big Bank PLC, has become increasingly concerned at the situation. Big Bank has the benefit of fixed and floating charges over XYZs assets.

In December 2018, Big Bank confirmed that it would no longer continue to provide financial support and would not allow a further extension of facilities in order to meet the rental payments which were due on 25 December.

1. Big Bank has obtained legal advice in England in relation to its rights as secured creditor. You have been approached in Jersey to comment on Big Bank’s rights. Please draft a note in this regard. **(3 marks)**

Big Bank has various insolvency procedures available to it including *Désastre*, *Degrevement* and Realisation, Debt Remission Order and *Remise de Biens*. Big Bank also has the benefit of a creditors' winding up. In *Désastre* or Liquidation secured creditors rank ahead of all other creditors. According to the Security Interests (Jersey) Law 2012 (the "**Security Law**") where the grantor is subject to any insolvency order or proceedings consequent upon insolvency in Jersey or elsewhere, that fact shall not affect the enforcement powers of the secured party. If *Désastre* is afoot, it must be remembered that *Désastre* does not prevent secured creditors enforcing pre-existing rights again property vested in the Viscount.

The directors of XYZ identify a party that is interested in acquiring the business of XYZ. Following a brief period of negotiation conducted with the oversight of a proposed administrator, and with approval of Big Bank, the directors of XYZ began the process to place XYZ into administration in England, in order to allow a “pre-packaged” sale of the business to occur.

1. The Jersey store is owned by a separate Jersey company, ABC Limited, but ABC’s centre of main interest is considered to be in England. Is it possible to place ABC into English administration (following the Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on Insolvency Proceedings (Recast) (the Recast EIR)? **(3 marks)**

Jersey is not a signatory to the UNCITRAL Model Law on Cross-Border Insolvency, nor is it a member of the EU and, as such, the Recast EIR is not applicable and therefore it would not be possible to place ABC in English administration. However, the Jersey Court has a long history of providing assistance to overseas insolvency officeholders in appropriate circumstances, both under article 49 of the Bankruptcy Law an on the basis of the common law principles and on the grounds of comity.

1. If it is not possible to place ABC into English administration, then are there alternative Jersey insolvency processes that will allow a pre-packaged sale to occur? Are there any potential problems with achieving a sale as a going concern? **(3 marks)**

Where a company has assets to sell in a quasi-pre-packed sale of assets a just and equitable winding-up has been used to place companies into winding –up where they are insolvent. This process would typically associate with an administration process. The Jersey Court has used the ground of just and equitable to ensure effective control of companies needing to be wound up.

As regards to the "sale as a going concern", ABC need to mindful of the fact that the Jersey Court has previously refused to issue a letter of request where the insolvent company was not going to be rescued as a going concern, it was unclear whether the **insolvent** company had a substantial connection with the **UK** and the **Jersey Court** considered that *désastre* proceedings were more appropriate.

1. Would the approach be different if the Jersey store was a branch of XYZ as opposed to a separate Jersey company? How might article 49 of the Bankruptcy Law be used? **(3 marks)**

Article 49 allows the administrator of XYZ (though the English Court) to request the assistance of the Jersey Court in all matters relating to the insolvency of a person. A request from the English Court would be sufficient authority for the Jersey court to exercise, in relation to the matters to which the request relates, any jurisdiction which it or the English Court could exercise in relation to these matters if they otherwise fell within its jurisdiction. The Jersey Court maintains discretion as to what assistance it provided, but article 49 refers to "relevant" countries or territories, where assistance can be expected to be given (which includes the UK).

1. What if XYZ Limited was a Polish company with Polish stores and a store in Jersey, but all other details remain the same (and assume that Poland has an administration process that is the same as that in England)? Would the UNCITRAL Model Law on Cross-Border Insolvency 1997 (the Model Law) or the Recast EIR assist with recognition in Jersey? **(3 marks)**

Jersey is not a signatory to the UNCITRAL Model Law on Cross-Border Insolvency, nor is it a member of the EU and, as such, the Recast EIR is not applicable and therefore it would not be assist with recognition in Jersey. Article 49 would also not be of any assistance as Poland is not a relevant country/territory. However, if the office holder is not from a relevant country or territory then they may still be afforded recognition upon common law principles of private international law and/or comity and cooperation. Indeed, the Jersey Court has a long history of providing assistance to office-holders in appropriate circumstances.

**\* End of Assessment \***