



SUMMATIVE (FORMAL) ASSESSMENT: MODULE 7E

UNITED ARAB EMIRATES

This is the summative (formal) assessment for Module 7E 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 7E. 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.assessment7E]. An example would be something along the following lines: 202223-336.assessment7E. 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

Commented [SE1]: 41/50. 82%.

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

Commented [SE2]: 7/10

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

One of the most significant barriers to the restructuring process in the UAE has been:

- (a) The failure of the responsible authorities to enact laws which would encourage a business rescue culture.**
- (b) The low rate of business failure in the UAE.**
- (c) The absence of a moratorium on creditor actions after the commencement of a bankruptcy proceeding inhibits the restructuring process.**
- (d) There could be criminal law consequences for business owners arising from the security agreements which a business might have with its creditors.**

Commented [SE3]: Correct.

Question 1.2

What is the principal difference between the "mainland" UAE Bankruptcy Law and the insolvency laws of the two financial centres (the DIFC and the ADGM)?

- (a) The insolvency laws of the financial centres govern the insolvency of financial service businesses only, while the Bankruptcy Law governs the insolvency all other businesses.**
- (b) The insolvency laws of the financial centres have no application and cannot be enforced in the UAE "mainland" (that is, outside of the financial centres), while the Bankruptcy Law is the only applicable law governing insolvency in the UAE "mainland".**
- (c) The Bankruptcy Law drew on the experiences of a number of jurisdictions, while the DIFC and AGDM insolvency laws and regulations are primarily based on the insolvency laws of one other country.**

(d) The Bankruptcy Law incorporates substantial elements of Islamic law, while the insolvency laws of the financial centres are based on the common law.

Commented [SE4]: Incorrect. The correct answer is C.

Question 1.3

Which statement correctly describes the relationship between the courts of the DIFC and the courts in mainland UAE?

(a) The judgments and orders of the courts of the DIFC are not enforceable outside of the DIFC.

(b) The judgments and orders of the courts of the DIFC are enforceable elsewhere in Dubai only through the Dubai courts.

Commented [SE5]: Correct.

(c) The judgments and orders of the courts of the DIFC are enforceable elsewhere in Dubai only after recognition for enforcement by the Joint Judicial Committee.

(d) The judgments and orders of the courts of the DIFC are not capable of enforcement outside of Dubai.

Question 1.4

As regards security in mainland UAE, a secured creditor's rights, both in relation to real and personal property security, are not substantially affected by any formal insolvency process; the secured creditor can generally enforce its rights notwithstanding the debtor's insolvency.

Is this statement True or False?

(a) True.

Commented [SE6]: Correct.

(b) False.

Question 1.5

Which statement is correct in relation to the operation of security interests for both real and personal property in the DIFC?

(a) The law regulating security interests in land and personal property in the DIFC is based on Australian law.

(b) A mortgagee of land in the DIFC requires a court order to allow it to repossess land subject to a mortgage.

(c) *The regulating security interests in land and personal property in the DIFC is based on English common law.*

(d) *There are separate registers in which security interests in both land and personal property in the DIFC can be registered.*

Commented [SE7]: Correct.

Question 1.6

Which of the following statements is incorrect in relation to creditor rights following the court's decision to commence preventive composition under the UAE Bankruptcy Law up until the approval of the scheme?

(a) *All legal claims and proceedings and any judicial enforcement procedures against the debtor are suspended, unless otherwise decided by the court.*

(b) *The commencement of preventive composition procedures will also suspend any criminal proceedings brought in relation to a dishonoured cheque, including against the signatory of the cheque.*

(c) *Creditors may not bring or pursue claims against persons jointly liable with the debtor or any guarantors of the debtor's debts.*

Commented [SE8]: Correct.

(d) *Secured creditors may enforce their securities provided they have obtained court permission to do so.*

Question 1.7

Which of the following is not a consequence or possible outcome of the commencement of preventive composition?

(a) *Interest on debts owed by the debtor stops accruing on the date of commencement of preventive composition.*

Commented [SE9]: Correct.

(b) *The debtor can borrow further money during the period of preventive composition, with the court's permission.*

(c) *The debtor is not allowed to change its ownership in any way.*

(d) *The court can order the rescission of effective contract to which the debtor is a party.*

Question 1.8

Which of the following is not a basis for an application to the court for the commencement of bankruptcy proceedings under the UAE Bankruptcy Law?

(a) If a secured creditor, having security over all or substantially all of the assets of a debtor, takes steps to enforce its security.

Commented [SE10]: Correct.

(b) If a creditor (or a group of creditors) has given notice to a debtor requiring the debtor to pay a debt of AED 100,000, and the debtor has failed to discharge the debt within 30 business days of that notification.

(c) Following the annulment or rescission of preventive composition by the court.

(d) If a debtor is in default of its payment obligations for 30 consecutive business days.

Question 1.9

Rehabilitation is a DIFC insolvency procedure introduced by the 2019 law, which allows companies unable to pay their debts but able to reach agreement with its shareholders and creditors to agree to a plan referred to as a Rehabilitation Plan to achieve a court sanctioned plan that binds creditors. In regard to the rehabilitation procedure, which of the following statements is incorrect?

(a) In order to initiate the rehabilitation process the company is required to make an application to court submitting the rehabilitation plan and nominating the proposed rehabilitation nominee.

(b) A moratorium comes into effect for an initial 180 days, preventing creditors from commencing or continuing legal action against the company.

(c) The moratorium disappplies contractual provisions that would otherwise enable a contract to be terminated upon insolvency.

Commented [SE11]: Incorrect. The correct answer is B.

(d) Any creditor materially prejudiced by the moratorium may apply to court seeking the disapplication of the moratorium in relation to a particular contract.

Question 1.10

Which of the following statements is incorrect?

(a) The DIFC courts will enforce judgments and arbitration awards from other countries in accordance with the Riyadh Convention (Riyadh Arab Agreement for Judicial Co-operation).

Commented [SE12]: Incorrect. The correct answer is B.

(b) A foreign judgment is enforceable in mainland UAE as long as there is reciprocity between the UAE and the foreign state issuing the judgment for which enforcement is sought.

(c) *The ADGM courts may recognise reciprocity with a foreign jurisdiction in the absence of an applicable treaty if the Chief Justice of the Courts is satisfied that substantial reciprocal treatment will be assured regarding recognition and enforcement in that foreign country of the judgments of the ADGM courts.*

(d) *The DIFC courts will enforce judgments and arbitration awards from other countries, even if the debtor has no presence of any type in the DIFC.*

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

Commented [SE13]: 8/10

Question 2.1 [maximum 2 marks]

Commented [SE14]: 2/2

What is the key point of distinction regarding the registration of real property interests, including mortgages, in the different emirates of the UAE? What is the key difference between the sale of mortgaged real property following a debtor default if that real property is in a financial free zone or if the real property is in "mainland" UAE?

Registration of Real Property Interests in the different Emirates in the UAE:

Whilst the UAE law generally provides for mortgages over land to be granted the registration systems for each of the Emirates are maintained by each state. While the substantive law is generally the same the key point of difference between each of the emirates is the procedure by which such interests are registered as they differ as between each state.

Default - Real Property: Mainland UAE/Financial Free Zone:

If a debtor in mainland UAE has defaulted with respect to a mortgage over real property, the mortgage has a right to sell the property as long as that right is exercised through the courts. In the DIFC, if the debtor has defaulted, upon giving 60 days' notice, a creditor can enter into possession of the land and sell the whole or part of the land as well as receive rents and proceeds from it for the purpose of applying such proceeds to the outstanding debt.

Question 2.2 [maximum 4 marks]

Commented [SE15]: 3/4

Preventive composition and restructuring are both insolvency processes that an entity can adopt under the UAE Bankruptcy Law. They share a number of similarities regarding the entry into and conduct of each of the respective processes. While the processes are different, various "actors" assume similar roles in each process. Which actor is responsible for each of the following processes?

(a) ***A decision on any application to commence an insolvency process.***

The court (including the expert)

(b) A primary determination as to whether a debtor's proposal should be adopted.

The creditors

(c) Confirmation of the primary determination as to whether a debtor's proposal should be adopted.

Trustee

Commented [SE16]: The court, not the trustee, confirms the debtor's proposal.

(d) To supervise the implementation of the insolvency process by the debtor.

Trustee/Supervisor

Question 2.3 [maximum 2 marks]

Commented [SE17]: 1/2.

Under the UAE Bankruptcy Law, for a debtor, what is the key difference between the circumstances which could give rise to an application to commence preventive composition or an application to commence bankruptcy (whether leading to restructuring or liquidation)?

The circumstances that would give rise to an application to commence preventive composition is where the business is in financial difficulty but not yet insolvent. In that case, the debtor may wish to commence the procedure to facilitate the rescue of a business by way of reaching a compromise with its creditors. Bankruptcy usually arises in circumstances where a company is insolvent and by reason of its insolvency, has failed to meet the financial obligations owed to creditors. For this reason, a creditor has the ability to initiate bankruptcy proceedings.

Commented [SE18]: This is partially correct. The key difference is that the debtor can elect to commence preventive composition but it is compulsory to commence bankruptcy procedures if a debtor is in default of its payment obligations for 30 consecutive business days.

Question 2.4 [maximum 2 marks]

Commented [SE19]: 2/2

What is the key difference for a creditor regarding the commencement of preventive composition or bankruptcy of a debtor?

While on the one hand, bankruptcy procedures may be initiated by a creditor (or group of creditors), preventive composition may only be commenced on the application of a debtor.

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

Commented [SE20]: 12/15

Question 3.1 [maximum 5 marks]

Commented [SE21]: 4/5

Briefly explain the historical background to the introduction of the Bankruptcy Law. Describe which entities the Bankruptcy Law applies to and how it has been received and applied in the UAE.

The driving force behind the development of the bankruptcy law in was a situation which arose in 2009 concerning the possible default by the Dubai government on certain debts coupled with the lack of any proper Bankruptcy legislative framework. While the matter was eventually addressed and resolved with the creditors, it highlighted some of the gaps that existed at the time. In 2016 the UAE adopted the federal decree law which has since gone through three amendments, the most recent being in 2021. The bankruptcy law provides in consolidated insolvency regime for commercial insolvency and therefore repealed the Federal Decree Law (Number 9) of 2016. (Since the bankruptcy law did not deal with personal bankruptcy, the UAE adopted the Federal Decree Law (Number 19) of 2019 (personal bankruptcy law) to address the previously existing gap within the legislation.)

As there is a separate legislative regime governing the free zones including the DICF and the ADGM, the bankruptcy law applies to entities located in the UAE mainland. Given the previous legislative landscape and the concerns highlighted by the situation which arose in 2009, the introduction of a comprehensive bankruptcy legislation has been a welcome development to the judiciary. One of the main concerns regarding the way that the law is applied is the absence of the precedent system. There is therefore significant uncertainty in predicting the outcome of a case as even determinations made in respect of similar matters cannot be relied upon as appropriate guidance.

Question 3.2 [maximum 8 marks]

If a debtor company seeks to enter bankruptcy, describe the ways in which the court is required to be actively engaged in the restructuring in bankruptcy process (assume that a restructuring is possible, that there are no unusual features to the bankruptcy, there are no secured creditors and there has been no criminal conduct by any person involved in the debtor). Your answer should provide references to the legislation.

In respect of proceedings initiated in the UAE by a debtor, the court becomes involved at the moment the application by the debtor has been made: Section 140, Bankruptcy Law. The applicant is required to produce certain documents verifying his financial position. The court's role at this stage is to verify the accuracy of the information that the debtor has provided. The court will also enlist the assistance of an expert to confirm the debtor's financial condition and to provide the court with his opinion as to whether it is possible for the data to achieve a successful restructuring: Article 96, BL. Only upon the court being satisfied that certain conditions have been met can the court order that the bankruptcy proceedings commence.

Given that the commencement of the bankruptcy procedures result in both a temporary suspension of legal proceedings against the debtor as well as the

Commented [SE22]: Missing discussion of application. The UAE Insolvency Law applies to all companies governed by the Commercial Companies Law.

Commented [SE23]: 7/8

suspension of criminal proceedings in relation to a dishonoured check, the court acts as a gatekeeper to decide on whether any creditor may enforce their security whilst those suspensions are in place.

The court also enlists the assistance of a trustee who is independent from the company and whom the court can assist in the performance of his or her tasks. The court also has the power to appoint supervisors who are essentially representatives of the creditors. The court also makes the ultimate decision as to whether certain contracts ought to be rescinded.

The court is tasked with reviewing the report produced by the trustee regarding the debtor's business and addressing whether it is possible for that that is business to be restructured and whether it's possible to sell that debtor's business as a going concern. Although the creditors have some involvement, the ultimate decision rests with the court as to whether the company should restructure (in which case it would direct the trustee to prepare a restructuring scheme). Although the creditors are involved in the final decision making with respect the draft scheme it is the court who has the ultimate and final decision as to whether that scheme is approved. If the scheme was rejected by the court, it must be amended to the satisfaction of the court before the court will grant final approval.

Question 3.3 [maximum 2 marks]

In any insolvency system that involves the forced compromising of individual creditor claims, the requirement for court involvement is to ensure that the rights of all parties, including individual creditors, are being protected. The UAE Bankruptcy Law requires a high degree of court involvement. Briefly describe (100 to 150 words) whether you consider that the level of court involvement in approving a restructuring to be appropriate. Provide reasons for your answer.

The suspension of legal and criminal proceedings against the company which is the subject of a bankruptcy order is a means of protecting the company while a plan for recovery and be agreed upon and implemented. Such a mechanism is predicated on the fact that companies need breathing room to put proper measures in place and without such a moratorium, the company would have no opportunity to recover. Although from the perspective of a creditor, the requirement to obtain quote approval for the enforcement of the debt during the currency of the bankruptcy proceeding might be characterised as in moratorium, that is not the case. Consistent with the idea that companies need protection during a volatile financial period, it is appropriate for the court to be able to apply its discretion with respect to any enforcement steps that would impact on its company's chances of recovery. Requiring the court's approval does not equate to a complete bar to creditors, but is a means of balancing the interests of creditors whilst having regard to the restructuring procedure.

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

Commented [SE24]: The creditors have a more significant role than implied here.

The court is required to give its decision approving the scheme, provided that it is satisfied that all necessary conditions have been satisfied. The court must be satisfied that all affected creditors will receive at least as much as the creditors would have received if the debtor's assets had been liquidated on the date of voting on the scheme.

Commented [SE25]: 1/2

Commented [SE26]: Unclear what this sentence means.

Also consider the additional cost to a debtor in bankruptcy relating to the involvement of the court - the extended timelines and need for court approval at each stage add expense to the process that could otherwise be used to pay creditors.

Commented [SE27]: 14/15

RZA LLC operates a restaurant chain in various locations in Dubai. It was a thriving and successful business but has been negatively impacted by the increase in global food prices. It has exhausted all available funds and has no cash to pay creditors. RZA LLC owns a restaurant site which is under development, but the development is not expected to be completed for seven months. The site had been purchased by one of RZA LLC's shareholders and was transferred to RZA LLC on the basis that payment for the site would be made by RZA LLC to the shareholder in full in 2024. In the meantime, the shareholder holds a mortgage over the property for the unpaid purchase price.

Question 4.1 [maximum 5 marks]

Commented [SE28]: 5/5

The process of preventive composition requires adherence to a number of time-frames. Briefly outline the necessary steps and 10 specific steps that will determine the maximum time taken between making an application (the first step) and the registration of the scheme following final approval (the tenth and final step before its implementation).

Assume that: an expert's report is required by the court; there are no disputes about whether a creditor is accepted or not; there are no amendments to the proposed scheme by the court; the scheme is accepted by the creditors without the requirement for any adjournment of the creditors' meeting; the scheme is approved by the court following the meeting; and there are no other extensions.

Article six of the bankruptcy rules provides the legislative mechanism for entering into a preventive composition agreement.

Under Article 6, it is only a debtor of a company to which the bankruptcy more applies who make an application to the court for the appointment puffy composition trustee.

Step 1 - The Initial Application

- **The application is submitted following the 10-day notice required to be given to the controlling body. That application includes details of the doctor's position, their proposal and proposed appointee.**

Step 2 - Expert Appointment

- **Upon the application, the court must appoint an expert.**

Step 3 - Expert Report

- **The expert has 20 business days from the date of their instruction to prepare and deliver his expert report. Our first assumption is that an expert report is required. In that case, the court has 5 business days following the receipt of the expert report to decide whether it accepts the application. If the court accepts the preventive composition application, the preventive composition procedure commences.**

Step 4 - Trustee Appointment

- **Assuming that the preventive composition procedure is accepted by the court, the court must appoint a trustee. Creditors have 5 days from publication to object to that appointment. Given a creditor's ability to object to the appointment of the trustee, this stage can potentially expand the total time taken between making the application and the registration of the scheme by an additional 5 days for the court to determine the creditor's objection application (depending on the point the application is made).**

Step 5 - Publication of Commencement

- **Trustees have 5 days following his appointment to publish the summary of the courts decision. But it is have 20 business days from the date of publication to file claims**
- **following the expiration of the 20 day. The trustee must large a list within 10 days**
- **the data and any creditor then have seven business days from publication of the list to object to the list**
- **the court then has a further 10 business days to make a determination on that application**

Step 6 - Submission of the Application

Submission of the Application must take place within 45 days from the date of publication of the decision.

Step 7 - Creditor Approval

- **10 days following submission, the court takes a decision on whether to approve it and the trustee gives it to the creditors who must meet within 15 days of the court's direction for approval of the restructuring plan. (We are instructed to assume that (i) there are no disputes about whether a creditor is accepted or not; (ii) there are no amendments to the proposed scheme by the court; (iii) the scheme is accepted by the creditors without the requirement for any adjournment of the creditors' meeting).**

Step 8 Submission of Draft Scheme

The trustee has 3 business days following approval by the creditors to put the draft scheme before the court.

Step 9 - Court Approval of Draft Scheme

- **The court has to deal with applications "urgently" but there is no indication of the specific timeframe to which the court must adhere. This lack of clarity could therefore impact on the overall timetable.**
- **Although the court's ability to address applications may be stymied by interim applications objecting to the approval of the scheme and the delays if the court rejects the draft, we are instructed to assume that (i) the scheme is approved by the court following the meeting and (ii) there are no other extensions.**

Step 10 - Registration by the Trustee

The trustee has 7 business days from the date of the approval of the scheme by the court to register the scheme in the governmental corporate register and publish a summary of the scheme.

Question 4.2 [maximum 5 marks]

RZA LLC's creditors rejected the proposed preventive composition scheme after a process of nearly four months. During that time, creditors, including staff, were not paid. The owners consider that without creditor support, restructuring would be impossible and liquidation is the only option available. With specific reference to the facts described above, describe the process that would be followed as part of any liquidation and, in particular, considering who could be appointed as trustee.

Assuming that a restructuring plan is not approved by the creditors, then that would form one of the statutory bases on which the court can make an order for liquidation.

One of the first orders of business for the court is to appoint a trustee who will be tasked with undertaking the liquidation itself. Given that there would have been a trustee appointed in respect of the composition scheme, that person would perhaps be best placed to be appointed in respect of the liquidation as they would have pre-existing knowledge of the company and be familiar with the issues relating to its creditors. Under the statute, the court has the freedom to allow someone who was previously appointed in respect of any other procedure to continue in that office.

The liquidator's role would be to liquidate the debtor's assets and to distribute them among the creditors. The treatment of those creditors (in terms of the order of payment to them) would depend on the category of the arrangements which gave rise to such claims.

In respect of any unpaid wages or salary, that would be paid from the proceeds of the sale of assets other than those that are subject to a security interest. Employees' wages and salary would rank behind payment of the court and trustee's costs. Behind the employees would be alimony debts, amounts due to government bodies. If the creditors who were unpaid were suppliers of goods and services following the commencement of the bankruptcy, they would be paid next.

Question 4.3 [maximum 5 marks]

RZA LLC incorporated and registered a fully-owned subsidiary company in the DIFC to operate a restaurant in the DIFC. The subsidiary is called RZA Limited and it is incorporated as a DIFC company. RZA Limited is also unable to pay its debts. What actions can RZA Limited's creditors take if they wish to see RZA Limited liquidated in the DIFC? In particular, who can take such actions and what steps would have to be

Commented [SE29]: 4/5

Commented [SE30]: The first thing that would need to happen is for RZA LLC to make an application to commence bankruptcy proceedings.

Commented [SE31]: Yes - excellent.

Commented [SE32]: 5/5

taken? If the RZA was to be wound up, who would be responsible for it and what process would be adopted for addressing creditor claims in the winding up?

It is said that RZA limited is incorporated in DIFC. As such, RZA limited can be wound up liquidated in accordance with DCF Insolvency Law.

The winding up process already provides for two alternative modes of commencing winding up proceedings. The company may either be wound up voluntarily or compulsorily by the DIFC courts. It is said that RZ limited is unable to pay its debt so we can assume that the company is insolvent. There are two types of voluntary liquidation, one that is creditor led and the other, member-led. Given that the member LED voluntary wind up applies to solvent companies, the responsibility would lie on the creditors to commence a voluntary winding up of RZA limited.

Alternative route that the creditors can take in order to effect the liquidation of RZA Limited is to cause the court to compulsorily wind up RZA Limited. Any creditor who is owed more than US \$2000 may make that application. A creditor who is owed more than \$2000 may predicate that application with a demand for payment of any sum in excess of US \$2000, which if it remains unpaid for a period of more than three weeks constitutes one of the bases that the court can determine a company to be unable to pay its debts.

Whether winding up is commenced by way of a creditors voluntary winding up or by way of an application for a winding up order granted by the court, there will be a liquidator appointed whose role will be to wind up the affairs of the company and to gather and realise and distribute the company's assets. Liquidator has wide-ranging powers including the part of carrying on the business of the company conduct integration but most importantly poll for claims by creditors prove rank and pay creditors and shareholders claims. But the data has obligations to the court have various times to the creditors regarding the winding up of the estate.

As for the process to be adopted to address credit cleans, the liquidator would follow the procedures set out in the DXC install them some regulations which requires that creditors prove their claims in order for such claims to be adjudicated by the liquidator. The proof of debt is usually provided by way of a completed form about his then supported by documents and information detailing the basis of the claim against the data. Once the liquidator receives the proof of debt and subject to any additional information that the liquidator might require from the creditable, the liquidator would take a decision as to whether he should admit or reject the proof of debt for the purpose of determining whether to make a payment to the credit if along with the other creditors.

Once the data has taken steps to realise funds in those funds are sufficient full payment when the data will declare and distribute a dividend among the company's creditors with sufficient deductions to account for the liquidator's costs and all the claims on which the liquidator has not made the final determination.

Because RZA is insolvent, all of the debts of its creditors are considered equally for the purpose of any distribution see for any preferential claims, repayment of which would be governed by the Preferential Creditor Regulations 2008 which provide that preferential creditors are paid in priority to unsecured claims once the expenses of the winding up have been settled. Following a final distribution and taking all the necessary steps to wind up the company's affairs, liquidators will take final steps towards dissolution of the company.

*** End of Assessment ***