



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

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

Commented [SE1]: 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.

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 [SE2]: 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.
- (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.

(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 [SE3]: The correct answer is D.

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.
- (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.
- (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.
- (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.
- (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).
- (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.

Commented [SE4]: The correct answer is B.

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

Commented [SE5]: 10/10

Question 2.1 [maximum 2 marks]

Commented [SE6]: 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?

A point of distinction between registering real property interest in each state is that there is a different land registration system for each emirate. The DIFC uses the Torrens system from Australia whereby registration is the exclusive method of determining interests in land. Enforcement will then take place in each emirate and there are slightly different laws and procedures in each emirate.

In the free zone, a creditor that hold a mortgage can repossess a property having provided 60 days' notice to specific parties, without the need for a court order. Other the other hand, on the mainland the creditor would have to obtain a court order despite there being security over the property.

Question 2.2 [maximum 4 marks]

Commented [SE7]: 4/4

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.

(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.

The court.

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

The trustee.

Question 2.3 [maximum 2 marks]

Commented [SE8]: 2/2

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)?

To begin a bankruptcy procedure, the debtor should apply to the court if the debtor is in default of its payment obligations for 30 consecutive business days. However, if the debtor is controlled by a "competent controlling body", then the debtor may apply for preventive composition if the debtor has given the controlling body 15 days' notice of the application.

The bankruptcy application could also request that the court grants a 40-day period of protection from creditors for the debtor to try and negotiate a settlement of its debts.

The debtor is the only person allowed to apply for a preventive composition, whilst a bankruptcy application could also come from the creditors.

Question 2.4 [maximum 2 marks]

Commented [SE9]: 2/2

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

The key difference between the applications is that in a preventive composition, only the debtor can apply to the court to commence the process. The process is debtor led and the debtor will use this to prevent entering bankruptcy.

Whilst the debtor can also apply for bankruptcy (in fact, they have an obligation to do so where it is in default for 30 consecutive business days), an application can also be made by creditors of the company. Therefore, the company must also be in default.

Once a bankruptcy application is made, the court will appoint an expert to assess the financial condition of the debtor. The court can require persons to provide further information and join other parties to the proceeding, as well as making interim orders in respect of the debtor's property. The court is then required to decide on the commencement of the bankruptcy within 5 business days of the application (or when the expert report was available). Once the order is made, the debtor may not manage its assets or pay creditors. It also prevents legal proceedings against the debtor.

On the other hand, preventive composition will be led by the trustee appointed by the Financial Restructuring Committee. The creditors may object to the appointment of the trustee but once appointed, will take control of the company.

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

Commented [SE10]: 15/15

Question 3.1 [maximum 5 marks]

Commented [SE11]: 5/5

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.

Bankruptcy law was originally implemented through provisions in Law Number 18 of 1993 relating to commercial transactions, which governed a bankruptcy by traders. This created a basic mechanism for insolvency which was processed through the courts. However, the lack of a clear insolvency regime meant that these laws were rarely used.

The legal position changed in 2016, after the shortcomings of the legal system were made apparent when an investment company named Dubai World nearly defaulted on its debts and the process of dealing with its creditors gave the push for an insolvency regime to be created. In 2016, Federal Decree Law (Number 9) was adopted and repealed the bankruptcy provisions of the Commercial Transactions Law. The basis of the regime was an analysis of other international regimes.

The Bankruptcy law then developed from there, including amendments in 2019, 2020 and 2021 and the adoption of Federal Decree Law number 2019 in 2019 for personal bankruptcy. Both the personal and corporate bankruptcy laws provided a court-supervised insolvency process.

The Bankruptcy laws applies to both corporate and personal insolvencies. The corporate law applies to:

- (a) Companies which are governed by the Commercial Companies Law
- (b) Companies which have been established under other legislation but who by law or voluntarily have submitted to the provisions of the Bankruptcy Law
- (c) Companies which are based in the free zones and establishments that are not governed by other insolvency procedures.
- (d) Persons are a "trader".
- (e) Civil companies that are licensed and of a professional character.

The reception has been positive to the Bankruptcy Law and praise has been given to it in how it has adapted to Covid-19, despite being relatively young. The personal bankruptcy laws have been welcomed and encouraged as progress. It is understood that despite being praised, the bankruptcy laws have not been utilised widely yet, partly due to the lack of power of case law.

In addition, the corporate side of the Bankruptcy Law has had limited cases decided under it, but certain decisions of the courts have resulted in corrective legislation to calm market reactions. Therefore, the infancy of the law is still showing, and cases are often resulting in amendments to the law.

Question 3.2 [maximum 8 marks]

Commented [SE12]: 8/8

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.

Should a debtor company seek to enter bankruptcy, as opposed to preventive composition, the first step will involve the court. The debtor will apply to the court having been in default of its payment obligations for 30 consecutive business days. Once the application is made the court will appoint an expert from the panel of experts who will assess the financial condition of the debtor. This will only commence should the court have the specified information as provided through the application.

It is at this point of reviewing whether the company should enter a bankruptcy whereby the court can require a person to provide further information, join other parties to the proceedings and make interim orders of the debtor's property. The results of this process are an expert report on the debtor's financial condition and whether the restructuring plan is likely to be successful. The court will then have 5 business days from the application / expert report to decide whether the conditions have been met and whether the bankruptcy should commence.

On the commencement of the bankruptcy, any legal proceedings against the debtor will be suspended or criminal proceedings against signatories of dishonoured cheques. The court will be responsible for appointing a trustee as either nominated by the debtor or a person enrolled in the table of experts appointed by the Financial Restructuring Committee. Up to three individuals may be appointed as trustees and the court may have to hear objections from creditors to the nomination. Please note that the bankruptcy procedure continues during the period of any objection and determination of the trustee.

Once the trustee is appointed, the trustee is likely to apply to the court for the relevant powers it deems that it requires. The court will have to adjudicate whether to grant these powers including the appointment of an expert. The court will also provide any information which it holds regarding the debtor to the trustee. The court may continue to monitor the trustee and may substitute the trustee if it deems it appropriate. Should either the court or trustee decide to end the trustee's appointment, the court will be responsible for determining the fees of the trustee. In addition, the court may appoint a supervisor.

Once the restructuring is underway, the court should receive the list of claims from the trustee. The court may then have to hear objections from the debtor or creditors and adjudicate on the claims. A final listing of creditors will then be finalised.

Once a restructuring report on the business has been provided by the trustee to the court, the court will direct the trustee to convene a meeting of creditors. The court will then decide whether a restructuring scheme should be prepared based on the debtor's willingness to continue to carry on business and the current financial position. On the basis that a restructuring plan is prepared by the trustee, the court will complete a review ahead of the plan being voted by the creditors. Should the plan be passed by the creditors, the court will have the final approval for whether the scheme goes ahead.

To implement the scheme, the court will approve a summary provided by the trustee. Whilst the trustee is responsible for the scheme, the court will be reported to every three months. Any amendments to the scheme will have to be approved by the court.

Any assets which are deemed to be integral to the company's operations can be stopped from being sold by court permission. The court may also approve new finance and allow new security if it aids the restructuring plan. Alternatively, existing security may be altered by a court order where there is alternative security which would not prejudice the creditor.

Once the restructuring plan has been concluded, the court will make an order confirming the completion of the scheme. Alternatively, should the court deem the restructuring scheme to be impossible, it may terminate the scheme at any point and commence a liquidation.

The above procedures are outlined in the Bankruptcy laws of the UAE.

Question 3.3 [maximum 2 marks]

Commented [SE13]: 2/2

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 courts involvement in a restructuring provides oversight to ensure that creditors are considered thoroughly and equally by the trustee. This is particularly relevant during the approval stage of the plan, whereby the court will ensure the plan is appropriate and considers the relevant creditors. This protective oversight gives the best chance for a restructuring plan to be fair.

However, the repeated involvement of the court may slow down the timetable and provide less flexibility to obtain creditor approval over a deal. There may be a situation whereby creditor approval is gained, but the court does not approve the plan, and this does not appear to be productive for a resolution without the need for a liquidation.

However, the ongoing oversight of the implementation of a plan ensures that the trustees are monitored and that a plan is kept on track.

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

Commented [SE14]: 15/15

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 [SE15]: 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.

Preventive composition can be entered under the rules of article 6 of the law and the process is court-supervised. The debtor must apply to the court, and this will terminate the obligation from the debtor to begin bankruptcy proceedings.

The first step is an application to the court outlining the debtor's position, the debtor's proposal for preventive composition and the name of the proposed appointee as trustee. Once the application is accepted, the court will have to appoint a trustee. The court will then provide the trustee with all information that it holds about the debtor to the trustee.

Within 5 business days of the trustee's appointment, they must publish a summary of the court's decision to commence the preventive composition procedure. The notice will simultaneously invite creditors to file claims within 20 business days.

Once the 20 business days has passed, the trustee will have to prepare a list of claimants with details including the debts and supporting information. The trustee will then have to lodge the list with the court within 10 business days from the date of the period for lodging claims.

Once the list of creditors is with the court, they will issue a final list. Any creditors that wish to object will have 7 business days from the publication of the list and the court must determine on the appeal within 10 business days of the application. However, this is not applicable to this scenario.

Once the creditor list is complete and final, the trustee will have 45 business days from the publication of the decision initiating the preventive composition procedure to submit a draft to the court. The debtor will be involved in assisting the trustee and an extension may be given of up to 20 business days.

Once the draft is submitted to the court, the court will have 10 business days to confirm that the scheme takes into account the interest of all interested parties. On the basis that this is confirmed, the trustee will have 5 business days to set up a meeting with creditors to discuss the proposed scheme. The meeting should be within 15 business days of the invitation.

With the scheme having been accepted at this meeting, the trustee must put the scheme in front of the court within 3 business days and the court will have a further 5 business days to approve the scheme.

7 business days from the date of approval of the scheme by the court, the scheme is registered by the trustee as accepted.

Question 4.2 [maximum 5 marks]

Commented [SE16]: 5/5

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.

The court will make an order for the bankruptcy of the debtor and the liquidation of the debtor's assets on the termination of the preventive composition. The court will then be responsible for appointing a trustee to execute the liquidation. This could be the previous trustee of the preventive composition if they are deemed to have the expertise. If not the existing trustee, the court will be responsible for appointing a trustee, being either an individual nominated by the debtor or enrolled in the table of experts appointed by the Financial Restructuring Committee. The person could be a natural or legal person and may be between 1-3 individuals. There is an opportunity for the creditors to object to the appointment within 5 business days and a decision will be made by the court within 5 business days.

It is worth noting that the trustee cannot be a creditor, or a relative/spouse of the debtor. It also may not be anyone with a prescribed commercial relationship with the debtor in the 2

years preceding the appointment, nor someone convicted of dishonest offences. In addition, the court may appoint one or more supervisors to oversee the liquidation.

The trustee must advertise their own appointment within 3 business days and will report monthly to the court. Creditors must then make their claims within 10 business days from the date of the judgment. However, as there is expected to be an existing list of creditors there is only likely to be a few extra creditors to adjudicate (such as employees). The trustee will then consider the claims.

The trustee is then required to liquidate all the debtor's property via public auction whilst being supervised by the court. The proceeds of the sales will be distributed by the trustee to the creditors after taking their appropriate fees as authorised by the court. It is worth noting that security may still be enforced and therefore the shareholders of RZA will be able to auction the property to repay their debts. The debts will be paid in a set priority order as outlined by the law, including the employees wages up to three months. The remaining month of wages will be paid with a lower priority.

Once the sale of the company's assets has concluded, the court will make an order confirming the conclusion of the liquidation procedure and outline the final list of creditors will outstanding amounts. The trustee will return all documents to the debtor and any creditor may enforce against any remaining assets left.

Question 4.3 [maximum 5 marks]

Commented [SE17]: 5/5

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 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?

RZA Limited's creditors can apply to the DIFC court for a compulsory winding up. This is used where a company is unable to pay its debts and may be proceeded with a Company Voluntary Arrangement to try and find an agreement with creditors. On receiving the application from the creditors, the court may commence the liquidation if it is just and equitable to wind up the company.

The creditors would be able to bring the application to the court if they have demanded payment of a debt worth more than USD 2,000 and that no payment has been made within 3 weeks. The court will then identify who will be the liquidator of the company and they may decide to summon a creditor committee to decide on an alternate liquidator.

The liquidator will then have the responsibility to wind up the affairs of RZA and to gather, realise and distribute the company's assets in line with the powers set out in Schedule 3 to the law. The liquidator's powers also extend to continuing on the trading of the company (if it benefits the winding up), conduct litigation in the name of the company, sell the

company's property and do other actions which will be necessary for the winding up of the company. In addition, the liquidator has a duty to investigate the affairs of the company understand the cause of its failure.

The creditor claims will be addressed via the submission of a claim to the liquidator by writing. This proof of debt will need to include supporting information behind the claim. Where there is a secured creditor, they will only be able to prove for the balance owing (or estimated to be owing after realisation of security interest). Once the submissions are received, the liquidator can ask for further information from the creditor before either admitting or rejecting the claim. Where a creditor is dissatisfied, they may appeal the decision within 21 days of receiving notice of the decision by application to the court.

Finally, when the liquidation has sufficient funds, the liquidator can declare a dividend to creditors. This will be shared with the creditors who have proved in the liquidation and will follow a pre-set priority.

*** End of Assessment ***

Commented [SE18]: 47/50. 94%