

GUIDE

AN OVERVIEW OF INSOLVENCY AND RESTRUCTURING IN JERSEY

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The law is stated as at 19 June 2026.

1 LEGISLATION

What legislation is applicable to bankruptcies and reorganisations?

The principal statutes applicable to bankruptcies and reorganisations are:

- Bankruptcy (Désastre) (Jersey) Law 1990 (the **Bankruptcy Law**): this deals with *désastres*, a procedure for winding-up the affairs of companies and individuals unable to pay their debts as they fall due and which may be initiated either by a creditor or by the debtor. A *désastre* is administered by the Viscount, the executive officer of the Royal Court in Jersey;
- Companies (Jersey) Law 1991 (the **Companies Law**): this governs the liquidation of companies, both solvent (a summary winding-up) and insolvent (a creditors' winding-up) and also provides for a court-ordered winding-up on just and equitable grounds and winding-up companies of limited duration. It further provides for a corporate administration procedure pursuant to which the Royal Court may appoint an administrator to manage the affairs of a company that is, or is likely to become, insolvent on a cash flow basis for the purpose of rescuing the company or achieving a more advantageous realisation of its assets than would be achieved in a winding-up;
- Limited Liability Companies (Jersey) Law 2018 (the **LLC Law**) and the Limited Liability Companies (Winding Up and Dissolution) (Jersey) Regulations 2022: together, these deal with the liquidation of limited liability companies (**LLCs**), both solvent (a summary winding-up) and insolvent (a creditors' winding-up). This legislation also deals with winding-up by the court on just and equitable grounds and winding-up LLCs of limited duration. This regulatory framework closely resembles the regime applicable to Jersey companies. As such, except in relation to administration, what is said in this guide regarding companies applies equally to LLCs and, therefore, any references to a company should be construed as including a reference to an LLC. Where necessary, additional specific commentary for LLCs has been added in brackets, but the absence of specific commentary should not be construed as meaning that what is said in relation to companies is limited to companies only;
- Loi (1832) sur les Décrets: with the common law, this deals with *cession générale*, whereby a debtor may voluntarily renounce all its property for the benefit of its creditors;
- Loi (1839) sur les Remises de Biens: under the *remise de biens* procedure, a debtor's assets are placed in the hands of the court for the purpose of sale and payment of creditors; and
- Loi (1880) sur la Propriété Foncière: this deals with *dégrévement* and *realisation*, for liquidating encumbered property for the benefit of certain creditors.

In addition, the insolvency of certain types of vehicles is dealt with in specific orders and regulations.

2 EXCLUDED ENTITIES

What entities are excluded from bankruptcy proceedings and what legislation applies to them?

Désastre proceedings under the Bankruptcy Law do not apply to persons unless they have a connection with Jersey, as specified in the Bankruptcy Law. No application for a declaration of *désastre* can be made in respect of the property of a deceased person.

Certain categories of property are also treated as exempt from the effects of *désastre* proceedings.

The winding-up, liquidation and administration provisions in the Companies Law apply only to companies incorporated under that law. Cell companies are generally subject to the same winding up and bankruptcy provisions as companies. However, the administration regime applies only to incorporated cell companies (**ICCs**) and their incorporated cells (**ICs**), but does not extend to protected cell companies or their protected cells.

A trustee may become bankrupt but assets held by a trustee as trustee are not generally affected by the bankruptcy of the trustee. The Bankruptcy Law and the Trusts (Jersey) Law 1984 (the **Trusts Law**) apply to trusts.

3 SECURED LENDING AND CREDIT (IMMOVEABLES)

What are the principal types of security that are taken over immoveable property (ie real estate)?

Security over immoveable property in Jersey is taken by *hypothèque*. There are three principal types:

- an *hypothèque judiciaire*, which is now almost invariably used by lenders to secure charges over real estate, is created when an acknowledgement of debt (known as a *billet*) or other judgment or act of court is registered in the Public Registry;
- an *hypothèque conventionnelle simple* is created by a contract passed before the court in which the parties agree to grant and take security over the property; and
- an *hypothèque legale* is created by operation of law in certain special cases.

Leases can also be made the subject of an *hypothèque* if they are leases for over nine years' duration.

4 SECURED LENDING AND CREDIT (MOVEABLES)

What are the principal types of security that are taken over moveable property (ie personal property)?

Security over intangible moveable property in Jersey is taken under the Security Interests (Jersey) Law 2012 (the **Security Law**). Security may be taken by:

- control of registered securities, bank accounts and securities accounts;
- possession of negotiable instruments or bearer securities; or
- registration in respect of any type of collateral.

A secured party can take control:

- of a registered security, by being registered as the holder of it or taking possession of the certificate of title to it;
- of a deposit account, by (a) the account being transferred into the name of the secured party, (b) the account bank agreeing in writing to act on the secured party's instructions, (c) the account being assigned to the secured party or (d) the secured party being the account bank; and
- of a securities account, by the same methods as a secured party can take control of a deposit account, except by assignment.

The Security Law:

- permits a security interest to be created in a grantor's present and after-acquired intangible property; and
- provides that a security interest in collateral is not affected if the grantor retains, in the absence of a contrary direction from the secured party, the right to deal with the collateral free from the security interest.

In relation to tangible moveable property, the usual form of security is a pledge. The party taking security must take actual possession of the pledged property and remove it from the control of the person providing security. Certain other interests, including liens, may also be recognised.

Where the property is situate outside Jersey, security granted under the law where the property is situate will generally be recognised.

5 UNSECURED CREDIT

What remedies are available to unsecured creditors? Are the processes difficult or time-consuming? Are pre-judgment attachments available? Do any special procedures apply to foreign creditors?

Unsecured creditors (as well as secured creditors) may seek judgment against the debtor. The time involved will depend on whether the debtor appears and has some arguable defence that prevents a summary judgment from being obtained. A default judgment can be obtained within one week. Summary judgment would probably take approximately two months to obtain.

Where court proceedings are brought in Jersey, the defendant may apply for security for the costs that it could be awarded at the end of the trial if it is successful.

A judgment may be registered against title to land as an *hypothèque judiciaire*. In this way an unsecured creditor may acquire security.

A judgment may be enforced by an *Acte Vicomte chargé d'écrire*, which calls upon the Viscount to seize and sell the debtor's assets.

The following procedures can be used to freeze assets in Jersey:

Mareva injunction – the court will grant injunctions freezing assets, even if no substantive cause of action is asserted in Jersey (for example in support of proceedings elsewhere);

- *Ordre Provisoire* – an *ordre provisoire* involves the seizure by the Viscount of the debtor's assets; and
- *caveat* – a *caveat* may be lodged with the court to prevent dealings in land.

6 COURTS

What courts are involved in the bankruptcy process? Are there restrictions on the matters that the courts may deal with?

The Royal Court of Jersey has a general jurisdiction, including jurisdiction to deal with bankruptcy proceedings within the jurisdiction. There is an appeal to the Court of Appeal and, ultimately, to the Privy Council.

7 VOLUNTARY LIQUIDATIONS

What are the requirements for a debtor commencing a voluntary liquidation and what are the effects?

BANKRUPTCY LAW

A debtor may make an application for its property to be declared *en désastre*. It must satisfy the court that it is insolvent but has realisable assets.

Upon a declaration of *désastre*, the debtor's assets vest in the Viscount, who is responsible for gathering in the assets, discharging the liabilities and, if there is a surplus, paying it to the debtor or, if it is a company, its shareholders.

SUMMARY WINDING-UP

The summary winding-up procedure under the Companies Law may be used by companies that are solvent. To initiate the procedure, the company must pass a special resolution and the directors are required to make a statement as to solvency.

The winding-up is commenced when the statement and the resolution are filed with the registrar of companies (the **registrar**). Once the winding-up process has begun the powers of the company are limited to the realisation of its assets, discharge of its liabilities, and distribution of its assets in accordance with the summary winding-up procedure. Upon completion of that process the directors must make a statement that the company has no assets and no liabilities and, in the case of a public company, give an account of their acts and dealings during the conduct of the winding up. Upon registration of that statement with the registrar, it is dissolved. The company continues to exist until its dissolution.

CREDITORS' WINDING-UP

The creditors' winding-up procedure is used for Jersey companies that are insolvent. Prior to March 2022, this procedure could only be initiated by the shareholders of an insolvent Jersey company passing a special resolution to commence a creditors' winding-up. The company must give 14 days' notice to the creditors of the day on which it intends to hold the meeting to pass the resolution, calling for a meeting of the creditors to follow such meeting and nominating a liquidator. Notice must be published in the Jersey Gazette and the directors must prepare a statement of affairs of the company. The creditors may appoint a liquidator of their own choice in place of the nominated liquidator.

The winding-up commences at the time that the special resolution is passed. The company continues to exist until its dissolution, but must cease to carry on its business, except as may be required for its beneficial winding-up. Any transfer of shares without the sanction of the liquidator or alteration of the company's membership after this time will be void unless the transfer is made by a secured party pursuant to the Security Law.

Actions or legal proceedings against the company (except under the Security Law) may not be commenced or continued without the court's leave and subject to any terms it imposes.

Since 1 March 2022 creditors have also been able to apply to court for an order to commence a creditors' winding up (see question 8).

JUST AND EQUITABLE WINDING-UP

A Jersey company can apply to the court to be wound-up on the grounds that it would be just and equitable to do so. Typically, an application for a just and equitable winding-up is made in circumstances where a deadlock is reached by participants in a quasi-partnership company. However, the courts are prepared to order a winding-up on just and equitable grounds in other circumstances including where delays inherent in a creditors' winding-up would result in a more disadvantageous realisation of the company's assets for creditors. A creditor cannot apply for a just and equitable winding-up.

8 INVOLUNTARY LIQUIDATIONS

What are the requirements for creditors placing a debtor in involuntary liquidation and what are the effects?

BANKRUPTCY LAW

The main recourse for the creditors of an insolvent Jersey company prior to March 2022 was to seek a declaration en *désastre* under the Bankruptcy Law.

The creditor must satisfy the court that it has a claim against the debtor for not less than £3,000. The claim is made by filing a *demande* and an affidavit.

On the making of the declaration of *désastre*, the debtor's property and powers, save for property held on trust by the debtor for some other person, are vested in the Viscount. Once a declaration of *désastre* has been made creditors with provable debts have no other remedy against the debtor and may not commence or, without consent, continue any action to recover the debt.

CREDITORS' WINDING-UP

Under the revised company winding-up regime, creditors have been granted the power to apply to the court for an order to commence a creditors' winding-up. The creditor must have a liquidated claim against the company of not less than £3,000 and either the consent of the company, or evidence that the company is unable to pay its debts as they fall due or is insolvent. The company is deemed to be unable to pay its debts as they fall due for these purposes if:

- the creditor has served on the company a statutory demand (in the prescribed form) requiring payment of the sum so due; and
- the company has, for 21 days after service of that demand, failed to pay the sum or dispute the debt due to the creditor's satisfaction.

At any time after an application for a creditors' winding-up is made, the court may appoint a provisional liquidator. The order appointing a provisional liquidator must state whether the powers of the company's directors will cease. If not, the order must expressly authorise the continuation of all or specified director powers. The role of the provisional liquidator is to preserve the company's assets where there is a concern that the company's affairs might not be properly conducted, or its assets dissipated, in the time between the application and the order effecting the winding-up. Upon ordering the creditors' winding-up, the court may then appoint a person nominated by the applicant, or otherwise selected by the court, as the liquidator.

The liquidator is required to publicise their appointment, call a meeting of the creditors of the company and, in advance of the creditors' meeting, the directors of the company must produce a statement as to the affairs of the company. The liquidator may exercise all standard powers set out in Schedule 1A and any other powers necessary for the beneficial winding up without needing

approval from the court, the liquidation committee, or creditors. The court retains discretion to restrict or grant additional powers in specific cases.

Upon the appointment of a liquidator in a creditors' winding-up, all the powers of the directors cease (save as otherwise sanctioned by the court or liquidator). The acts of a liquidator (including a provisional liquidator) are valid from the appointment until termination of the creditors' winding up.

After commencement of a creditors' winding-up, no action shall be taken or proceeded with against the company save with the leave of the court, but secured creditor rights remain unaffected. When the affairs of the company have been fully wound up, the liquidator is required to present to members and creditors an account showing the manner in which the winding-up has been conducted and the property realised. The company is thereafter deemed to be dissolved three months after filing a return with the registrar (An LLC is dissolved upon the registration of the return by the registrar).

9 VOLUNTARY REORGANISATIONS

What are the requirements for a debtor commencing a financial reorganisation and what are the effects?

SCHEMES OF ARRANGEMENT

Compromises and arrangements between a solvent company and its creditors can be arrived at by way of scheme of arrangement under Article 125 of the Companies Law. If a majority in number representing 3/4 in value of the creditors or class of creditors agree to a compromise or arrangement, if sanctioned by the court, it is binding on all creditors or class of creditors. Sanction of the court is perfected by delivery of an Act of Court to the registrar. The registered Act should then be attached to the company's memorandum.

Under Article 167 of the Companies Law, an arrangement entered into between a company immediately preceding the commencement of, or in the course of, a creditors' winding up and its creditors is binding:

- on the company, if sanctioned by a special resolution and
- on creditors, if acceded to by 3/4 in number and value of them (subject to a right of appeal by a creditor or contributory within 3 weeks from completion of the arrangement).

REMISE DE BIENS

The *remise de biens* procedure implements a suspensory period to enable reconstruction of the debtor's affairs and its rehabilitation.

Upon application to it by the debtor, the Royal Court may grant a *remise* where:

- the debtor owns Jersey immoveable property or has the benefit of a lease of over nine years' duration of such property; and
- the debtor's property, both immoveable and moveable, exceeds the value of the claims of the secured creditors.

The debtor, in seeking the aid of the court under the *remise* procedure, agrees to act only in accordance with the advice of the *jurats* appointed to carry out the *remise*, known as the *autorisés*. The management of the debtor's property is transferred to the *autorisés* who are given the power to sell and deal with the property.

ADMINISTRATION

Administration is an insolvency procedure under which the Royal Court appoints an administrator to manage the affairs of a company that is, or is likely to become, insolvent on a cash flow basis. An administration order may only be made for the purpose of rescuing the company or the whole or any part of its undertaking as a going concern, or to achieve a more advantageous realisation of the company's assets than would be achieved by a winding up. Administration may therefore operate as a rescue or value preservation tool and is not necessarily terminal. There is no out of court route for commencing an administration. An administration order may be made even where the company is already being wound up, but not where the company's assets have been declared *en désastre*.

Where a company seeks to place itself into administration, it must make an application to the Royal Court in the prescribed form, supported by an affidavit verifying its contents. The court alone may appoint the administrator. While an administration order is in force, the administrator manages the affairs, business and property of the company and is given broad powers for that purpose, as set out in Schedule A1 to the Companies Law. Notice of the application must be served on:

- secured creditors;
- the Viscount (the executive officer of the Jersey court who administers *désastres*); and
- other persons directed by the Jersey court, including any creditor. A person receiving notice may attend court and make representations before any order is made; and
- in the case of an ICC, each IC and, in the case of an IC, the ICC.

10 INVOLUNTARY REORGANISATIONS

What are the requirements for creditors commencing an involuntary reorganisation and what are the effects?

A creditor or a class of creditors may apply under Article 125 of the Companies Law to propose a scheme of arrangement (see question 9).

Both the *désastre* and creditors' winding up procedures (which may both be commenced by creditors) effect a winding-up of the debtor's affairs and not a reorganisation.

The *remise de biens* procedure (see question 9) is not available to creditors.

11 AN APPLICATION FOR AN ADMINISTRATION ORDER CAN BE MADE BY A CREDITOR OF A COMPANY WITH A LIQUIDATED CLAIM OF AT LEAST £3,000 (PROVIDED THAT IT HAS NOT AGREED NOT TO MAKE AN APPLICATION AND ITS CLAIM IS NOT ONLY FOR REPOSSESSION OF GOODS), A LIQUIDATOR OR PROVISIONAL LIQUIDATOR (IF ONE HAS BEEN APPOINTED), AN ICC IN RESPECT OF AN IC OR VICE VERSA; AND THE MINISTER FOR EXTERNAL RELATIONS TO PROTECT THE PUBLIC INTEREST. MANDATORY COMMENCEMENT OF INSOLVENCY PROCEEDINGS

Are companies required to commence insolvency proceedings in particular circumstances (to avoid personal liability to directors and officers or otherwise)? In what circumstances must companies do so? If proceedings are not commenced, what liabilities can result?

An insolvent company is not required, as a matter of law, to commence insolvency proceedings at any particular time. Where proceedings are pursued, administration may be used as an alternative to a creditors' winding up or a declaration *en désastre*, particularly where there is a realistic prospect of rescuing the company or achieving enhanced recoveries for creditors.

The company's directors may, however, risk personal liability if the company incurs liabilities under wrongful or fraudulent trading provisions (see question 33).

12 DOING BUSINESS IN REORGANISATIONS

Under what conditions can the debtor carry on business during a reorganisation? What conditions apply to the use of assets and to creditors who supply goods or services after the filing? What are the roles of the creditors and the court in supervising the debtor's business activities?

SCHEME OF ARRANGEMENT

Pending a scheme of arrangement, on the assumption that there is a reasonable prospect that the company will avoid a creditors' winding-up or a declaration *en désastre*, the debtor can continue to carry on business. Creditors may keep a close watch on the management of the company and may impose conditions on its dealings with the company.

REMISE DE BIENS

At the outset, on receipt of the schedule of all of the debtor's immoveable and moveable property, the *autorisés* will consult the debtor's creditors. During a *remise de biens* the property of the debtor is under the management of the *autorisés* and, as such, they have the power to sell the debtor's property at their discretion. The *autorisés* normally transact and contract with third parties on the debtor's behalf.

ADMINISTRATION

On the making of an administration order, the administrator takes control of the company's affairs, business and property and manages the company for the purpose specified in the order. The administrator has wide statutory powers, including to continue trading, realise assets and to make distributions where this assists the purpose of the administration, subject to court approval in relation to distributions to unsecured creditors.

The company's directors remain in office but may not exercise their functions in a way that interferes with the administrator's functions without consent.

While an administration order is in force, a director, creditor or member of the company or any other person appearing to the court to be interested may apply to the court for an order on the ground that:

- the company's affairs, business and property are being or have been managed by the administrator in a manner that is unfairly prejudicial to the interests of all or any of its creditors or members;
- any actual or proposed act or omission of the administrator is or would be unfairly prejudicial; or
- it would otherwise be desirable or necessary for an order to be made.

The court may, on terms and conditions it thinks fit, dismiss the application, make an order giving relief in respect of the matters complained of, adjourn the hearing or make an interim or other order.

13 REJECTION AND DISCLAIMER OF CONTRACTS IN LIQUIDATIONS

Can a debtor in a liquidation reject or disclaim an unfavourable contract? Are there contracts that may not be rejected? What procedure is followed to reject a contract and what is the effect of rejection on the other party?

The liquidator (in the course of the insolvent winding-up of a Jersey company) or the Viscount (in the course of *a désastre*) may, within six months of the commencement of the relevant procedure, disclaim any onerous property of such Jersey company or such person. Onerous property is:

- any unprofitable contract; and
- any of the following that is unsaleable or not readily saleable or is such that it may give rise to a liability to pay money or perform any other onerous act: any moveable property; any contract lease; and any other immoveable property if it is situated outside Jersey.

The counterparty to any such disclaimed contract or any person sustaining loss or damage in consequence of the operation of a disclaimer would have the right to prove in the winding-up or *désastre* for the amount of its losses incurred as a result thereof.

14 SALE OF ASSETS

In reorganisations and liquidations, what provisions apply to the sale of specific assets out of the ordinary course of business and to the sale of the entire business of the debtor? Does the purchaser acquire the assets 'free and clear' of claims or do some liabilities pass with the assets?

In the course of a summary winding-up, the company's powers are limited so as not to be exercised except so far as may be required:

- to realise assets;
- to discharge liabilities; and
- to distribute assets to the persons entitled.

Specific limitations are not otherwise imposed on the sale of assets but a director or liquidator effecting the winding-up would be subject to the usual duties of the role to exercise care, diligence and skill of a reasonably prudent person in comparable circumstances.

With the sanction of the court or the liquidation committee, the liquidator in a creditors' winding-up may pay a class of creditors in full or compromise any claim by or against the company. Where court sanction is sought, creditors should ordinarily be given the opportunity to be heard.

A liquidator may, without sanction of the court, liquidation committee or creditors, exercise any of the standard powers listed in Schedule 1A of the Companies Law as may be required for its

beneficial winding-up without any sanction. The court may determine that additional powers may be exercised, or that specified powers listed in Schedule 1A may not be exercised, in relation to a particular creditors' winding up.

In *désastre* proceedings the Viscount has wide powers to deal with the assets of the company, including a power to carry on the debtor's business for beneficial disposal and to sell the whole or any part of the property of the debtor.

During the period an administration order is in force, the administrator is granted broad powers for the purposes of the administration, as set out in Schedule A1 to the Companies Law, including the power to sell or otherwise dispose of the property of the company by public auction or private contract, to do all things (including the carrying out of works) necessary for the realisation of the property of the company, to carry on the business of the company and to make any arrangement or compromise on behalf of the company.

Property which is subject to a *dégrévement* is freed from charges thereon.

In relation to *remise* proceedings, see question 9.

15 STAYS OF PROCEEDINGS AND MORATORIA

What prohibitions against the continuation of legal proceedings or the enforcement of claims by secured and unsecured creditors are imposed by legislation or court order in liquidations and reorganisations? In what circumstances may secured or unsecured creditors obtain relief from such prohibitions?

Leave of the court (or the Viscount in a *désastre*) is required to commence or to continue legal action against a debtor that is subject to a creditors' winding-up or that is *en désastre*.

Notwithstanding the above, however, security interests over intangible moveable property created under the Security Law may still be enforced (see question 34). For more information on the remedies available to unsecured creditors, please see question 5.

DÉSASTRE

Legal proceedings against a debtor started before a *désastre* may only be continued with leave of the court or the Viscount. The court also has power to grant a stay or partial stay of *désastre* proceedings.

WINDING-UP

Once a creditors' winding-up has commenced, any actions or legal proceedings taken against, or by, the company will only be permitted with leave of the court.

SCHEMES OF ARRANGEMENT

The court has the express power to make provision for the continuation by or against the transferee company of legal proceedings pending by or against a transferor company.

A *remise de biens* will work as a suspensory procedure allowing the orderly realisation of the property of a solvent debtor.

ADMINISTRATION

A principal feature of administration is the imposition of a moratorium against unsecured creditor claims. While an administration order is in force:

- no application can be brought to wind up the company or to declare its assets *en désastre*;
- the company cannot commence a winding up; and
- no action or legal proceedings can be commenced or continued against the company without consent of the administrator or leave of the court.

However, the moratorium does not apply to secured parties who may enforce their security over all or any of the company's assets.

16 ARBITRATION PROCESSES IN BANKRUPTCY

How frequently are arbitration procedures used in insolvency proceedings? What limitations are there on the availability of arbitration procedures in insolvency cases? In insolvency proceedings, will the court allow arbitration proceedings to continue after an insolvency case is opened?

After the commencement of a *désastre* or a winding-up no action may be taken or proceeded with against the company except by leave of the court (or the Viscount in a *désastre*) and subject to such terms as the court may impose. This is likely to include arbitration procedures. Where action is taken, the Arbitration (Jersey) Law 1998 contains provisions for giving effect to arbitration agreements where a debtor is bankrupt.

17 SET-OFF AND NETTING

To what extent are creditors able to exercise rights of set-off or netting in a liquidation or in a reorganisation? Can creditors be deprived of the right of set-off either temporarily or permanently?

In a *désastre* or winding-up, set-off is mandatory where there have been mutual credits, mutual debts or other mutual dealings between the debtor and creditor. The sum due from one party is set off against any sum due from the other party, and the balance of the account, and no more, may be claimed or paid on either side respectively.

Under the Bankruptcy (Netting, Contractual Subordination and Non-Petition Provisions) (Jersey) Law 2005 (the **Netting Law**), the effectiveness of contractual close-out netting provisions and set-off provisions (as such terms are defined in the Netting Law) is protected before and after bankruptcy of any relevant person.

18 INTELLECTUAL PROPERTY ASSETS IN INSOLVENCIES

May the licensor or owner of the IP terminate the debtor's right to use it when an insolvency case is opened? To what extent may an insolvency administrator continue to use IP rights granted under an agreement with the debtor? May an insolvency representative terminate a debtor's agreement with an IP licensor or owner to continue to use the IP for the benefit of the estate?

There are no statutory provisions in Jersey dealing with the treatment of intellectual property on bankruptcy in Jersey. The right of any licensor or owner of intellectual property rights to terminate the debtor's right to make use of such property will, in the first instance, be governed by the licence agreement's provisions. (Also see question 13.)

19 POST-FILING CREDIT

Can a debtor in a liquidation or reorganisation obtain secured or unsecured loans or credit? What priority is given to such loans or credit?

A debtor subject to a *désastre* commits an offence if it obtains credit in excess of £250 without disclosing the fact of the declaration of *désastre*. (In relation to priority see question 28.)

20 SUCCESSFUL REORGANISATIONS

What features are mandatory in a reorganisation plan? How are creditors classified for purposes of a plan and how is the plan approved? Can a reorganisation plan release non-debtor parties (officers, directors, advisers, etc) from liability, and, if so, in what circumstances?

See question 9.

21 EXPEDITED REORGANISATIONS

Do procedures exist for expedited reorganisations?

See question 9.

22 UNSUCCESSFUL REORGANISATIONS

How is a proposed reorganisation defeated and what is the effect of the plan not being approved? What happens if there is default by the debtor in performing an approved plan?

See question 9.

23 BANKRUPTCY PROCESSES

During a bankruptcy case, what notices are given to creditors? What meetings are held? What committees are or can be formed? What powers or responsibilities do these committees have? May creditors initiate proceedings to pursue remedies against third parties?

DÉSASTRE

Following a declaration of *désastre* the Viscount must publish a notice in the Jersey Gazette and otherwise as the Viscount thinks fit.

This notice will require claims to be filed by a date within 40 to 60 days from the declaration.

The Viscount also reports periodically on the progress of the *désastre* to the creditors. As a matter of practice, the Viscount will hold meetings with creditors in order to ascertain their views. The Viscount is also required to supply a written report and the accounts relating to the *désastre* to the creditors.

WINDING-UP (SUMMARY)

If during a summary winding-up, the liquidator forms the view that the company will not be able to discharge its liabilities as they fall due, the liquidator will give each creditor of the company notice by post and in the Jersey Gazette of a meeting of the creditors. As of the date of that meeting, the winding-up becomes a creditors' winding-up. Ten days' notice must be given of the meeting by advertisement in the Jersey Gazette.

WINDING-UP (CREDITORS)

Notice of the creditors' meeting is given to all creditors and, in addition, notice is placed in the Jersey Gazette. At the creditors' meeting (which immediately follows the general meeting convened to consider a resolution to wind up the company) a liquidation committee may be appointed. This comprises not more than five people and its membership may be overruled by the creditors. The committee has a veto power over the liquidator's powers to pay a class of creditors and compromise any claim by or against the company (unless the court sanctions the compromise or claim).

If the winding-up takes longer than 12 months, a further meeting must be called within 15 months of commencement of the winding-up.

At the conclusion of the winding-up, the liquidator convenes a general meeting and a meeting of the creditors. The purpose of this is to approve the liquidator's report and accounts. The approval is then notified to the registrar and the company is dissolved automatically three months after the registration.

ADMINISTRATION

Unless the court directs otherwise, the administrator must within 14 days of the administration order give notice to the registrar, the Viscount, the company, all known creditors and to any other persons specified by the court. In the case of an ICC, notice must also be given to its ICs and, in the case of an IC, to its ICC. Notice must also be published in the Jersey Gazette.

The notice to creditors must be accompanied by an invitation to an initial meeting of creditors and an explanation of the purpose, and likely process, of the administration. The initial meeting of creditors must be held within ten weeks of the administration order, or such later date as the court directs. The court may dispense the requirement for an initial meeting.

The company's directors remain in office during the administration, but they may not perform their functions in a way that interferes with the performance of the administrator's functions, unless the administrator consents.

If the administration continues for more than 12 months, the administrator must call a general meeting of the company and a meeting of the creditors within three months of the end of the 12 months from either the start of the administration or each subsequent period of 12 months from the start of the administration (or longer period as the court allows). At those meetings, the administrator must lay before the meeting an account of the administrator's acts and dealings and of the conduct of the administration during the relevant 12-month period.

24 INSOLVENCY OF CORPORATE GROUPS

In insolvency proceedings involving a corporate group, are the proceedings by the parent and its subsidiaries combined for administrative purposes? May the assets and liabilities of the companies be combined into one pool for distribution purposes?

There are no statutory provisions for the combination of parent and subsidiary companies' assets into one pool for insolvency purposes.

Certain schemes which have the effect of consolidating the assets of a group have been approved by the court in Jersey but the circumstances have been particular and the determining requirement has been the interests of the creditors in the context of the insolvency of the Jersey company.

An administrator of an ICC must cooperate in the management of the affairs, business and property of the ICs of the ICC and an administrator of an IC must similarly cooperate with the ICC provided, in either case, that the cooperation does not interfere with the performance of the administrator's functions as administrator.

25 MODIFYING CREDITORS' RIGHTS

May the court change the rank (priority) of a creditor's claim? If so, what are the grounds for doing so and how frequently does this occur?

The court does not have any general jurisdiction either in a *désastre* or a winding-up to alter the priority of the creditors' claims.

The effect of contractual subordination provisions before and after bankruptcy is protected by the Netting Law.

26 ENFORCEMENT OF ESTATE'S RIGHTS

If the insolvency administrator is without assets to pursue a claim that is available to the estate, are there procedures by which the creditors can pursue the estate's remedies? If so, to whom do the fruits of the remedies belong?

The Viscount in a *désastre* might seek funding from the principal creditors to pursue a claim or might seek an indemnity from a creditor who wishes to pursue a claim.

Any funding would be classed as an expense of the *désastre* and, consequently, would be repaid as an expense of the *désastre* in priority to other creditors.

A liquidator similarly might seek funds from creditors in order to fund the liquidation.

No action may be taken outside the *désastre* or liquidation proceedings.

27 CLAIMS AND APPEALS

How is a creditor's claim submitted and what are the applicable time limits? How are claims disallowed and how does a creditor appeal a disallowance? Are there any provisions that deal with the purchase, sale or transfer of claims against the debtor?

DÉSASTRE

Upon a declaration of *désastre*, the Viscount is obliged to place a notice in the Jersey Gazette requiring every creditor to file a statement containing full particulars of its claim.

The notice will specify the date (between 40 and 60 days after the date of the declaration) by which all claims must be filed. Failure to submit a claim results in the creditor forfeiting its right to participate in the distribution of the assets.

The Viscount examines every proof and any opposing statements. If the Viscount rejects a claim the Viscount must serve a reasoned notice of rejection informing the creditor of its right to apply to the court for a reversal or variation.

A creditor may challenge the rejection within 21 days by notifying the Viscount. The Viscount is required to apply to the court to fix a date for the hearing.

WINDING-UP

The Companies Law applies the *désastre* rules in relation to the proving of debts.

There are no provisions dealing with the transfer of claims.

ADMINISTRATION

Unless the court orders otherwise, within 14 days of the administration order the administrator must notify the registrar, the Viscount, the company, all known creditors and any other specified persons, with additional notice requirements between an ICC and its ICs, and publish notice in the Jersey Gazette

Notice to creditors must include an invitation to an initial meeting and an explanation of the administration, with the meeting to be held within ten weeks unless the court directs otherwise or dispenses with it.

The administrator may make distributions where this assists the purpose of the administration, but distributions to unsecured creditors require court approval, whereas secured or preferential creditors may be paid without leave.

If the administration lasts more than 12 months, the administrator must convene meetings of the company and creditors within three months of each 12 month period and present an account of the administration during that period.

28 PRIORITY CLAIMS

What are the major governmental and non-governmental privileged and priority claims in liquidations and reorganisations? Which priority and privileged claims have priority over secured creditors?

The fees and expenses of the Viscount take priority over secured creditors. The following rank after secured creditors but before unsecured creditors:

- wages and salary for the six months before the declaration of *désastre* and holiday and bonuses (subject to maxima);
- health insurance, social security, income tax and goods and services tax;
- six months' arrears of rent; and
- two years' arrears of parish rates.

29 LIABILITIES THAT SURVIVE INSOLVENCY PROCEEDINGS

Do any liabilities of a debtor survive an insolvency or a reorganisation?

SCHEME OF ARRANGEMENT

The terms of any scheme of arrangement will determine the extent to which the debtor's liabilities are compromised.

DÉSASTRE AND WINDING-UP

There are no specific provisions preserving claims against corporate debtors. Following the *désastre* or winding-up, the debtor will be dissolved. In relation to individuals there are specific provisions in the *Désastre* Law preserving claims in relation to fraud.

A company that has been dissolved may be reinstated to the register at any time within 10 years of the date of dissolution by order of the court upon application by a liquidator or any other person (including a creditor) appearing to the court to be interested. Once reinstated, proceedings may be taken against the company as if it had not been dissolved.

Past and present members of a company that is wound up may be liable to contribute to its assets to an amount sufficient for payment of its liabilities, the expenses of the winding-up and the adjustment of the rights of the contributories among themselves. However, in the case of limited shares, the amount of the contribution will not exceed the amount unpaid on the shares. Other limitations also apply in the case of other types of shares.

In certain other circumstances, shareholders may also become liable for the debts of a company that has been wound up.

ADMINISTRATION

A debtor's liabilities generally survive administration. While administration may facilitate the restructuring, compromise or realisation of liabilities, it does not itself extinguish them. The extent to which liabilities are ultimately satisfied, reduced or compromised will depend on the outcome of the administration any related restructuring or insolvency process.

30 DISTRIBUTIONS

How and when are distributions made to creditors in liquidations and reorganisations?

The manner and timing of distributions in reorganisations will depend upon the circumstances and terms of the reorganisation.

The Viscount must distribute assets realised among the creditors entitled to receive them as soon as practicable. The Viscount may make interim distributions. The order of payment of debts is set out in the Bankruptcy Law. See question 28.

The timing and manner of distributions in liquidations will be determined by the liquidator acting in accordance with the liquidator's duties in the winding-up. After paying priority creditors in accordance with legislation, the liquidator must apply the proceeds of the company's realised property in satisfaction of the company's debts *pari passu*. Any balance is paid to members in accordance with their rights.

An administrator may make a distribution to a creditor of the company if the administrator thinks it is likely to assist the achievement of a purpose of the administration order. However, an administrator may not, without leave of the court, make a distribution to a creditor if the creditor does not have a secured interest or a preferred debt for the purposes of the Bankruptcy Law (ie a claim for wages or salary, rent, tax, social security or rates).

31 TRANSACTIONS THAT MAY BE ANNULLED

What types of transactions can be annulled or set aside in bankruptcies and what are the grounds? What is the result of a transaction being annulled?

The principal types of transactions that can be set aside in bankruptcies are: transactions at an undervalue; preferences; extortionate credit transactions; excessive contributions to an exempt pension; onerous property; and invalid trusts or invalid transfers to trusts.

A security interest granted under the Security Law is void against the Viscount (or liquidator) and the grantor's creditors in a bankruptcy of the grantor unless the security interest is perfected before the grantor becomes bankrupt.

An administrator may apply to court to have transactions at an undervalue, preferences and extortionate credit transactions set aside. It is unclear whether an administrator has the power to disclaim onerous property (including contract leases) but this will likely be raised with the Royal Court for clarification soon.

32 PROCEEDINGS TO ANNUL TRANSACTIONS

Is there a 'suspect period' in determining whether a transaction by an insolvent debtor can be annulled? May voidable transactions be attacked by secured creditors or by unsecured creditors or only by a liquidator or trustee? May they be attacked in a reorganisation or suspension of payments or only in a liquidation?

TRANSACTIONS AT AN UNDERVALUE

A transaction at an undervalue may in certain circumstances be set aside if entered within the five year period before the declaration of *désastre* or commencement of a shareholder-initiated creditors' winding-up or, where the creditors' winding up is initiated by a creditor, during the period beginning five years before the date of the application and ending with the date of commencement of the winding up.

PREFERENCES

A preference may be set aside if given within 12 months before the declaration of *désastre* or commencement of a shareholder-initiated creditors' winding-up or, where the creditors' winding up is initiated by a creditor, during the period beginning 12 months before the date of the application and ending with the date of commencement of the winding up.

EXTORTIONATE CREDIT TRANSACTIONS

A transaction providing credit to the debtor may be set aside if it is extortionate and was made within three years before the declaration *en désastre* or commencement of a shareholder-initiated creditors' winding-up or, where the creditors' winding up is initiated by a creditor, during the period beginning three years months before the date of the application and ending with the date of commencement of the winding up.

EXCESSIVE CONTRIBUTIONS TO AN EXEMPT PENSION

There is no specific time period for excessive contributions to an exempt pension (although the time might be relevant to the exercise of the court's discretion to set them aside).

Voidable transactions can be set aside only on the application of the Viscount (in respect of a *désastre*) or the liquidator (in respect of a winding-up).

33 DIRECTORS AND OFFICERS

Are corporate officers and directors liable for their corporation's obligations (eg, amounts owed to government authorities)? Are they liable for pre-bankruptcy actions by their companies? Can they be subject to sanctions for other reasons?

Corporate officers and directors will not generally be liable for obligations owed by their corporations (including amounts owed to government authorities, such as taxes or fees). Directors and officers may, however, be personally liable for fraudulent or wrongful trading and for criminal or tortious acts if procured by or participated in or by a director. A director may also incur a personal liability if the director suspects that property acquired by the company has been wrongfully acquired.

Wrongful trading occurs when the company incurs liabilities while the director knew there was no reasonable prospect of the company avoiding a declaration *en désastre* or winding-up or, on the facts known to him or her, the director was reckless whether it would.

Fraudulent trading occurs where it appears that the business of the company was carried on with the intent to defraud creditors or for a fraudulent purpose.

Directors of a company may be liable to its shareholders for breach of fiduciary duty. (A manager of an LLC owes no fiduciary duties to the LLC. However, a manager owes a duty to act in good faith. The LLC agreement may provide that the manager owes duties above and beyond the duty of good faith, such as fiduciary duties).

A person may be disqualified by the court from holding office as a director or being concerned with the management of a company.

34 CREDITORS' ENFORCEMENT

Are there processes by which some or all of the assets of a business may be seized outside of court proceedings? How are these processes carried out?

Under the Security Law, intangible moveable assets secured under the provisions of that Law may become subject to a power of enforcement exercisable by the creditor where there is an event of default.

A landlord has certain rights pursuant to the *droit de gage* to distrain on goods on the demised premises for rent that is due and unpaid and as security for rent payable during the notice period to terminate the tenancy.

35 CORPORATE PROCEDURES

Are there corporate procedures for the liquidation or dissolution of a corporation? How do such processes contrast with bankruptcy proceedings?

The liquidation of companies, both solvent (a summary winding-up) and insolvent (a creditors' winding-up), is governed by the Companies Law. Voluntary liquidation proceedings are commenced by the company itself whereas involuntary liquidation proceedings can also be commenced by creditors (see question 8). Liquidations are conducted either by the directors of the company or a liquidator in a solvent liquidation or a liquidator must be appointed in an insolvent liquidation. Until dissolution, the company remains in existence but the powers of the directors may be used only for the purposes of liquidation. If a liquidator is appointed the powers of the directors cease and the liquidator controls the company to the purposes of the winding-up.

Désastre proceedings may be commenced by creditors as well as the insolvent person. The proceedings are conducted by the Viscount and all property and powers of the insolvent at the date of the *désastre* declaration vest in him or her (along with after acquired property).

Limited life companies and companies of limited duration will be wound up and dissolved in accordance with their constitutions.

36 CONCLUSION OF CASE

How are liquidation and reorganisation cases formally concluded?

In a *désastre*, the Viscount will pay a final dividend and make a final report to creditors. The Viscount will then notify the registrar of the date of the final dividend and on receipt of the notice the company is dissolved.

A creditors' winding-up is concluded by the presentation to the company and the creditors of a final account and filing of a return with the registrar. Dissolution follows three months later. (An LLC is dissolved upon the registration of the return by the registrar).

A summary winding-up is concluded upon the filing with the registrar of a statement that the company has no assets and no liabilities.

A scheme of arrangement is concluded when the Act of Court sanctioning the scheme is delivered to the registrar for registration.

37 AN ADMINISTRATION CONCLUDES WHEN THE ADMINISTRATION ORDER IS DISCHARGED BY THE COURT, WHICH MAY OCCUR WHERE THE PURPOSE OF THE ADMINISTRATION HAS BEEN ACHIEVED OR IS INCAPABLE OF BEING ACHIEVED. THE ADMINISTRATOR MUST SEND A COPY OF THE ORDER EFFECTING A DISCHARGE OR VARIATION OF THE ADMINISTRATION ORDER TO THE REGISTRAR, THE VISCOUNT AND ALL KNOWN CREDITORS WITHIN SEVEN DAYS OF THE DATE OF THE ORDER AND TO ANYONE ELSE, AND WITHIN THE TIME PERIOD, THE COURT ORDERS. IF THE COURT DISCHARGES THE ORDER IN CIRCUMSTANCES IN WHICH THE COMPANY HAS NO ASSETS THAT MIGHT PERMIT A DISTRIBUTION TO ITS CREDITORS, THE COURT MAY ORDER THE COMPANY TO BE DISSOLVED. ASSUMING A COMPANY IS NOT WOUND UP OR DISSOLVED, ONCE THE ADMINISTRATION ORDER IS DISCHARGED, THE COMPANY'S DIRECTORS WILL RESUME DAY-TO-DAY MANAGEMENT OF THE COMPANY. INTERNATIONAL CASES

What recognition or relief is available concerning an insolvency proceeding in another country? How are foreign creditors dealt with in liquidations and reorganisations? Are foreign judgments or orders recognised and in what circumstances? Is Jersey a signatory to a treaty on international insolvency or on the recognition of foreign judgments? Has the UNCITRAL Model Law on Cross-Border Insolvency been adopted or is it under consideration in your country?

There is no distinction between local and foreign creditors in a *désastre* or winding-up.

Qualifying foreign judgments may be enforced in Jersey under the Judgments (Reciprocal Enforcement) (Jersey) Law 1960 (applicable to judgments from England, Wales, Scotland, Northern Ireland, the Isle of Man and Guernsey (a Qualifying Jurisdiction) or by an action on the judgment.

A judgment of a court other than a court in a Qualifying Jurisdiction is not directly enforceable in Jersey. Whilst there is no conclusive authority in Jersey law, it is thought that the Jersey courts will

recognise as valid a final judgment for a liquidated sum of money, which is not in respect of taxes, fines, penalties or other similar fiscal or revenue liabilities, rendered against a Jersey judgment debtor by any competent superior court of a jurisdiction which is not a Qualifying Jurisdiction, provided that:

- such judgment is not for exemplary, multiple or punitive damages and is obtained without fraud, in accordance with the principles of natural justice and is not contrary to public policy, and
- the proceedings in the such court were duly served.

The Jersey courts' inherent jurisdiction to recognise and enforce foreign judgments is not restricted to judgments for a debt or a definite sum of money. The Jersey courts have also held that they have a discretion, to be exercised cautiously, not only to recognise but also to enforce foreign *in personam* non-monetary judgments given by courts of competent jurisdiction without reconsidering the merits provided that the defendant had every opportunity to raise all relevant defences at the hearing giving rise to the foreign judgment. Although there is some doubt whether this proposition is correct, even so, a foreign non-monetary judgment may be enforceable in Jersey by way of summary judgment on a fresh claim brought on the original cause of action.

The Bankruptcy Law provides that the Royal Court may assist courts of a relevant country or territory in matters relating to insolvency and may have regard to the provisions of any model law on cross-border insolvency prepared by UNCITRAL. The Royal Court may also assist in insolvency proceedings in jurisdictions that are not designated as relevant countries in accordance with general principles of comity.

38 CROSS-BORDER INSOLVENCY PROTOCOLS AND JOINT COURT HEARINGS

In cross-border cases, have the courts in Jersey entered into cross-border insolvency protocols or other arrangements to coordinate proceedings with courts in other countries? Have courts in Jersey communicated or held joint hearings with courts in other countries in cross-border cases? If so, with which other countries?

Where cross-border issues have arisen in Jersey cases, the courts have treated them as matters for judicial assistance, rather than requiring a comprehensive protocol. In cases where a protocol is appropriate it is thought likely that the Royal Court, following principles of comity, would give effect to it.

CONTACTS

A full list of contacts specialising in restructuring and insolvency law can be found [here](#).