
STATUTORY INSTRUMENTS

1989 No. 2405

The Insolvency (Northern Ireland) Order 1989

PART VIII

INDIVIDUAL VOLUNTARY ARRANGEMENTS

CHAPTER II

VOLUNTARY ARRANGEMENTS

Moratorium for insolvent debtor

Interim order of High Court

226.—(1) In the circumstances specified in Articles 227 and 229, the High Court may in the case of a debtor (being an individual) make an interim order under this Article.

(2) An interim order has the effect that, during the period for which it is in force—

(a) no bankruptcy petition relating to the debtor may be presented or proceeded with,

[^{F1}(aa)] [^{F1}no landlord or other person to whom rent is payable may exercise any right of forfeiture by peaceable re-entry in relation to premises let to the debtor in respect of a failure by the debtor to comply with any term or condition of his tenancy of such premises, except with the leave of the High Court,] and

(b) no other proceedings, and no execution or other legal process, may be commenced or continued[^{F1} and no distress may be levied] against the debtor or his property except with the leave of the High Court.

F1 2002 NI 6

Application for interim order

227.—(1) Application to the High Court for an interim order may be made where the debtor intends to make a proposal[^{F2} under this Part, that is, a proposal] to his creditors for a composition in satisfaction of his debts or a scheme of arrangement of his affairs (referred to, in either case, as a “voluntary arrangement”).

(2) The proposal must provide for some person (“the nominee”) to act in relation to the voluntary arrangement either as trustee or otherwise for the purpose of supervising its implementation[^{F2} and the nominee must be a person who is qualified to act as an insolvency practitioner, or authorised to act as nominee, in relation to the voluntary arrangement].

(3) Subject to paragraphs (4) and (5), the application may be made—

(a) if the debtor is an undischarged bankrupt, by the debtor, the trustee of his estate, or the official receiver, and

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(b) in any other case, by the debtor.

(4) An application shall not be made under paragraph (3)(a) unless the debtor has given notice of^{F3} the proposal] to the official receiver and, if there is one, the trustee of his estate.

(5) An application shall not be made while a bankruptcy petition presented by the debtor is pending, if the High Court has, under Article 247, appointed an insolvency practitioner to inquire into the debtor's affairs and report.

F2 2002 NI 6

F3 2002 NI 6

Effect of application

228.—(1) At any time when an application under Article 227 for an interim order is pending

[^{F4}(a) no landlord or other person to whom rent is payable may exercise any right of forfeiture by peaceable re-entry in relation to premises let to the debtor in respect of a failure by the debtor to comply with any term or condition of his tenancy of such premises, except with the leave of the High Court, and]

[^{F4}(b)] , the High Court may^{F4} forbid the levying of any distress on the debtor's property or its subsequent sale, or both, and] stay any action, proceedings, execution or other legal process against the property or person of the debtor.

(2) Any court in which proceedings are pending against an individual may, on proof that an application under Article 227 has been made in respect of that individual, either stay the proceedings or allow them to continue on such terms as it thinks fit.

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Cases in which interim order can be made

229.—(1) The High Court shall not make an interim order on an application under Article 227 unless it is satisfied—

- (a) that the debtor intends to make^{F5} a proposal under this Part];
- (b) that on the day of the making of the application the debtor was an undischarged bankrupt or was able to petition for his own bankruptcy;
- (c) that no previous application has been made by the debtor for an interim order within the 12 months immediately preceding that day; and
- (d) that the nominee under the debtor's proposal^{F6} . . . is willing to act in relation to the proposal.

(2) The High Court may make an order if it thinks that it would be appropriate to do so for the purpose of facilitating the consideration and implementation of the debtor's proposal.

(3) Where the debtor is an undischarged bankrupt, the interim order may contain provision as to the conduct of the bankruptcy, and the administration of the bankrupt's estate, during the period for which the order is in force.

(4) Subject to paragraph (5), the provision contained in an interim order by virtue of paragraph (3) may include provision staying proceedings in the bankruptcy or modifying any provision in Parts VIII to X, and any provision of the rules in their application to the debtor's bankruptcy.

(5) An interim order shall not, in relation to a bankrupt, make provision relaxing or removing any of the requirements of provisions in Parts VIII to X, or of the rules, unless the High Court is

satisfied that that provision is unlikely to result in any significant diminution in, or in the value of, the debtor's estate for the purposes of the bankruptcy.

(6) Subject to Articles 230, 233, 234 and 236, an interim order made on an application under Article 227 ceases to have effect on the expiration of 14 days from the day on which it is made.

F5	2002 NI 6
F6	2002 NI 6

Nominee's report on debtor's proposal

230.—(1) Where an interim order has been made on an application under Article 227, the nominee shall, before the order ceases to have effect, submit a report to the High Court stating—

(a) [^{F7}whether, in his opinion, the voluntary arrangement which the debtor is proposing has a reasonable prospect of being approved and implemented,]

[^{F7}(aa)] whether, in his opinion, a meeting of the debtor's creditors should be summoned to consider the debtor's proposal, and

(b) if in his opinion such a meeting should be summoned, the date on which, and time and place at which, he proposes the meeting should be held.

(2) For the purpose of enabling the nominee to prepare his report the debtor shall submit to the nominee—

(a) a document setting out the terms of the voluntary arrangement which the debtor is proposing, and

(b) a statement of his affairs containing—

(i) such particulars of his creditors and of his debts and other liabilities and of his assets as may be prescribed, and

(ii) such other information as may be prescribed.

[^{F8}(3) The High Court may—

(a) on an application made by the debtor in a case where the nominee has failed to submit the report required by this Article or has died, or

(b) on an application made by the debtor or the nominee in a case where it is impracticable or inappropriate for the nominee to continue to act as such,

direct that the nominee shall be replaced as such by another person qualified to act as an insolvency practitioner, or authorised to act as nominee, in relation to the voluntary arrangement.

(3A) The High Court may, on an application made by the debtor in a case where the nominee has failed to submit the report required by this Article, direct that the interim order shall continue, or (if it has ceased to have effect) be renewed, for such further period as the Court may specify in the direction.]

(4) The High Court may, on the application of the nominee, extend the period for which the interim order has effect so as to enable the nominee to have more time to prepare his report.

(5) If the High Court is satisfied on receiving the nominee's report that a meeting of the debtor's creditors should be summoned to consider the debtor's proposal, the Court shall direct that the period for which the interim order has effect shall be extended, for such further period as it may specify in the direction, for the purpose of enabling the debtor's proposal to be considered by his creditors in accordance with the following provisions of this Chapter.

(6) The High Court may discharge the interim order if it is satisfied, on the application of the nominee—

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- (a) that the debtor has failed to comply with his obligations under paragraph (2), or
- (b) that for any other reason it would be inappropriate for a meeting of the debtor's creditors to be summoned to consider the debtor's proposal.

F7 2002 NI 6
F8 2002 NI 6

[^{F9}Procedure where no interim order made

F9 2002 NI 6

Debtor's proposal and nominee's report

230A.—(1) This Article applies where a debtor (being an individual)—

- (a) intends to make a proposal under this Part (but an interim order has not been made in relation to the proposal and no application for such an order is pending), and
- (b) if he is an undischarged bankrupt, has given notice of the proposal to the official receiver and, if there is one, the trustee of his estate,

unless a bankruptcy petition presented by the debtor is pending and the High Court has, under Article 247, appointed an insolvency practitioner to inquire into the debtor's affairs and report.

(2) For the purpose of enabling the nominee to prepare a report to the High Court, the debtor shall submit to the nominee—

- (a) a document setting out the terms of the voluntary arrangement which the debtor is proposing, and
- (b) a statement of his affairs containing—
 - (i) such particulars of his creditors and of his debts and other liabilities and of his assets as may be prescribed, and
 - (ii) such other information as may be prescribed.

(3) If the nominee is of the opinion that the debtor is an undischarged bankrupt, or is able to petition for his own bankruptcy, the nominee shall, within 14 days (or such longer period as the High Court may allow) after receiving the document and statement mentioned in paragraph (2), submit a report to the Court stating—

- (a) whether, in his opinion, the voluntary arrangement which the debtor is proposing has a reasonable prospect of being approved and implemented,
- (b) whether, in his opinion, a meeting of the debtor's creditors should be summoned to consider the debtor's proposal, and
- (c) if in his opinion such a meeting should be summoned, the date on which, and time and place at which, he proposes the meeting should be held.

(4) The High Court may—

- (a) on an application made by the debtor in a case where the nominee has failed to submit the report required by this Article or has died, or
- (b) on an application made by the debtor or the nominee in a case where it is impracticable or inappropriate for the nominee to continue to act as such,

direct that the nominee shall be replaced as such by another person qualified to act as an insolvency practitioner, or authorised to act as nominee, in relation to the voluntary arrangement.

(5) The High Court may, on an application made by the nominee, extend the period within which the nominee is to submit his report.]

[^{F10}Creditors' meeting]

F10 2002 NI 6

Summoning of creditors' meeting

231.—(1) Where it has been reported to the High Court under Article 230^[F11] or 230A] that a meeting of the debtor's creditors should be summoned, the nominee (or his replacement under Article^[F12] 230(3) or 230A(4)) shall, unless the Court otherwise directs, summon that meeting for the time, date and place proposed in his report.

(2) The persons to be summoned to the meeting are every creditor of the debtor of whose claim and address the person summoning the meeting is aware.

(3) For this purpose the creditors of a debtor who is an undischarged bankrupt include—

- (a) every person who is a creditor of the bankrupt in respect of a bankruptcy debt, and
- (b) every person who would be such a creditor if the bankruptcy had commenced on the day on which notice of the meeting is given.

F11 2002 NI 6

F12 2002 NI 6

Consideration and implementation of debtor's proposal

Decisions of creditors' meeting

232.—(1) A creditors' meeting summoned under Article 231 shall decide whether to approve the proposed voluntary arrangement.

(2) The meeting may approve the proposed voluntary arrangement with modifications, but shall not do so unless the debtor consents to each modification.

(3) Subject to paragraph (4), the modifications subject to which the proposed voluntary arrangement may be approved may include one conferring the functions proposed to be conferred on the nominee on another person qualified to act as an insolvency practitioner^[F13] or authorised to act as nominee, in relation to the voluntary arrangement].

(4) The modifications mentioned in paragraph (3) shall not include any modification by virtue of which the proposal ceases to be a proposal^[F13] under this Part].

(5) The meeting shall not approve any proposal or modification which affects the right of a secured creditor of the debtor to enforce his security, except with the concurrence of the creditor concerned.

(6) Subject to paragraph (7), the meeting shall not approve any proposal or modification under which—

- (a) any preferential debt of the debtor is to be paid otherwise than in priority to such of his debts as are not preferential debts, or

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- (b) a preferential creditor of the debtor is to be paid an amount in respect of a preferential debt that bears to that debt a smaller proportion than is borne to another preferential debt by the amount that is to be paid in respect of that other debt.
- (7) The meeting may approve a proposal or modification such as is mentioned in paragraph (6) with the concurrence of the preferential creditor concerned.
- (8) Subject to paragraphs (2) to (7), the meeting shall be conducted in accordance with the rules.
- (9) In this Article “preferential debt” has the meaning given by Article 346; and “preferential creditor” is to be construed accordingly.

F13 2002 NI 6

Report of decisions to High Court

233.—(1) After the conclusion in accordance with the rules of the meeting summoned under Article 231, the chairman of the meeting shall report the result of it to the High Court and, immediately after so reporting, shall give notice of the result of the meeting to such persons as may be prescribed.

(2) If the report is that the meeting has declined (with or without modifications) to approve the debtor's proposal, the High Court may discharge any interim order which is in force in relation to the debtor.

Effect of approval

234.—(1) This Article has effect where the meeting summoned under Article 231 approves the proposed voluntary arrangement (with or without modifications).

(2) The approved arrangement—

- (a) takes effect as if made by the debtor at the meeting, and
- [^{F14}(b) binds every person who in accordance with the rules—
 - (i) was entitled to vote at the meeting (whether or not he was present or represented at it), or
 - (ii) would have been so entitled if he had had notice of it, as if he were a party to the arrangement.]

[^{F14}(2A) If—

- (a) when the arrangement ceases to have effect any amount payable under the arrangement to a person bound by virtue of paragraph (2)(b)(ii) has not been paid, and
- (b) the arrangement did not come to an end prematurely,

the debtor shall at that time become liable to pay to that person the amount payable under the arrangement.]

(3) Chapter I does not apply to the approved voluntary arrangement.

(4) Any interim order in force in relation to the debtor immediately preceding the expiration of the period of 28 days from the day on which the report with respect to the creditors' meeting was made to the High Court under Article 233 ceases to have effect at the end of that period.

(5) Paragraph (4) applies except to such extent as the High Court may direct for the purposes of any application under Article 236.

(6) Where proceedings on a bankruptcy petition have been stayed by an interim order which ceases to have effect under paragraph (4), that petition is deemed, unless the High Court otherwise orders, to have been dismissed.

F14 2002 NI 6

[^{F15} **Additional effect on undischarged bankrupt**

235.—(1) This Article applies where—

- (a) the creditors' meeting summoned under Article 231 approves the proposed voluntary arrangement (with or without modifications), and
- (b) the debtor is an undischarged bankrupt.

(2) Where this Article applies the High Court shall annul the bankruptcy order on an application made—

- (a) by the bankrupt, or
- (b) where the bankrupt has not made an application within the prescribed period, by the official receiver.

(3) An application under paragraph (2) may not be made—

- (a) during the period specified in Article 236(3)(a) during which the decision of the creditors' meeting can be challenged by application under Article 236,
- (b) while an application under that Article is pending, or
- (c) while an appeal in respect of an application under that Article is pending or may be brought.

(4) Where this Article applies the Court may give such directions about the conduct of the bankruptcy and the administration of the bankrupt's estate as it thinks appropriate for facilitating the implementation of the approved voluntary arrangement.]

F15 Art. 235 substituted (27.3.2006) by *Insolvency (Northern Ireland) Order 2005* (S.I. 2005/1455 (N.I. 10)), arts. 1(3), 21(1), Sch. 7 para. 1 (with art. 4); S.R. 2006/21, art. 2 (with S.R. 2006/22, arts. 2 - 7)

Challenge of meeting's decision

236.—(1) Subject to the following provisions of this Article, an application to the High Court may be made, by any of the persons specified in paragraph (2) on one or both of the following grounds, namely—

- (a) that a voluntary arrangement approved by a creditors' meeting summoned under Article 231 unfairly prejudices the interests of a creditor of the debtor;
- (b) that there has been some material irregularity at or in relation to such a meeting.

(2) The persons who may apply under this Article are—

- (a) the debtor;

[^{F16}(b) a person who—

- (i) was entitled, in accordance with the rules, to vote at the creditors' meeting, or
- (ii) would have been so entitled if he had had notice of it,]

(c) the nominee (or his replacement under Article [^{F16} 230(3), 230A(4)] or 232(3)); and

(d) if the debtor is an undischarged bankrupt, the trustee of his estate or the official receiver.

(3) An application under this Article shall not be made

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[^{F17}(a)] after the expiration of 28 days from the day on which the report of the creditors' meeting was made to the High Court under Article 233^{F17} or]

[^{F17}(b) in the case of a person who was not given notice of the creditor's meeting, after the end of the period of 28 days beginning with the day on which he became aware that the meeting had taken place,]

[^{F17} but (subject to that) an application made by a person within paragraph (2)(b)(ii) on the ground that the arrangement prejudices his interests may be made after the arrangement has ceased to have effect, unless it has come to an end prematurely.]

(4) Where on an application under this Article the High Court is satisfied as to either of the grounds mentioned in paragraph (1), it may do one or both of the following, namely—

- (a) revoke or suspend any approval given by the meeting;
- (b) give a direction to any person for the summoning of a further meeting of the debtor's creditors to consider any revised proposal the debtor may make or, in a case falling within paragraph (1)(b), to reconsider his original proposal.

(5) Where at any time after giving a direction under paragraph (4)(b) for the summoning of a meeting to consider a revised proposal the High Court is satisfied that the debtor does not intend to submit such a proposal, the Court shall revoke the direction and revoke or suspend any approval given at the previous meeting.

(6) Where the High Court gives a direction under paragraph (4)(b), it may also give a direction continuing or, as the case may require, renewing, for such period as may be specified in the direction, the effect in relation to the debtor of any interim order.

(7) In any case where the High Court, on an application made under this Article with respect to a creditors' meeting, gives a direction under paragraph (4)(b) or revokes or suspends an approval under paragraph (4)(a) or (5), the Court may give such supplemental directions as it thinks fit and, in particular, directions with respect to—

- (a) things done since the meeting under any voluntary arrangement approved by the meeting, and
- (b) such things done since the meeting as could not have been done if an interim order had been in force in relation to the debtor when they were done.

(8) Except in pursuance of the preceding provisions of this Article, an approval given at a creditors' meeting summoned under Article 231 is not invalidated by any irregularity at or in relation to the meeting.

F16 2002 NI 6

F17 2002 NI 6

[^{F18}**False representations etc.**

236A.—(1) If for the purpose of obtaining the approval of his creditors to a proposal for a voluntary arrangement, the debtor—

- (a) makes any false representation, or
- (b) fraudulently does, or omits to do, anything,

he shall be guilty of an offence.

(2) Paragraph (1) applies even if the proposal is not approved.]

F18 2002 NI 6

Prosecution of delinquent debtors

236B.—(1) This Article applies where a voluntary arrangement approved by a creditors' meeting summoned under Article 231 has taken effect.

(2) If it appears to the nominee or supervisor that the debtor has been guilty of any offence in connection with the arrangement for which he is criminally liable, he shall forthwith—

- (a) report the matter to the Department, and
- (b) provide the Department with such information and give the Department such access to and facilities for inspecting and taking copies of documents (being information or documents in his possession or under his control and relating to the matter in question) as the Department requires.

(3) Where the Director of Public Prosecutions for Northern Ireland institutes criminal proceedings following any report under paragraph (2), the nominee or, as the case may be, supervisor shall give the Director all assistance in connection with the prosecution which he is reasonably able to give.

(4) The High Court may, on the application of the Director of Public Prosecutions for Northern Ireland, direct a nominee or supervisor to comply with paragraph (3) if he has failed to do so.

Arrangements coming to an end prematurely

236C. For the purposes of this Part, a voluntary arrangement approved by a creditors' meeting summoned under Article 231 comes to an end prematurely if, when it ceases to have effect, it has not been fully implemented in respect of all persons bound by the arrangement by virtue of Article 234(2)(b)(i).

Implementation and supervision of approved voluntary arrangement

237.—(1) This Article applies where a voluntary arrangement approved by a creditors' meeting summoned under Article 231 has taken effect.

(2) The person who is for the time being carrying out, in relation to the voluntary arrangement, the functions conferred by virtue of the approval on the nominee (or his replacement under Article^{F19} 230(3), 230A(4)] or 232(3)) shall be known as the supervisor of the voluntary arrangement.

(3) If the debtor, any of his creditors or any other person is dissatisfied by any act, omission or decision of the supervisor, he may apply to the High Court; and on such an application the Court may—

- (a) confirm, reverse or modify any act or decision of the supervisor,
- (b) give him directions, or
- (c) make such other order as it thinks fit.

(4) The supervisor may apply to the High Court for directions in relation to any particular matter arising under the voluntary arrangement.

(5) Without prejudice to section 40(2) of the Trustee Act (Northern Ireland) 1958^{F20} (power of court to appoint trustees), the High Court may, whenever—

- (a) it is expedient to appoint a person to carry out the functions of the supervisor, and
- (b) it is inexpedient, difficult or impracticable for an appointment to be made without the assistance of the Court,

make an order appointing a person who is qualified to act as an insolvency practitioner^{F19} or authorised to act as supervisor, in relation to the voluntary arrangement], either in substitution for the existing supervisor or to fill a vacancy.

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(6) The power conferred by paragraph (5) is exercisable so as to increase the number of persons exercising the functions of the supervisor or, where there is more than one person exercising those functions, so as to replace one or more of those persons.

F19 2002 NI 6
F20 1958 c. 23 (NI)

^{F21}Fast-track voluntary arrangement

F21 Arts. 237A - 237G and preceding cross - heading inserted (27.3.2006) by *Insolvency (Northern Ireland) Order 2005 (S.I. 2005/1455 (N.I. 10))*, arts. 1(3), 21, Sch. 7 para. 2 (with art. 4); S.R. 2006/21, art. 2 (with S.R. 2006/22, arts. 2 - 7)

Availability

237A. Article 237B applies where an individual debtor intends to make a proposal to his creditors for a voluntary arrangement and—

- (a) the debtor is an undischarged bankrupt,
- (b) the official receiver is specified in the proposal as the nominee in relation to the voluntary arrangement, and
- (c) no interim order is applied for under Article 227.

Decision

237B.—(1) The debtor may submit to the official receiver—

- (a) a document setting out the terms of the voluntary arrangement which the debtor is proposing, and
- (b) a statement of his affairs containing such particulars as may be prescribed of his creditors, debts, other liabilities and assets and such other information as may be prescribed.

(2) If the official receiver thinks that the voluntary arrangement proposed has a reasonable prospect of being approved and implemented, he may make arrangements for inviting creditors to decide whether to approve it.

(3) For the purposes of paragraph (2) a person is a “creditor” only if—

- (a) he is a creditor of the debtor in respect of a bankruptcy debt, and
- (b) the official receiver is aware of his claim and his address.

(4) Arrangements made under paragraph (2)—

- (a) must include the provision to each creditor of a copy of the proposed voluntary arrangement,
- (b) must include the provision to each creditor of information about the criteria by reference to which the official receiver will determine whether the creditors approve or reject the proposed voluntary arrangement, and
- (c) may not include an opportunity for modifications to the proposed voluntary arrangement to be suggested or made.

(5) Where a debtor submits documents to the official receiver under paragraph (1) no application under Article 227 for an interim order may be made in respect of the debtor until the official receiver has—

- (a) made arrangements as described in paragraph (2), or
- (b) informed the debtor that he does not intend to make arrangements (whether because he does not think the voluntary arrangement has a reasonable prospect of being approved and implemented or because he declines to act).

Result

237C. As soon as is reasonably practicable after the implementation of arrangements under Article 237B(2) the official receiver shall report to the High Court whether the proposed voluntary arrangement has been approved or rejected.

Approval of voluntary arrangement

237D.—(1) This Article applies where the official receiver reports to the High Court under Article 237C that a proposed voluntary arrangement has been approved.

- (2) The voluntary arrangement—
 - (a) takes effect,
 - (b) binds the debtor, and
 - (c) binds every person who was entitled to participate in the arrangements made under Article 237B(2).
- (3) The High Court shall annul the bankruptcy order in respect of the debtor on an application made by the official receiver.
- (4) An application under paragraph (3) may not be made—
 - (a) during the period specified in Article 237F(3) during which the voluntary arrangement can be challenged by application under Article 237F(2),
 - (b) while an application under that Article is pending, or
 - (c) while an appeal in respect of an application under that Article is pending or may be brought.
- (5) The High Court may give such directions about the conduct of the bankruptcy and the administration of the bankrupt's estate as it thinks appropriate for facilitating the implementation of the approved voluntary arrangement.
- (6) Chapter I of Part VIII does not apply to the voluntary arrangement.
- (7) A reference in this Order or another statutory provision to a voluntary arrangement approved under this Part includes a reference to a voluntary arrangement which has effect by virtue of this Article.

Implementation

237E. Article 237 shall apply to a voluntary arrangement which has effect by virtue of Article 237D(2) as it applies to a voluntary arrangement approved by a creditors' meeting.

Revocation

- 237F.**—(1) The High Court may make an order revoking a voluntary arrangement which has effect by virtue of Article 237D(2) on the ground—
- (a) that it unfairly prejudices the interests of a creditor of the debtor, or
 - (b) that a material irregularity occurred in relation to the arrangements made under Article 237B(2).
- (2) An order under paragraph (1) may be made only on the application of—

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- (a) the debtor,
- (b) a person who was entitled to participate in the arrangements made under Article 237B(2),
- (c) the trustee of the bankrupt's estate, or
- (d) the official receiver.

(3) An application under paragraph (2) may not be made after the end of the period of 28 days beginning with the date on which the official receiver makes his report to the High Court under Article 237C.

(4) But a creditor who was not made aware of the arrangements under Article 237B(2) at the time when they were made may make an application under paragraph (2) during the period of 28 days beginning with the date on which he becomes aware of the voluntary arrangement.

Offences

237G.—(1) Article 236A shall have effect in relation to obtaining approval to a proposal for a voluntary arrangement under Article 237D.

(2) Article 236B shall have effect in relation to a voluntary arrangement which has effect by virtue of Article 237D(2) (for which purposes the words “by a creditors' meeting summoned under Article 231” shall be disregarded).]

Status:

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