



# Insolvency Act 1986

## 1986 CHAPTER 45

### PART VIII

#### INDIVIDUAL VOLUNTARY ARRANGEMENTS

##### *Consideration and implementation of debtor's proposal*

#### **262 Challenge of [<sup>F1</sup>creditors'] decision.**

- (1) Subject to this section, an application to the court may be made, by any of the persons specified below, on one or both of the following grounds, namely—
  - (a) that a voluntary arrangement approved by [<sup>F2</sup>a decision of the debtor's creditors pursuant to] section 257 unfairly prejudices the interests of a creditor of the debtor;
  - (b) that there has been some material irregularity [<sup>F3</sup>in relation to a creditors' decision procedure instigated under that section].
- (2) The persons who may apply under this section are—
  - (a) the debtor;
  - [<sup>F4</sup>(b) a person who—
    - (i) was entitled, in accordance with the rules, to vote [<sup>F5</sup>in the creditors' decision procedure], or
    - (ii) would have been so entitled if he had had notice of it]
  - (c) the nominee (or his replacement under section [<sup>F6</sup>256(3), 256A(4)] or 258(3)); and
  - (d) if the debtor is an undischarged bankrupt, the trustee of his estate or the official receiver.
- (3) An application under this section shall not be made
  - [<sup>F7</sup>(a)] after the end of the period of 28 days beginning with the day on which [<sup>F8</sup>the creditors decided whether to approve the proposed voluntary arrangement or, where a report was required to be made to the court under section 259(1)(b), the day on which the report was made][<sup>F7</sup>or

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- (b) in the case of a person who was not given notice of the [F<sup>9</sup>creditors' decision procedure], after the end of the period of 28 days beginning with the day on which he became aware that [F<sup>10</sup>a decision as to whether to approve the proposed voluntary arrangement had been made],
- but (subject to that) an application made by a person within subsection (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 section the court is satisfied as to either of the grounds mentioned in subsection (1), it may do one or both of the following, namely—
- (a) revoke or suspend any approval given by [F<sup>11</sup>a decision of the debtor's creditors];
- [F<sup>12</sup>(b) direct any person to seek a decision from the debtor's creditors (using a creditors' decision procedure) as to whether they approve—
- (i) any revised proposal the debtor may make, or
- (ii) in a case falling within subsection (1)(b), the debtor's original proposal.]
- (5) Where at any time after giving a direction under subsection (4)(b) [F<sup>13</sup>in relation to] a revised proposal the 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 [F<sup>14</sup>previously given by the debtor's creditors].
- (6) Where the court gives a direction under subsection (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 court, on an application made under this section with respect to a creditors' [F<sup>15</sup>decision], gives a direction under subsection (4)(b) or revokes or suspends an approval under subsection (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 [F<sup>15</sup>decision] under any voluntary arrangement approved by the meeting, and
- (b) such things done since the [F<sup>15</sup>decision] as could not have been done if any 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 section, [F<sup>16</sup>the approval of a voluntary arrangement by a decision of the debtor's creditors pursuant to section 257 is not invalidated by any irregularity in relation to the creditors' decision procedure by which the decision was made.]

#### Textual Amendments

- F1** Word in s. 262 heading substituted (26.5.2015 for specified purposes, 6.4.2017 for E.W. in so far as not already in force) by [Small Business, Enterprise and Employment Act 2015 \(c. 26\), s. 164\(1\), Sch. 9 para. 69\(11\)](#); S.I. 2015/1329, reg. 3(d); S.I. 2016/1020, reg. 4(e) (with reg. 5) (as amended by S.I. 2017/363, reg. 3)
- F2** Words in s. 262(1)(a) substituted (26.5.2015 for specified purposes, 6.4.2017 for E.W. in so far as not already in force) by [Small Business, Enterprise and Employment Act 2015 \(c. 26\), s. 164\(1\), Sch. 9 para. 69\(2\)](#); S.I. 2015/1329, reg. 3(d); S.I. 2016/1020, reg. 4(e) (with reg. 5) (as amended by S.I. 2017/363, reg. 3)
- F3** Words in s. 262(1)(b) substituted (26.5.2015 for specified purposes, 6.4.2017 for E.W. in so far as not already in force) by [Small Business, Enterprise and Employment Act 2015 \(c. 26\), s. 164\(1\), Sch.](#)

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**Changes to legislation:** *Insolvency Act 1986, Section 262 is up to date with all changes known to be in force on or before 03 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

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- 9 para. 69(3);** S.I. 2015/1329, reg. 3(d); S.I. 2016/1020, reg. 4(e) (with reg. 5) (as amended by S.I. 2017/363, reg. 3)
- F4** S. 262(2)(b) substituted (1.1.2003) by 2000 c. 39, s. 3, **Sch. 3 para. 11(1)(a);** S.I. 2002/2711, **art. 2** (subject to transitional provisions in arts. 3-5)
- F5** Words in s. 262(2)(b)(i) substituted (26.5.2015 for specified purposes, 6.4.2017 for E.W. in so far as not already in force) by **Small Business, Enterprise and Employment Act 2015 (c. 26), s. 164(1), Sch. 9 para. 69(4);** S.I. 2015/1329, reg. 3(d); S.I. 2016/1020, reg. 4(e) (with reg. 5) (as amended by S.I. 2017/363, reg. 3)
- F6** Words in s. 262(2)(c) substituted (1.1.2003) by 2000 c. 39, s. 3, **Sch. 3 para. 11(1)(b);** S.I. 2002/2711, **art. 2** (subject to transitional provisions in arts. 3-5)
- F7** Words in s. 262(3) inserted (1.1.2003) by 2000 c. 39, s. 3, **Sch. 3 para. 11(2);** S.I. 2002/2711, **art. 2** (subject to transitional provisions in arts. 3-5)
- F8** Words in s. 262(3)(a) substituted (26.5.2015) by **Small Business, Enterprise and Employment Act 2015 (c. 26), ss. 134, 164(3)(i)(iv)**
- F9** Words in s. 262(3)(b) substituted (26.5.2015 for specified purposes, 6.4.2017 for E.W. in so far as not already in force) by **Small Business, Enterprise and Employment Act 2015 (c. 26), s. 164(1), Sch. 9 para. 69(5)(a);** S.I. 2015/1329, reg. 3(d); S.I. 2016/1020, reg. 4(e) (with reg. 5) (as amended by S.I. 2017/363, reg. 3)
- F10** Words in s. 262(3)(b) substituted (26.5.2015 for specified purposes, 6.4.2017 for E.W. in so far as not already in force) by **Small Business, Enterprise and Employment Act 2015 (c. 26), s. 164(1), Sch. 9 para. 69(5)(b);** S.I. 2015/1329, reg. 3(d); S.I. 2016/1020, reg. 4(e) (with reg. 5) (as amended by S.I. 2017/363, reg. 3)
- F11** Words in s. 262(4)(a) substituted (26.5.2015 for specified purposes, 6.4.2017 for E.W. in so far as not already in force) by **Small Business, Enterprise and Employment Act 2015 (c. 26), s. 164(1), Sch. 9 para. 69(6);** S.I. 2015/1329, reg. 3(d); S.I. 2016/1020, reg. 4(e) (with reg. 5) (as amended by S.I. 2017/363, reg. 3)
- F12** S. 262(4)(b) substituted (26.5.2015 for specified purposes, 6.4.2017 for E.W. in so far as not already in force) by **Small Business, Enterprise and Employment Act 2015 (c. 26), s. 164(1), Sch. 9 para. 69(7);** S.I. 2015/1329, reg. 3(d); S.I. 2016/1020, reg. 4(e) (with reg. 5) (as amended by S.I. 2017/363, reg. 3)
- F13** Words in s. 262(5) substituted (26.5.2015 for specified purposes, 6.4.2017 for E.W. in so far as not already in force) by **Small Business, Enterprise and Employment Act 2015 (c. 26), s. 164(1), Sch. 9 para. 69(8)(a);** S.I. 2015/1329, reg. 3(d); S.I. 2016/1020, reg. 4(e) (with reg. 5) (as amended by S.I. 2017/363, reg. 3)
- F14** Words in s. 262(5) substituted (26.5.2015 for specified purposes, 6.4.2017 for E.W. in so far as not already in force) by **Small Business, Enterprise and Employment Act 2015 (c. 26), s. 164(1), Sch. 9 para. 69(8)(b);** S.I. 2015/1329, reg. 3(d); S.I. 2016/1020, reg. 4(e) (with reg. 5) (as amended by S.I. 2017/363, reg. 3)
- F15** Word in s. 262(7) substituted (26.5.2015 for specified purposes, 6.4.2017 for E.W. in so far as not already in force) by **Small Business, Enterprise and Employment Act 2015 (c. 26), s. 164(1), Sch. 9 para. 69(9);** S.I. 2015/1329, reg. 3(d); S.I. 2016/1020, reg. 4(e) (with reg. 5) (as amended by S.I. 2017/363, reg. 3)
- F16** Words in s. 262(8) substituted (26.5.2015 for specified purposes, 6.4.2017 for E.W. in so far as not already in force) by **Small Business, Enterprise and Employment Act 2015 (c. 26), s. 164(1), Sch. 9 para. 69(10);** S.I. 2015/1329, reg. 3(d); S.I. 2016/1020, reg. 4(e) (with reg. 5) (as amended by S.I. 2017/363, reg. 3)

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**Modifications etc. (not altering text)**

- C1** Ss. 256–263 applied with modifications by S.I. 1986/1999, art. 3, **Sch. I Pt. III**
- C2** S. 262 amended (1.12.2001) by 2000 c. 8, s. 357(5)(a); S.I. 2001/3538, **art. 2(1)**

**Changes to legislation:**

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**Changes and effects yet to be applied to the whole Act associated Parts and Chapters:**

- Act amendment to earlier affecting provision S.I. 1986/1999, art. 3, Sch. 1 Pt. 2 by [S.I. 2017/1119 Sch. 3 para. 1](#)
- Act savings and transitional provisions for amendments by S.I. 2022/1166 by [S.I. 2022/1172 Regulations](#)

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 41HB(2) words substituted by [2018 c. 14 s. 1\(3\)\(b\)](#)