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DEEDS OF ARRANGEMENT ACT

CHAPTER 54

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CHAPTER 54

DEEDS OF ARRANGEMENT ACT

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CHAPTER 54

DEEDS OF ARRANGEMENT ACT

*[Date of commencement: 3rd September, 1930.]***An Act of Parliament to regulate deeds of arrangement**

[Cap. 31 (1948), Act No. 15 of 1961, Act No. 28 of 1961, Act No. 36 of 1962, L.N. 2/1964.]

PART I – PRELIMINARY

1. Short title

This Act may be cited as the Deeds of Arrangement Act.

2. Interpretation

(1) In this Act, except where the context otherwise requires—

“**creditors generally**” includes all creditors who may assent to, or take the benefit of, a deed of arrangement;

“**property**” includes money, goods, things in action, land and every description of property whether movable or immovable and whether situated in Kenya or elsewhere; and also obligations, easements and every description of estate, interest and profit, present or future, vested or contingent, arising out of or incidental to property as above defined.

(2) For the purpose of determining the number of creditors for whose benefit a deed is made, any two or more joint creditors shall be treated as a single creditor.

[Act No. 15 of 1961, Sch.]

3. Deeds of arrangement to which Act applies

(1) A deed of arrangement to which this Act applies includes any instrument of the classes hereinafter mentioned, whether under seal or not—

- (a) made by, for or in respect of the affairs of a debtor for the benefit of his creditors generally;
- (b) made by, for or in respect of the affairs of a debtor who was insolvent at the date of the execution of the instrument for the benefit of any three or more of his creditors,

otherwise than in pursuance of the law for the time being in force relating to bankruptcy.

(2) The classes of instrument hereinbefore referred to are—

- (a) an assignment of property;
- (b) a deed of or agreement for a composition; and
- (c) in cases where creditors of the debtor obtain any control over his property or business—
 - (i) a deed of inspectorship entered into for the purpose of carrying on or winding up a business;

- (ii) a letter of licence authorizing the debtor or any other person to manage, carry on, realize or dispose of a business with a view to the payment of debts; and
- (iii) any agreement or instrument entered into for the purpose of carrying on or winding up the debtor's business, or authorizing the debtor or any other person to manage, carry on, realize or dispose of the debtor's business with a view to the payment of his debts.

PART II – AVOIDANCE OF DEEDS OF ARRANGEMENT
WHERE STATUTORY CONDITIONS NOT COMPLIED WITH

4. Avoidance of unregistered deeds of arrangement

A deed of arrangement shall be void unless it is registered with the Registrar under this Act within seven clear days after the first execution thereof by the debtor or any creditor, or, if it is executed in any place out of the City of Nairobi, then within seven clear days after the time at which it would, in the ordinary course of post, arrive in Nairobi if posted within one week after the execution thereof, and unless it is duly stamped with the proper stamp duty.

[Act No. 15 of 1961, Sch.]

5. Avoidance of deeds of arrangement unless assented to by majority of creditors

(1) A deed of arrangement which either is expressed to be or is in fact for the benefit of a debtor's creditors generally shall be void unless, before or within twenty-one days after the registration thereof, or within such extended time as the High Court or the Court having jurisdiction in bankruptcy in the district in which the debtor resided or carried on business at the date of the execution of the deed may allow, it has received the assent of a majority in number and value of the creditors of the debtor.

(2) The list of creditors annexed to the affidavit of the debtor filed on the registration of the deed of arrangement shall be *prima facie* evidence of the names of the creditors and the amounts of their claims.

(3) The assent of a creditor for the purposes of subsection (1) shall be established by his executing the deed of arrangement or sending to the trustee his assent in writing attested by a witness, but not otherwise.

(4) The trustee shall file with the Registrar at the time of the registration of a deed of arrangement, or, in the case of a deed of arrangement assented to after registration, within twenty-eight days after registration or within such extended time as the High Court or the court having jurisdiction in bankruptcy in the district in which the debtor resided or carried on business at the date of the execution of the deed may allow, a statutory declaration by the trustee that the requisite majority of the creditors of the debtor have assented to the deed of arrangement, which declaration shall, in favour of a purchaser for value, be conclusive evidence, and, in other cases, be *prima facie* evidence, of the fact declared.

(5) In calculating a majority of creditors for the purposes of this section, a creditor holding security upon the property of the debtor shall be reckoned as a creditor only in respect of the balance (if any) due to him after deducting the value

of that security, and creditors whose debts amount to sums not exceeding two hundred shillings shall be reckoned in the majority in value, but not in the majority in number.

PART III – REGISTRATION OF DEEDS OF ARRANGEMENT

6. Registrar

The Registrar-General shall be the Registrar of Deeds of Arrangement for the purposes of this Act.

7. Mode of registration

(1) The registration of a deed of arrangement under this Act shall be effected in the manner prescribed by subsection (2).

(2) A true copy of the deed, and of every schedule or inventory thereto annexed, or therein referred to, shall be presented to and filed with the Registrar within seven clear days after the execution of the deed (in the same manner as a bill of sale given by way of security for the payment of money is required to be filed), together with an affidavit verifying the time of execution, and containing a description of the residence and occupation of the debtor, and of the place or places where his business is carried on, and an affidavit by the debtor stating the total estimated amount of property and liabilities included under the deed, the total amount of the composition (if any) payable thereunder and the names and addresses of his creditors.

(3) No deed shall be registered under this Act unless the original of the deed, duly stamped with the proper stamp duty, is produced to the Registrar at the time of registration.

[Act No. 15 of 1961, Sch.]

8. Form of register

The Registrar shall keep a register wherein shall be entered, as soon as conveniently may be after the presentation of a deed for registration, an abstract of the contents of every deed of arrangement registered under this Act, containing the following and any other prescribed particulars—

- (a) the date of the deed;
- (b) the name, address and description of the debtor, and the place or places where his business was carried on at the date of the execution of the deed, and the title of the firm or firms under which the debtor carried on business, and the name and address of the trustee (if any) under the deed;
- (c) a short statement of the nature and effect of the deed, and of the composition in the pound payable thereunder;
- (d) the date of registration;
- (e) the amount of property and liabilities included under the deed, as estimated by the debtor.

9. Rectification of register

The High Court upon being satisfied that the omission to register a deed of arrangement within the time required by this Act or that the omission or misstatement of the name, residence or description of any person was accidental, or was due to inadvertence or to some cause beyond the control of the debtor and not imputable to any negligence on his part, may, on the application of any party interested and on such terms and conditions as are just and expedient, extend the time for registration, or order the omission or misstatement to be supplied or rectified by the insertion in the register of the true name, residence or description.

10. Time for registration

Where the time for registering a deed of arrangement expires on a Sunday, or other day on which the registration office is closed, the registration shall be valid if made on the next following day on which the office is open.

11. Inspection of register and registered deeds

Any person shall be entitled, at all reasonable times, to search the register on payment of one shilling, or such other fee as may be prescribed, and, subject to such regulations as may be prescribed, shall be entitled, at all reasonable times, to inspect, examine and make extracts from any registered deed of arrangement, without being required to make a written application or to specify any particulars in reference thereto, upon payment of one shilling, or such other fee as may be prescribed, for each deed of arrangement inspected:

Provided that the extracts shall be limited to the dates of execution and of registration, the names, addresses and descriptions of the debtor and of the parties to the deed, a short statement of the nature and affect of the deed and any other prescribed particulars.

12. Local registration of copy of deeds

(1) Where the place of business or residence of the debtor who is one of the parties to a deed of arrangement, or who is referred to therein, is situated in some place within an area in respect of which a district registry of the High Court has been established, the Registrar shall, within three clear days after registration in the principal registry, and, in accordance with the prescribed directions, transmit a copy of the deed to the district registrar of the area in which that place of business or residence is situated.

(2) Every copy so transmitted shall be filed, kept and indexed by the district registrar in the prescribed manner, and any person may search, inspect, make extracts from and obtain copies of the registered copy in the same manner and upon the same terms, as to payment or otherwise, as near as may be, as in the case of deeds registered under this Act.

PART IV – PROVISIONS AS TO TRUSTEES**13. Security by trustee**

(1) The trustee under a deed of arrangement shall, within fourteen days from the date on which the statutory declaration certifying the assent of the creditors is filed give security in the prescribed manner to the judge or registrar of the court having jurisdiction in bankruptcy in the district in which the debtor resided or carried on business at the date of the execution of the deed, in a sum equal to the estimated assets available for distribution amongst the unsecured creditors as shown by the

affidavit filed on registration to administer the deed properly and account fully for the assets which come to his hands unless a majority in number and value of the debtor's creditors, either by resolution passed at a meeting convened by notice to all the creditors, or by writing addressed to the trustee, dispense with his giving such security:

Provided that, when such a dispensation has been so given, the trustee shall forthwith make and file with the Registrar a statutory declaration to that effect, which declaration shall, in favour of a purchaser for value, be conclusive evidence, and in other cases be *prima facie* evidence, of the facts declared.

(2) If a trustee under a deed of arrangement fails to comply with the requirements of this section, the court, having jurisdiction in bankruptcy in the district in which the debtor resided or carried on business at the date of the execution of the deed, on the application of any creditor and after hearing such persons as it may think fit, may declare the deed of arrangement to be void, or may make an order appointing another trustee in the place of the trustee appointed by the deed of arrangement.

(3) A certificate that the security required by this section has been given by a trustee, signed by the registrar to whom it was given and filed with the Registrar, shall be conclusive evidence of the fact.

(4) All moneys received by a trustee under a deed of arrangement shall be banked by him to an account to be opened in the name of the debtor's estate.

(5) In calculating a majority of creditors for the purposes of this section, a creditor holding security upon the property of the debtor shall be reckoned as a creditor only in respect of the balance (if any) due to him after deducting the value of such security, and creditors whose debts amount to sums not exceeding two hundred shillings shall be reckoned in the majority in value but not in the majority in number.

14. Penalty on trustee acting when deed of arrangement void

If a trustee acts under a deed of arrangement—

- (a) after it has to his knowledge become void by reason of non-compliance with any of the requirements of this Act or any enactment repealed by this Act; or
- (b) after he has failed to give security within the time and in the manner provided for by this Act or any enactment repealed by this Act,

he shall be guilty of an offence and liable to a fine not exceeding one hundred shillings for every day between the date on which the deed became void or the expiration of the time within which security should have been given, as the case may be, and the last day on which he is proved to have acted as trustee, unless he satisfies the court before which he is accused that his contravention of the law was due to inadvertence, or that his action has been confined to taking such steps as were necessary for the protection of the estate.

15. Transmission of accounts to Official Receiver

(1) Every trustee under a deed of arrangement shall, at such times as may be prescribed, transmit to the Official Receiver in Bankruptcy, or as he directs, an account of his receipts and payments as trustee, in the prescribed form and verified in the prescribed manner.

(2) If any trustee fails to transmit such account, he shall be guilty of an offence and liable, on conviction by a subordinate court of the first class, to a fine not exceeding one hundred shillings for each day during which the default continues, and the High Court, for the purpose of enforcing the provisions of subsection (1) of this section, shall exercise, on the application of the Official Receiver, all the powers conferred on the court by subsection (2) of section 100 of the Bankruptcy Act (Cap. 53) in cases of bankruptcy.

(3) The accounts transmitted to the Official Receiver in pursuance of this section shall be open to inspection by the debtor or any creditor or other person interested, on payment of the prescribed fee, and copies of or extracts from the accounts shall, on payment of the prescribed fee, be furnished to the debtor, the creditors or any other persons interested.

(4) In this section, “**trustee**” includes any person appointed to distribute a composition or to act in any fiduciary capacity under any deed of arrangement, and “**prescribed**” means prescribed by rules under the Bankruptcy Act.

16. Transmission of accounts to creditors

Every trustee under a deed of arrangement shall, at the expiration of six months from the date of the registration of the deed, and thereafter at the expiration of every subsequent period of six months until the estate has been finally wound up, send to each creditor who has assented to the deed a statement in the prescribed form of the trustee’s accounts and of the proceedings under the deed down to the date of the statement, and shall, in his affidavit verifying his accounts transmitted to the Official Receiver, state whether or not he has duly sent those statements, and the dates on which the statements were sent; and, if a trustee fails to comply with any of the provisions of this section, the High Court may, for the purpose of enforcing those provisions, exercise, on the application of the Official Receiver, all the powers conferred on the Court by subsection (2) of section 100 of the Bankruptcy Act (Cap. 53) in cases of bankruptcy.

17. Audit of accounts

(1) Where, in the course of administration of the estate of a debtor who has executed a deed of arrangement, or within twelve months from the date when the final accounts of the estate were rendered to the Official Receiver, an application in writing is made to the Official Receiver by a majority in number and value of the creditors who have assented to the deed for an official audit of the trustee’s accounts, the Official Receiver may cause the trustee’s accounts to be audited, and in that case all the provisions of the Bankruptcy Act (Cap. 53) relating to the institution and enforcement of an audit of the accounts of a trustee in bankruptcy (including the provisions as to fees) shall, with necessary modifications, apply to the audit of the trustee’s accounts, and the Official Receiver may require production on the audit of a certificate for the taxed costs of any advocate whose costs have been paid or charged by the trustee, and may disallow the whole or any part or any costs in respect of which no certificate is produced.

(2) The Official Receiver may determine how and by what parties the costs, charges and expenses of and incidental to the audit (including any prescribed fees chargeable in respect thereof) are to be borne, whether by the applicants or by the trustee or out of the estate, and may, before granting an application for an audit, require the applicants to give security for the costs of the audit.

18. Payment of undistributed moneys into court

At any time after the expiration of two years from the date of the registration of a deed of arrangement, the court having jurisdiction in bankruptcy in the district in which the debtor resided or carried on business at the date of the execution of the deed may, on the application of the trustee or a creditor, or on the application of the debtor, order that all moneys representing unclaimed dividends and undistributed funds then in the hands of the trustee or under his control be paid into court or to the Official Receiver for the credit of the Bankruptcy Estates account, as the Court deems fit.

19. Preferential payment to creditor an offence

If a trustee under a deed of arrangement pays to any creditor out of the debtor's property a sum larger in proportion to the creditor's claim than that paid to other creditors entitled to the benefit of the deed, then, unless the deed authorizes him to do so, or unless such payments are either made to a creditor entitled to enforce his claim by distress or are such as would be lawful in a bankruptcy, he shall be guilty of an offence and be liable to a fine not exceeding twenty thousand shillings or to imprisonment for a term not exceeding two years, or to both such fine and imprisonment.

[Act No. 28 of 1961, Sch.]

20. Power of High Court to appoint new trustee

(1) The High Court may, whenever it is expedient to appoint a new trustee under a deed of arrangement and it is found inexpedient, difficult or impracticable so to do without the assistance of the Court, make an order for the appointment of a new trustee; and, in particular and without prejudice to the generality of the foregoing provision, the Court may make an order for the appointment of a new trustee in substitution for a trustee who is convicted of felony or is a bankrupt.

(2) An order under this section, and any consequential vesting order or conveyance, shall not operate further or otherwise as a discharge to any former trustee than an appointment of a new trustee under any power for that purpose contained in any deed of arrangement would have operated.

21. Protection of trustees under void deeds

(1) Where a deed of arrangement is void by reason that the requisite majority of creditors have not assented thereto, or, in the case of a deed for the benefit of three or more creditors, by reason that the debtor was insolvent at the time of the execution of the deed and that the deed was not registered as required by this Act, but is not void for any other reason, and a receiving order is made against the debtor upon a petition presented after the lapse of three months from the execution of the deed, the trustee under the deed shall not be liable to account to the trustee in the bankruptcy for any dealings with or payments made out of the debtor's property which would have been proper if the deed had been valid, if he proves that at the time of those dealings or payments he did not know, and had no reason to suspect, that the deed was void.

(2) Where a receiving order is made against a debtor under section 102 of the Bankruptcy Act (Cap. 53), this section shall apply if the receiving order was made after the lapse of three months from the execution of the deed.

22. Notice to creditors of avoidance of deed

When a deed of arrangement is void by virtue of this Act for any reason other than that, being for the benefit of creditors generally, it has not been registered within the time allowed for the purpose by this Act, the trustee shall, as soon as practicable after he has become aware that the deed is void, give notice in writing thereof to each creditor whose name and address he knows, and file a copy of the notice with the Registrar, and if he fails, so to do he shall be guilty of an offence and be liable, on conviction by a subordinate court of the first class, to a fine not exceeding four hundred shillings.

23. Payment of expenses incurred by trustees

Where a deed of arrangement is avoided by reason of the bankruptcy of the debtor, any expenses properly incurred by the trustee under the deed in the performance of any of the duties imposed on him by this Act shall be allowed or paid to him by the trustee in the bankruptcy as a first charge on the estate.

24. Application of Part

The provisions of this Part, except such of those provisions—

- (a) as relate to the transmission of accounts to the Official Receiver of debtors' estates;
- (b) as provide for the protection of trustees under void deeds;
- (c) as require a notice to be given to creditors of avoidance of deeds;
- (d) as provide for the payment of expenses incurred by trustees,

shall not apply to a deed of arrangement made for the benefit of any three or more of the debtor's creditors unless it is in fact for the benefit of the debtor's creditors generally.

PART V – GENERAL**25. Courts in which applications for enforcement of trusts to be made**

Any application by the trustee under a deed of arrangement which either is expressed to be or is in fact for the benefit of the debtor's creditors generally, or by the debtor or by any creditor entitled to the benefit of such a deed of arrangement, for the enforcement of the trusts or the determination of questions under it shall be made to the High Court.

26. Relation to bankruptcy law

(1) If the trustee under a deed of arrangement which either is expressed to be or is in fact for the benefit of the debtor's creditors generally serves in the prescribed manner on any creditor of the debtor notice in writing of the execution of the deed and of the filing of the statutory declaration certifying the creditors' assents with an intimation that the creditor will not after the expiration of two months from the service of the notice be entitled to present a bankruptcy petition against the debtor founded on the execution of the deed or on any other act committed by him in the course or for the purpose of the proceedings preliminary to the execution of the deed as an act of bankruptcy, that creditor shall not, after the expiration of that period, unless the deed becomes void, be entitled to present a bankruptcy petition against the debtor founded on the execution of the deed or any act so committed by him as an act of bankruptcy.

(2) Where a deed of arrangement referred to in subsection (1) has become void by virtue of this Act or any enactment repealed by this Act, the fact that a creditor has assented to the deed shall not disentitle him to present a bankruptcy petition founded on the execution of the deed of arrangement as an act of bankruptcy.

(3) Save as otherwise expressly provided by this Act, nothing in this Act shall be construed as repealing or shall affect any provision of the law for the time being in force in relation to bankruptcy or shall give validity to any deed or instrument which by law is an act of bankruptcy or void or voidable.

27. Office copies

Subject to the provisions of this Act, and to any rules made thereunder, any person shall be entitled to have an office copy of, or extract from, any deed registered under this Act upon paying the prescribed fees, and any such copy or extract shall, in all courts and before all arbitrators or other persons, be admitted as *prima facie* evidence thereof, and of the fact and date of registration as shown thereon.

28. Fees

There shall be taken, in respect of the registration of deeds of arrangement, and in respect of any copies or extracts or official searches made by the Registrar, such fees as may be from time to time prescribed; and nothing in this Act contained shall make it obligatory on the Registrar to do, or permit to be done, any act in respect of which any fee is specified or prescribed, except on payment of that fee.

29. Rules

The Chief Justice may make rules for carrying into effect the objects of this Act.

[Act No. 28 of 1961, Sch., Act No. 36 of 1962, Sch.]
