



New Pathways for International Creditors to Fight Fraudulent Conveyance in Dubai

Courts in the United Arab Emirates and wider Middle East continue to signal openness to the recognition and enforcement of overseas judgments and awards. In what appears to be a first, a UAE court has taken further steps in that direction by ordering the unwinding of a fraudulent conveyance, giving creditors additional tools to combat recalcitrant debtors in the region.

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There are growing opportunities for foreign creditors to take unprecedented actions against debtors in the United Arab Emirates (UAE) and wider Middle East as courts in the UAE continue to signal their openness to the recognition and enforcement of overseas judgments and awards. This includes overcoming a fraudulent conveyance – one of the more common strategies debtors deploy to avoid their obligations to creditors.

Launching a Fraudulent Conveyance Action in the UAE Civil Courts

In what appears to be an unprecedented judgment for a judgment holder, UAE courts have recently issued a decision unwinding the fraudulent transfer of shares from a debtor to a family member.

The underlying company is active in the UAE, and the transfer of shares took place before the issuance of a final judgment confirming the debt owed to the client. Kobre & Kim and co-counsel were able to leverage the recognition of the English judgment in the UAE, and successfully pursue a UAE civil claim similar to a fraudulent conveyance action in the UK.

Based on the evidence presented, the court was satisfied that the debtor intended to defraud the client by disposing of his shares and that the debt became due when the debtor defaulted on the installment payments under the loan agreement.

Debtors often frustrate creditors by fraudulently transferring their assets out of reach, but as the above demonstrates, judgment creditors can leverage creative cross-border actions to construct a novel strategy in the UAE to unwind a debtor's fraudulent transfer.

Along with the creditor tools available in bankruptcy proceedings and the prospect of personal liability against individual directors, this further indicates the rapidly growing number of creditor tools available in the UAE to combat recalcitrant debtors across the region.

About Kobre & Kim

Kobre & Kim is a global law firm that focuses on cross-border disputes and investigations, often involving fraud and misconduct. The firm:

- Formulates and executes cross-border strategies across global jurisdictions, including Dubai, Israel, Cyprus, PRC, Hong Kong, Korea, Brazil, Cayman, BVI, New York and Delaware.
- Focuses on helping clients realize value from their claims, developing investigative, enforcement and asset tracing/recovery plans in the pre-dispute stage to maximize future monetization.

- Often works with other law firms as special counsel to enforce high-value judgments, arbitration awards, and defaulted debt worldwide with our integrated team of former government prosecutors, Hong Kong solicitors, UK solicitors and barristers (including King's Counsel) and offshore lawyers.

- Maintains our independence as advocates ready to litigate against virtually any institution by avoiding repeat client relationships, and the conflicts of interest that come with them.