

SHIP ARREST IN ISRAEL



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1. Please give an overview of ship arrest practice in your country.

1 Sources of the Admiralty Court's Jurisdiction

The jurisdiction of the Israel Admiralty Court (which sits in Haifa) is established by the 1840 and 1861 English Admiralty Acts. These acts were extended to the Dominions and Possessions of the United Kingdom by the Colonial Courts of the Admiralty Act 1890. Under the Palestine Admiralty Jurisdiction Order of 1937 these acts were extended to Palestine, then a British mandated Territory.

When the State of Israel was established in 1948, under the Law and Administration Ordinance, the Admiralty Court Acts of 1840 and 1861 became part of the domestic legislation of the newly established State.

In the year 1960 the Israel Shipping Law (Vessels) was enacted. Section 41 of this law determines the Maritime Liens and their priorities, as follows:

- (1) The official expenses of selling a vessel pursuant to a judicial sale,
- (2) Port and port related charges and expenses,
- (3) The costs of preserving a vessel pending Judicial sale,
- (4) Payments due to the master and crew including damages for personal injury,
- (5) Salvage expenses relating to the vessel, its cargo and equipment on board and expenses incurred in saving the lives of the crew and passengers.
- (6) Damages for personal injuries to passengers
- (7) Damages resulting from collisions or damage caused by the vessel to port installations and buildings, dry docks, and loss or damage to cargo and to passengers personal effects,
- (8) Mortgages - no distinction is drawn between a local or foreign registered Mortgage,
- (9) Necessaries.

The question of the existence of a Maritime Lien or a Statutory Claim in Rem is determined by the "Lex Causa" and the priorities, being procedural by the the "Lex Fori". If a party wants to prove the Lex Causa this is done by providing the Court with an expert opinion. If no such opinion is provided in accordance with the identity of a laws principle, Israel law will be applicable.

1.2 The Application for Arrest

The Application for Arrest must be filed with the Claim in Rem.

The Application must be supported by an Affidavit. In practice a scanned Affidavit confirmed in front of the foreign lawyer or by an Israeli lawyer (by fax or e-mail) will be sufficient. Additionally

the Affidavit can be given by the arresting attorney. Copies of all the relevant documents in support of the arrest are attached to the Affidavit.

A Power of Attorney is not required.

The Court has a discretion to order that the arresting party furnish security. The Court will order so on rare occasions such as when there is a serious doubt as to the validity of the documents constituting the application for arrest.

Special mention should be made of the Haifa Admiralty Court's rather liberal attitude when ordering an arrest for necessities. The Court will order an arrest even if the necessities were not supplied directly by the Claimant (for example when they were supplied by a subcontractor or a local agent) and even if the Master did not sign the agreement for the supply of the necessities.

The arrest procedure is relatively swift and the arrest can be effected within 24 hours of receiving instructions.

If the application is made on a Saturday or Public holiday, this period may be extended as a result of the necessity to appear before the roster Judge and obtaining the formal Order of Arrest which is issued by the Marshal of the Admiralty Court.

The Order of Arrest will be normally discharged by the provision of a P&I Club or other acceptable guarantee. In the latter case this would be normally a local bank guarantee.

The Vessel can apply to set aside the Arrest by contesting the merits of the claim or, on the grounds that the claim does not constitute a maritime lien or a statutory right in Rem under the Lex Causa or that the Admiralty Court does not have jurisdiction.

In order to avoid delay to the vessel, security can be furnished without prejudice and subject to the vessel's rights to contest the Arrest and to have the security provided cancelled.

Upon serving the Order of Arrest on the vessel's Command, the Port Authority and Border Police, the Arrest becomes effective.

1.3 Court Fees and Legal Costs

The Court fees payable are 2.5% of the amount claimed in the Claim in Rem of which half is payable at the time of filing the claim. No additional Court fee is payable for the Application of Arrest.

The legal fees for attending to the Arrest excluding VAT (at present 16%) and disbursements, are between US\$3,000.- and US\$6,500.-, depending on the complexity and urgency of the matter.

2. Which International Convention applies to arrest of ships in your country?

There are no International Conventions which apply to the arrest of ships in Israel.

3. Is there any other way to arrest a ship in your jurisdiction?

Ships or any other property of the debtor can be provisionally attached in a normal civil claim. This requires that the cause of action is within the Court's normal civil jurisdiction and the provision of a guarantee.

4. Are these alternatives e.g. saisie conservatoire or freezing order?

Apart from arrest or attachment no other alternatives for detaining the debtors property are available.

5. For which types of claims can you arrest a ship?

Those claims in respect of which the Admiralty Court has jurisdiction in terms of the enactments stated in Clause 1 above.

6. Can you arrest a ship irrespective of her flag?

A ship can be arrested irrespective of its flag except an Israel registered vessel cannot be arrested for necessities supplied in Israel.

7. Can you arrest a ship irrespective of the debtor?

Israel law follows the Procedural Theory of Arrest so that there must be also a valid claim in persona – unless the maritime lien or statutory right in rem is clearly available irrespective of ownership or control of the ship.

8. What is the position as regards sister ships and ships in associated ownership?

It is not possible to arrest sister ships and ships in associated ownership. It is possible to attach same. See Clause 3 above. In the case of ships in associated ownership, attachment would be subject to "lifting the corporate veil".

9. What is the position as regards Bareboat and Time-Chartered Vessels?

A ship can be arrested for an obligation incurred by a Bareboat Charterer. It is doubtful whether an arrest can be made for an obligation of a Time Charterer unless the maritime lien or statutory right in rem clearly confers this right.

10. Do your Courts require counter-security in order to arrest a ship?

Not normally, only in exceptional cases where the Court has material doubts as to the cause of action as same appears from the documentation filed in support of the Arrest.

11. Is there any difference in respect to arresting a ship for a maritime claim and a maritime lien?

For Arrest purposes the Courts make no distinction between the historical maritime liens which are embodied in the 1840 and 1861 Admiralty Acts and the additional maritime liens (which are in effect statutory claims in rem) constituted by the Section 40 of the Shipping Law 1960. See Clause 1 above.

12. Does your country recognise maritime liens? Under which International Convention, if any?

Yes, as in Clause 11 above. None of the International Arrest Conventions apply in Israel.

13. What lapse of time is required in order to arrest a ship since the moment the file arrives to your law firm?

Normally one day.

14. Do you need to provide a POA, or any other documents of the claim to the Court?

A POA is not obligatory. The Claimant must furnish an Affidavit which should clearly set out the cause of action and the documents in support thereof should be attached to the Affidavit.

15. What original documents are required, what documents can be filed electronically, what documents require notarisation and/or apostille, and when are they needed?

For the Arrest Application and Order no original documents are required, but the originals would have to be produced if the claim proceeds to trial.

16. Will your Courts accept jurisdiction over the substantive claim once a vessel has been arrested?

The Court will only accept jurisdiction if the Claim in Rem is recognised under the laws mentioned in Clause 1 above. The Application for Arrest is ancillary to the Claim in Rem which means that if there is no jurisdiction over the Claim in Rem – an arrest cannot be effected.

17. Which period of time will be granted by the Courts in order for the claimants to take legal action on the merits?

After preliminary hearings the matter is normally concluded within one year as from the date of filing the Claim in Rem. As a matter of practice the Arrest in itself normally determines the matter.

18. Do the Courts of your country acknowledge wrongful arrest?

The Court can award damages for wrongful arrest if the arrest or attempted arrest is malicious or grossly negligent.

19. Do the Courts of your country acknowledge the piercing and lifting of the corporate veil?

The Corporate veil can be lifted in circumstances of fraud, deceit or maliciousness.

20. Is it possible to have a ship sold pendente lite; if so how long does it take?

A ship can be sold pendente lite if it can be shown that the continuation of the arrest will substantially

affect the value of the ship. In this case the net sale proceeds are regarded as having substituted the ship for all purposes, including the eventual determination of the validity of the claims in rem and the priorities.



** John Harris graduated from the University of Cape Town. Having emigrated to Israel he established the legal firm of J. Harris & Co. which is dedicated to the practice of Maritime and Admiralty law. The firm represents major Israeli shipping concerns and acts as the correspondent of a number of prominent London law firms.*

*The firm regularly receives a "highly recommended" rating from Legal 500.
John Harris is an Associate member of the London Maritime Arbitrators Association.*

Yoav Harris is a regular contributor to the leading Israel shipping publication "Cargo" and to international publications. The firm has established a number of important shipping law precedents in the Israel Supreme Court, the highest Court of Appeal.

** The shipping group which has been in existence for more than 35 years is comprised of Adv. John Harris and Adv. Yoav Harris. It constantly receives a very highly recommended rating from Legal500 'the response time is excellent as is the quality of the advice'. The 'best shipping lawyer in Israel', John Harris is 'a seasoned professional who can handle the biggest cases, both wet and dry'.*

Adv. Yoav Harris graduated in 1999 with distinction from the law faculty of Haifa University. He has been in practice for 11 years and specialises in maritime law and commercial litigation. He is a partner in the Israeli and international law firm of "Doron, Tikotzky" and is the head of the maritime department which cooperates with John Harris & Co. Adv. Yoav Harris contributes legal articles to the Israeli Transport monthly Magazine, "The Cargo". He is contributor to the quarterly publication "ARBITRATION WATCH" and is an instructor in the newly established Maritime Resources (Law) Research Center of Haifa University (Faculty of Law).