

SHIP ARREST IN CYPRUS



By George Zambartas,
Dr. Sonia Ajini & Anthia Savvidou*

L. G. ZAMBARTAS LLC

gz.law@zambartaslaw.com.cy

www.zambartaslawoffices.com

Euro House, 1st Floor, 82 Spyrou Kyprianou Street,

Limassol 4042, Cyprus

Tel: 00357 25373734

Fax: 00357 25725502

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

The Cyprus Admiralty jurisdiction is exercised by the Supreme Court which by virtue of rule 50 of the Admiralty Jurisdiction Order gives an absolute right for arrest of the vessel or property. However, by virtue of an amendment to the Courts of Justice Law (Law 136 of 1991), any admiralty case, irrespective of the amount of the claim, will be tried by the District Courts.

It is necessary for the Admiralty Court to be satisfied that there is a serious matter of trial and that on the facts presented there is a probability that the claimant is entitled to relief. In the event that the application for the arrest of a vessel is successful, the Admiralty Court will require the following from the claimant:

- a) Lodgement of a deposit for the expenses which may be incurred by the Admiralty Marshal in connection with the custody and supervision of the vessel whilst under arrest;
- b) Lodgement of any other amount of money required by the Registrar for the expenses of the arrest; and
- c) Posting a security bond by way of a Cyprus Bank Guarantee.

Failure to comply with the above requirements will automatically result in release of the vessel.

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

Cyprus is not a party to the 1952 Arrest Convention nor the Brussels Liens and Mortgage Conventions. The United Kingdom signed the said Arrest Convention in 1952 and the Administration of Justice Act Part 1 was subsequently passed in order to enable the United Kingdom to ratify the Arrest Convention. The said Act is applicable in Cyprus by virtue of its Constitution and section 29 of Law the Courts of Justice Act (14/60).

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

No, there is no other way to arrest the vessel. In cases where the claimant cannot proceed with the arrest of a vessel, he may seek a "freezing" Mareva injunction which is normally granted when the defendants have no further assets in Cyprus and there is risk of alienation/ dissipation of assets. The application for a Mareva injunction is made *ex parte*.

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

A "freezing injunction" is an option.

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

The Admiralty Court has jurisdiction to hear the following claims:

- a) claim to possession or ownership of a vessel or to ownership of any share therein;
- b) question arising between the co-owners of a vessel as to possession, employment, or earnings of that vessel;
- c) claim in respect of a mortgage of or charge on a vessel or any share thereof;
- d) claim for damage done by a vessel;
- e) claim for damage received by a vessel;
- f) claim for loss of life or personal injury sustained in consequence of defect in a vessel or in her apparel/ equipment, or of a wrongful act, neglect, or default of owners, charterers, or persons in possession or control of a vessel or of master or crew thereof or of any other person for whose wrongful acts, neglects, or defaults owners, charterers, or persons in possession or control of a vessel are responsible, being an act, neglect or default in navigation or management of the vessel, in loading, carriage, or discharge of goods or in embarkation, carriage, or disembarkation of person;
- g) claim for loss or damage to goods carried in a vessel;
- h) claim arising out of any agreement relating to carriage of goods in a vessel or to use/charter;
- i) claim in nature of salvage;
- j) claim in nature of towage in respect of a vessel;
- k) claim in nature of pilotage in respect of a vessel;
- l) in respect of goods or materials supplied to a vessel for her operation or maintenance;
- m) claim in respect of construction, repair, equipment of a vessel, dock charges/ dues;
- n) claim by a master or crew for wages and claim by or in respect of a master or crew for any money or property which, under any provisions of the Merchant Shipping Acts 1894-1954, is recoverable as wages at Court or in the manner in which wages may be recovered;
- o) claim by a master, shipper, charterer, or agent in respect of disbursements made a vessel's account;
- p) claim arising out of a general average act;
- r) claim arising out of bottomry; and
- s) claim for the forfeiture or condemnation of a vessel or of goods

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

You can arrest a ship in Cyprus irrespective of her flag.

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

You can arrest a ship in Cyprus irrespective of the debtor unless the debtor is in a position to claim sovereign immunity.

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

The Administration of Justice Act 1956 is applicable in Cyprus. Although section 3(3) of the said Act enables a claimant to arrest a vessel to which a maritime lien attaches, no provisions are contained therein in respect of the arrest of a "sister vessel". This situation is compensated by section 3(4) of the Act which provides that the admiralty jurisdiction of the High Court may be invoked (whether the claim gives rise to a maritime lien over the vessel or not) by an action *in rem* against "..... (b) any other ship which, at the time when the action is brought, is beneficially owned as aforesaid". It should be distinguished that a person who possesses a maritime lien in respect of that "other ship" has no higher right or priority than that enjoyed, under circumstances by a statutory lien.

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

Bareboat Owners and Time Charterers are viewed as 'disponent owners' of vessels. In the case the claims mentioned in (d) to (r) above, where a person who would be liable on claim in an action in personam was, when the cause arose, owner or charterer of, in possession or in control of, the vessel, the Admiralty jurisdiction of the Supreme Court may be invoked by an action *in rem* against:

- a) the vessel, if at the time when the action is brought, she is beneficially owned in respect of all the shares therein by that person; or
- b) any other ship which, at the time when the action is brought, is beneficially owned as aforesaid.

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

The claimant is required to post a security bond by way of a Cyprus Bank Guarantee in respect of damages that the defendant vessel might suffer if the arrest proves to be wrongful. The amount of the security to be provided is at the discretion of the Court which will take into account all circumstances of the case. Usually, 10% to 15% of the claimed amount will need to be put up although in a few exceptional cases we have seen the court order as much as 50% of the claimed amount.

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

There is no difference in the procedure between a maritime lien and a maritime claim. However it should be noted that under Cyprus Law maritime liens enjoy certain advantages over all other permitted *actions in rem*.

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

Under the English Administration of Justice Act 1956, the following maritime liens are recognised under Cyprus Law:

- a) Bottomry;
- b) Salvage;
- c) Wages;
- d) Master's Wages;
- e) Disbursements and liabilities; and
- f) Damage done by a ship.

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

It will normally take between 2 - 4 business days to arrest the vessel from the moment we receive supporting documents and instructions.

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

No POA is required to bring the claim and present the Arrest Application to the relevant Court.

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

All admiralty actions whether *in rem* or *in personam* are instituted with the issue of a writ of summons. Name, place of residence, occupation of every claimant and defendant and a concise statement of the claim made or relief/ remedy sought, should be included in the structure of the writ.

The issue of the writ gives the claimant a right against the vessel which originates from the cause of action *in rem* and crystallizes upon the arrest of the vessel.

The claimant should file with the Court an affidavit appertaining to the nature of the claim and stating that the aid of the Court is required.

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

The substantive claim must be issued in the Admiralty Court by writ of summons for the arrest to be granted. In an action against the vessel, her physical presence within the jurisdictional waters of Cyprus is essential for the foundations of the Court's jurisdiction *in rem*.

17. What is the procedure to release a ship from arrest?

The procedural rule sets out that any person may file an application for releasing a vessel under arrest and that the Court may order the release of such vessel upon such conditions, after lodging a security or payment of any estimated costs with regard to the removal of the vessel. Thus, any application for the release of a ship should be conducted through the submission of an autonomous action for such release. There are instances whereby a confirmation by the Registrar of the Court to the Admiralty Marshal will be adequate for the ship to be release from arrest, after the security is paid.

18. What type of security needs to be placed for the release?

The type of security is usually in the form of a Cyprus Bank Guarantee.

19. Does security need to cover interest and costs?

When evaluating the amount requested for security, it is usually the case that the security cannot be more than what the ship is worth.

A claimant will also ask for interest and costs, however the initial arrest expenses are paid by the arresting party to the Admiralty Marshal who is responsible for the maintenance of the vessel, while it is under arrest.

20. Are P&I LOUs accepted as sufficient to lift the arrest?

P&I & LOUs are not recognised by Courts; Courts require the Bank Guarantee in order to lift the arrest.

21. How long does it take to release the ship?

It depends on the circumstances of each case. If security is paid, and the Court orders for such release, usually within a day the vessel can be released.

22. Is there a procedure to contest the arrest?

Yes, wrongful arrests are recognized under Cyprus Law and test for wrongful arrest is primarily “bad faith”.

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

Under Cyprus Law, in an action *in rem*, the writ of summons must be served at least 21 days, and in an action *in personam*, at least 10 days, before the date named in the writ of summons for the appearance of the parties before the Admiralty Court.

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

Cyprus Courts acknowledge concept of wrongful arrest, hence the requirement for the claimant to post security.

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

Cyprus Courts will only pierce and lift the corporate veil in very exceptional circumstance (basically fraud).

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

It is possible to have a ship sold *pendente lite*.

Typical grounds for an application are that a vessel is costing a disproportionate amount in daily expenses or is deteriorating owing to being under arrest for a long time or that a cargo is perishable. Therefore, the continuing and mounting expenses of arrest and the fact that goods are deteriorating are good reasons which a Court may consider in ordering the property to be sold *pendente lite*.

It is very difficult to advise on the precise timescale involved as this will largely be determined on a case by case basis and any objection by the Respondent to the Application will greatly prolong the process.

**Mr. George Zambartas holds a Bachelor of Arts degree in Law and Politics from the University of London's Queen Mary College and has over 20 years experience as a lawyer in England and in Cyprus. He has extensive experience in shipping encompassing ship financing, maritime claims (including ship arrest), ship management and purchase/sales of ships, including new builds. He has been instructed by leading international law firms and banks to provide legal opinions on high value shipping transactions on matters of Cyprus Law. He has undertaken ship registration, re-flagging, re-naming and parallel registration in all major registries around the world.*

He has also given presentations on numerous shipping topics at various seminars. He moved to Cyprus in 1999 to take up the position as in house Legal Advisor of a global Shipping Company with a fleet of over 100 vessels. In August 2008 he set up his own law firm L.G. Zambartas LLC.

**Dr. Sonia joined L.G. Zambartas LLC in February 2010. In 2003 she graduated from the Law Faculty of the University of Matej Bel in Slovakia where she obtained her Master's degree in Law.*

In 2005 she also obtained academic title doctor of law with her major subject being International Law. In 2007 she obtained the Postgraduate Diploma in Maritime Law at the London Metropolitan University and in 2014 she obtained an LLM in maritime law.

She predominantly deals with commercial, contract, companies laws, maritime claims, maritime and admiralty law, alternative dispute resolution in Cyprus as well as intellectual property law.

In 2011 Sonia became a vice-president and director of Women's International Shipping and Trading Association Cyprus and secretary general of the Cyprus Arbitration and Mediation Centre.

**Anthia holds an LLB with American Legal Studies graduating with First Class Honours. She then continued her studies earning an LLM in International Commercial Law specialising in Shipping from the University of Birmingham and was admitted to the Cyprus Bar Association in June 2011. She has previously worked as an intern in an American Law Firm dealing with complex issues of personal injury and wrongful death claims. Anthia's current areas of practice include civil litigation representing clients in a wide range of cases including maritime claims, property disputes, commercial and banking matters.*

Anthia has also advised clients on a variety of complex commercial matters including the application of EU Directives into Cyprus law, preparing detailed advice in relation to the risk of piercing the corporate veil in Cyprus and in respect to many other various corporate, commercial and shipping matters.