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Ship Arrest vs Shipowner's Bankruptcy

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LITHUANIA

The Shiparrested.com 15th Annual Member's Conference

24-26 May 2018, Malaga



SALE OF VESSELS IN BANKRUPTCY PROCEEDINGS

- Forced sale in bankruptcy = “clean title” under 1993 Convention?
- Sale in execution process equal to the sale in bankruptcy proceedings?
- Lithuanian laws re sale of assets in bankruptcy proceedings differ from requirements embodied in 1993 Convention
- Decision has been made to follow local bankruptcy rules and strictly obey conventional notifications
- Claims of the creditors were approved by Lithuanian court and funds after the auction of the fleet distributed by the bankruptcy administrator in accordance with 1993 Convention and local bankruptcy laws



PLACE OF SALE AND EFFECTS OF FORCED SALE (ART. 12)

In the event of the forced sale of the vessel in a State Party, all registered mortgages, "hypothèques" or charges (...) and all liens and other encumbrances of whatsoever nature, shall cease to attach to the vessel, provided that:

- at the time of the sale, **the vessel is in the area of the jurisdiction of such State**
- and*
- the sale has been effected in accordance with the law of the said State and the provisions of Convention



BANCRUPTCY OF UAB BALTIJOS GRUPE: ARREST OF M/V GLOBAL1



- During forced sale in Lithuanian bankruptcy proceedings the Vessel was in Izmir port, Turkey, arrested by bunkers provider
- Previous crew submitted a claim against new shipowner and arrested the Vessel in Kocaeli port
- Turkish court adjudged the sums claimed arguing that the forced sale in Lithuania was void in respect of Turkish law due to the Vessel being physically anchored in Turkish waters during the sale in bankruptcy proceedings



BANKRUPTCY OF UAB LITHUANIAN SHIPPING COMPANY: ARREST OF M/V ROMUVA



- Five vessels of Lithuanian company have been sold in bankruptcy proceedings (two of them being in foreign ports)
- Danish bunkering company arrested m/v Romuva in Dakar port (Senegal) on the basis of NY arbitration decision adopted in USA before bankruptcy case in Lithuania
- The creditor has filed its creditory claim in Lithuanian bankruptcy proceedings as well and actively participated therein
- The vessel has spent 37 days in Dakar port – during that time the judge has found no time



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- *No. 1 in Lithuania, Shipping & Aviation (2018, Legal 500)*
- *24/7 assistance in Klaipeda Seaport*
- *Cross-border cases*
- *Team of professional shipping lawyers*

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