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Safe and secure: Jersey Royal Court offers guidance on its security law in case of Rassmal Investments LLC

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The Royal Court of Jersey 's recent decision in *Rassmal Investments LLC v Mubarak Abdullah Al Suwaiket & Sons* [2025] JRC 220 provides useful guidance for those involved in secured lending and enforcement under Jersey's Security Interests (Jersey) Law 2012 (the **Law**).

Background and key facts

Rassmal Investments LLC (**Rassmal**) and Abdullah Al Suwaiket & Sons (**ASG**) collaborated on the acquisition and development of a prime development site at Vauxhall Cross, London (**VX**). Both invested £35m for an equal shareholding in a Jersey company, VCIL. The company structure was typical: VCIL was the investment vehicle; its wholly owned subsidiary, VCII, was the intermediate holding vehicle; and VCII's wholly owned subsidiary, VCIP, was the property holding company, which owned VX (the **VCI Companies**).

Following issues to obtain funding to pay the balance due for the purchase of VX, ASG provided a loan of £60m to VCIL under a Murabaha Agreement (the **Murabaha**) supported by a Jersey security interest agreement (**SIA**) over Rassmal's shares in VCIL. In addition, ASG obtained further security over VCIL' s assets, including its shares in VCII.

The Murabaha fell into default, and, in May 2020, pursuant to the SIA, ASG enforced its security and appropriated Rassmal's shares in VCIL. ASG sold the shares to a newly formed SPV, MAMS, for £1 (the **First Enforcement**), thus divorcing Rassmal from the VCI Companies and VX. In carrying out the First Enforcement, ASG relied on independent professional valuations in respect of VX and VCIL and attributed a value of £21m to Rassmal's shares accordingly.

In December 2020, with the Murabaha still in default, ASG appropriated and sold VCIL's shares in VCII to MAMS for £1 (the **Second Enforcement**), relying on further independent professional valuations obtained by it, which valued VCII at nil.

Rassmal's claims

Rassmal made a number of claims, principally against ASG. In this article, we focus on the claims made in respect of the Law.

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Rassmal challenged both enforcements, alleging breaches of article 46 the Law. This provides that a secured party who appropriates or sells collateral under the Law has a duty:

a. To take all commercially reasonable steps to determine/obtain fair market value of the collateral at the time of the appropriation/sale; and
b. To act in other respects in a commercially reasonable manner in relation to the appropriation/sale.

Rassmal claimed that ASG had a duty to sell VX on the open market in order to ascertain the true or fair market value of its shares.

Court's decision

The Court dismissed Rassmal's claims overall, concluding as follows:

The SIA

- The Court held that this was an agreement between a creditor and an entity which agreed to stand as a debtor in their own right.
- In view of the history of the relationship between Rassmal and ASG, the Court found that the SIA was subject to an implied duty of good faith.

The scope and effect of the Law

- The Law is a self-contained code with no implied equitable duties derived from the English law of mortgages.
- The duty under article 46 of the Law to obtain a valuation in a commercially reasonable manner is objective. There may be a range of compliant approaches, but the secured party cannot select a method merely because it produces the lowest figure or otherwise suits its interests.
- There was no obligation on ASG to sell VX on the open market in order to establish fair market value – that would be contrary to the terms of the Law and not commercially reasonable in this case.
- The article 46 duty is the secured party's: even if an independent valuer is engaged, the secured party remains legally responsible for the valuation. If the valuer’s approach is not commercially reasonable, the duty is breached.

First Enforcement

- ASG was found to have acted in good faith and reasonably in obtaining professional independent valuations.
- However, the valuations ASG obtained were 'prepared for enforcement' and materially flawed as they understated the value of VX.
- The court held that ASG were therefore in breach of their article 46 duty.

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- The Court accepted Rassmal's expert evidence on the fair market value of VX and VCIL and substituted that valuation (of £12.9m) to Rassmal's shares.

Second Enforcement

- The Court found that the Second Enforcement was not carried out for the purpose of realising the value of security.
- It held that this was not in good faith or for a proper purpose and was therefore void.

Key takeaways

- Secured parties in Jersey must take commercially reasonable steps to determine fair market value for the secured collateral, but this does not require sale on an open market.
- Instructing independent professional valuations will not necessarily mean compliance with the Law.
- Secured parties must ensure that the basis upon which a valuation is instructed will reflect market value rather than a distressed sale.

Collas Crill acted for the VCI Companies in successfully defending all claims against them.

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