COLLAS CRILL

Re HQP Corporation Ltd (in Official Liquidation); Re Direct Lending Income Feeder Fund Ltd (in Official Liquidation) [2025] CICA (Civ) 19

NOVEMBER 2025

Court: Court of Appeal (Cayman Islands)
Subject: Whether misrepresentation claims by shareholders are barred from proof in liquidation (Houldsworth rule); whether such claims, if provable, rank *pari passu* with or subordinate to other creditors; whether contractual waterfalls in Articles of Association affect priority of misrepresentation claims
Judges: Martin KC, Field and Beatson JJAs

Summary

The Court of Appeal was faced with conflicting Grand Court decisions in *Re HQP* (Doyle J) and *Re Direct Lending* (Segal J) regarding the treatment in liquidations of claims by investors that their share subscriptions were induced by misrepresentations by the company (**Subscriber Misrepresentation Claims**). The Court of Appeal clarified the law in relation to the proving of such claims in a liquidation and their priority.

The Court of Appeal held that Subscriber Misrepresentation Claims are admissible to proof in an official liquidation. In doing so, the Court of Appeal found that: (i) the *Houldsworth* principle remains part of Cayman law, but limited its application; (ii) the *Houldsworth* principle prevents a Subscriber Misrepresentation Claim from proving in a liquidation until all non-member creditors have been paid or provided for, but are permitted to prove thereafter; (iii) Subscriber Misrepresentation Claim are made in the capacity as members and therefore are subject to s. 49(g) of the Companies Act; and (iv) Subscriber Misrepresentation Claims are subordinated to the claims of non-member creditors but, subject to any express contractual agreement between members (as was the case in Re HQP), rank *pari passu* with claims of redemption creditors.

Further details

Collas Crill acted for the Joint Official Liquidators of Direct Lending Income Feeder Fund Ltd. (in Official Liquidation), who were the successful respondents in the Re Direct Lending appeal. Please refer to our full summary here.

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