

# **BANKRUPTCY AND DILIGENCE ETC. (SCOTLAND) ACT 2007**

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## **EXPLANATORY NOTES**

### **THE ACT**

#### *Commentary*

#### **Part 5 – Inhibition**

#### **Termination**

#### ***Section 159 – Termination of inhibition when property acquired by third party***

435. **Section 159(1)** provides that, despite the fact that the conveyance or granting of a right in property affected by an inhibition is a breach of the inhibition (see section 160), an inhibition ceases to affect the property if the conveyance or granting of the right is for value and is made to a person acquiring the property or right who acts in good faith. In other words, the person acting in good faith acquires the property or right free of the encumbrance of the inhibition. This applies regardless of whether the person acquiring the property does so from the inhibited debtor or from another person who themselves had acquired from the debtor (or who acquired from such a person etc.) (see subsection (3)). Only the person acquiring the property or right needs to act in good faith for the inhibition to cease to affect that property.
436. Subsection (2) is in similar terms to section 137(3) and provides that, for the purposes of subsection (1), a person acquires property or a right in it when the deed conveying the property or granting the right is delivered to that person.
437. Subsection (4) provides that a person is assumed to act in good faith if the person does not know about the inhibition and has taken all reasonable steps to find out whether or not an inhibition exists affecting the property in question. An example of taking all reasonable steps might be where a buyer of a house instructs a search taken up to the date of completion of the sale (or whatever date close to that is reasonable according to current practice) in the Register of Inhibitions against the seller and any previous owner against whom an inhibition could be in force affecting the house and the search fails to disclose the existence of the inhibition.