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STATUTORY INSTRUMENTS

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**2016 No. 1024**

**The Insolvency (England and Wales) Rules 2016**

**PART 14**

**CLAIMS BY AND DISTRIBUTIONS TO CREDITORS IN  
ADMINISTRATION, WINDING UP AND BANKRUPTCY**

**CHAPTER 2**

**Creditors' claims in administration, winding up and bankruptcy**

**Administration: mutual dealings and set-off**

**14.24.**—(1) This rule applies in an administration where the administrator intends to make a distribution and has delivered a notice under rule 14.29.

(2) An account must be taken as at the date of the notice of what is due from the company and a creditor to each other in respect of their mutual dealings and the sums due from the one must be set off against the sums due from the other.

(3) If there is a balance owed to the creditor then only that balance is provable in the administration.

(4) If there is a balance owed to the company that must be paid to the administrator as part of the assets.

(5) However if all or part of the balance owed to the company results from a contingent or prospective debt owed by the creditor then the balance (or that part of it which results from the contingent or prospective debt) must be paid in full (without being discounted under rule 14.44) if and when that debt becomes due and payable.

(6) In this rule—

“obligation” means an obligation however arising, whether by virtue of an agreement, rule of law or otherwise; and

“mutual dealings” means mutual credits, mutual debts or other mutual dealings between the company and a creditor proving or claiming to prove for a debt in the administration but does not include any of the following—

- (a) a debt arising out of an obligation incurred after the company entered administration;
- (b) a debt arising out of an obligation incurred at a time when the creditor had notice that—
  - (i) an application for an administration order was pending, or
  - (ii) any person had delivered notice of intention to appoint an administrator;
- (c) a debt arising out of an obligation where—
  - (i) the administration was immediately preceded by a winding up, and

- (ii) at the time when the obligation was incurred the creditor had notice that a decision had been sought from creditors under section 100(1) on the nomination of a liquidator or that a winding-up petition was pending;
  - (d) a debt arising out of an obligation incurred during a winding up which immediately preceded the administration; or
  - (e) a debt which has been acquired by a creditor by assignment or otherwise, under an agreement between the creditor and another party where that agreement was entered into—
    - (i) after the company entered administration,
    - (ii) at a time when the creditor had notice that an application for an administration order was pending,
    - (iii) at a time when the creditor had notice that any person had given notice of intention to appoint an administrator,
    - (iv) where the administration was immediately preceded by a winding up, at a time when the creditor had notice that a decision had been sought from creditors under section 100 on the nomination of a liquidator or that a winding-up petition was pending, or
    - (v) during a winding up which immediately preceded the administration.
- (7) A sum must be treated as being due to or from the company for the purposes of paragraph (2) whether—
- (a) it is payable at present or in the future;
  - (b) the obligation by virtue of which it is payable is certain or contingent; or
  - (c) its amount is fixed or liquidated, or is capable of being ascertained by fixed rules or as a matter of opinion.
- (8) For the purposes of this rule—
- (a) rule 14.14 applies to an obligation which, by reason of its being subject to a contingency or for any other reason, does not bear a certain value;
  - (b) rules 14.21 to 14.23 apply to sums due to the company which—
    - (i) are payable in a currency other than sterling,
    - (ii) are of a periodical nature, or
    - (iii) bear interest; and
  - (c) rule 14.44 applies to a sum due to or from the company which is payable in the future.

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(1) Section 100 is amended by paragraph 24 of Schedule 9 to the Small Business, Enterprise and Employment Act 2015 (c.26) which inserts new subsections (1), (1A) and (1B).