

Latest info on 2020 UAE insolvency law

This document will be updated as we get more info:

So far the information we have is that the law, while being touted as a way to help UAE debt victims, is not likely to offer any tangible help. Just like the laws previously touted as helping UAE debtors. Here is what we know so far

- UAE debt victims will be able to restructure their debts for a period of up to 3 years (as mandated by a “court appointed expert”
 - During this 3 years the debtor is likely to have their passport confiscated and/or a Travel Ban placed
 - If the debtor misses a payment on this court mandated restructuring, they will be liable to civil actions. Civil actions of this nature still result in jail sentences (most UAE debtors who are in jail are there because of civil suits by the bank. Not because of criminal charges)
- To qualify for this 3 year restructuring, the debt victim must be inside the UAE. If they have left the country, they do not qualify
 - By asking for the 3 year restructure, the debt victim is likely to expose themselves to a Travel Ban and/or passport confiscation. So they should be absolutely confident that they can pay the whole debt within 3 years and not miss any payment. If they do miss a payment they are still exposed to a jail sentence via a civil action.
- Debts will no longer be a criminal offence. But they will still be a civil offence. The debt being decriminalised is misleading. Yes the debt may no longer carry any criminal penalty but the bank/creditor can still take a civil suit against the debtor. This suit is what enables the banks to continue jailing debtors
 - For example, since 2018 bounced cheques in the UAE have been decriminalised and are no longer an imprisonable offence from a criminal standpoint. However the creditor [still has the power to sue in civil court](#) and the debt victim can still be jailed.
 - Most of the jail sentences and unfair treatment of UAE debtors does not come from criminal penalties, but from the bank taking civil action outside of the criminal justice system. This has not changed.

Conclusion

The 2020 “Personal Insolvency Law” seems to be created with the aim of helping the banks maximise their recovery of debts from vulnerable debtors, rather than helping the debtors themselves.

It identifies debtors who are in trouble and commits them to possibly crippling payment plans, with a maximum timeframe of 3 years, regardless of the victim’s new financial status. This may still be way beyond the client’s ability to pay.

- The debt still doesn’t appear to be forgiven or reduced under any circumstances
- The debt is only restructured for a maximum of 3 years
- The act is likely (by means of Travel Ban and/or passport confiscation) to keep the victim inside the UAE until the debt is paid in full.
- Decriminalising the debt is not helping the debt victims. Nearly all of the debtors in UAE jails are not there because of criminal prosecutions, but because of civil cases taken by the banks. These civil cases have not been dismissed, and therefore the banks can still threaten to have debt victims jailed