

**" DUBAI COURTS ARE
URGED BY THE UAE
MINISTRY OF JUSTICE TO
UPHOLD ENGLISH COURT
JUDGMENTS:
A SIGNIFICANT MILESTONE
FOR CREDITORS**



An Overview

The Ministry of Justice confirmed in a letter to the Director General of the Dubai courts on September 13, 2022, that the Dubai courts can subsequently execute decisions rendered by English courts following the reciprocity principle. The letter follows the decision of the English Court of Appeal in ***Lenkor Energy Trading DMCC v. Puri [2021] EWCA Civ 770***, in which the English courts in England and Wales affirmed the enforcement of a Dubai court judgment involving a bounced cheque. Implementing rulings from English courts in the UAE had historically been impeded by a lack of reciprocity. This encouraging move signals a departure from English Courts' longstanding unwillingness to execute UAE-issued decisions. It may also alter how the UAE Courts operate and how ready they are to uphold English Court judgments

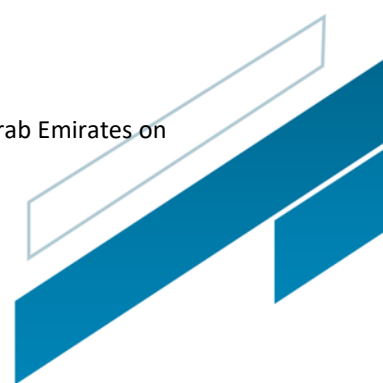
What is the situation right now?

There is presently no bilateral treaty governing the recognition and enforcement of decisions between the UAE and the UK. The enforcement of foreign decisions is not covered by the treaty¹. As a result, UAE law's rules must be followed when UK decisions are enforced in onshore UAE courts. Consequently, Article 85 of the Implementing Regulations of the UAE Civil Procedure Code's basic rules related to the enforcement of foreign decisions before the relevant domestic courts continue to apply to the execution of an English Court judgments in the onshore UAE Courts. It contains the condition that imposes a reciprocal reciprocity principle, which is as follows:

"Judgments and orders made in a foreign country may be ordered to be implemented in the UAE under the same circumstances established in the foreign nation's legislation for the enforcement of judgments and orders issued in the UAE," according to the UAE legal code.

Until recently, there were no obvious instances of the English Courts enforcing judgements from the onshore UAE Courts, therefore the UAE Courts regularly declined to enforce judgments from the English Courts because there was insufficient evidence that the reciprocity principle was satisfied. In other words, the UAE Courts regularly refused to

¹ Treaty between the United Kingdom of Great Britain and Northern Ireland and the United Arab Emirates on Judicial Assistance in Civil and Commercial Matters, dated December 7, 2006.



implement English Court rulings because they were unconvinced that the English Courts would uphold a UAE Court ruling in the same situation.

Lenkor Energy Trading DMCC v. Puri : Factual Background

1. Mr Puri and IP Commodities DMCC ("IPC Dubai") agreed to purchase a significant quantity of "high speed" fuel from claimant supplier Lenkor for delivery to a third-party Buyer.
2. On behalf of IPC, he authorized two security cheques payable to Lenkor. Then a disagreement arose between Lenkor and IPC. Lenkor won an arbitration case against IPC, and when IPC refused to pay the arbitral judgment, Lenkor tried to cash the cheques. Lenkor filed a lawsuit against Mr Puri personally in Dubai courts when the cheques bounced.
3. The Dubai courts determined that Mr Puri had violated **Article 599/2 of the UAE Commercial Transactions Law**, including the last appeal court, the Dubai Court of Cassation (UAE Federal Law No. 18 of 1993). According to that clause, the individual who draws a check is held personally accountable for its total amount. A cheque cannot be issued unless the drawer has enough money to cover it when the check is drawn. Mr Puri, the defendant, was found to be liable by the Dubai Court of First Instance for **AED 123,727,048, or USD 33,690,142.41, plus 9% interest annually**. It was affirmed after many appeal rounds, including in the end by the Dubai Court of Cassation.

Enforcement of Dubai Judgement in English Courts

In the English courts, Mr Puri contested the Dubai judgment's execution. The English High Court debated whether to uphold a Dubai Court decision in light of the argument that doing so would counter UK public policy. As the underlying contractual obligation was "illegal," i.e., it violated the rules governing the piercing of the corporate veil, among other things. The Dubai Court ruling determined that the defendant was personally responsible for any returned checks written on a business bank account.

Judgment by English Court

The Court rejected the defenses made by the defendant. The Court remarked that it was a Dubai court implementing Dubai law, thus it didn't matter if UAE law varied from UK law or that an English court may have handled the case in a different way. The verdict did not violate English public policy, as stated by the court, hence enforcement could not be rejected.

Key Takeaway

The Ministry of Justice's announcement signals a significant change in the UAE. It will provide parties attempting to have **English court judgments enforced in Dubai courts** and, maybe in the future, other UAE cities a big boost. With the fulfilment of the requirements outlined in **Article 85 of Cabinet Resolution No. 57 of 2018 on the Implementing Regulation of Federal Law No. 11 of 1992**, creditors of English court judgments would, in essence, be allowed to enforce such judgements before the Dubai courts if:

- (i) The decision was duly issued and approved following the foreign municipal legislation and was issued by a competent foreign court.
- (ii) The matter is not solely within the exclusive jurisdiction of the onshore UAE Courts; and
- (iii) The ruling does not violate UAE morals or public order.

In summary, this action indicates increased judicial certainty for creditors subject to English judgements and shows that the UAE is moving toward more stringent enforcement policies.

Reference:

Lenkor Energy Trading DMCC v Mr Irfan Iqbal Puri [2021] EWCA Civ 770.