

### Inland Revenue Commissioners v Adam and Partners Limited

This was a case where a company filed a proposal for a voluntary arrangement where the estimated dividend for both preferential and unsecured creditors was nil.

The reason for the arrangement was that the secured creditor would then receive a better return on its debenture. The general rule is that secured creditors are entitled to vote at the meeting in respect to their unsecured amount.

The Court of Appeal held firstly that this was not a composition with creditors since no payment was being made. However it also held that this was a valid voluntary arrangement as a majority of creditors had voted in favour which is what the legislation required.

**This is a very unusual case and normally it would not be possible for companies or individuals to propose offers to creditors which returned nothing.**