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LATEST UPDATES ON INSOLVENCY AND BANKRUPTCY

"Do one thing every day that scares you."

➤ **Related Party Can't Assign Debt To Bypass Disqualification From Participating In CoC: NCLAT**

The National Company Law Appellate Tribunal (NCLAT), New Delhi bench comprising Justice Ashok Bhushan (Chairperson), Barun Mitra (Technical Member) and Arun Baroka (Technical Member) has held that a 'related party' cannot assign its debt only with the object of securing a seat in the Committee of Creditors (CoC), to affect the interest and rights of other creditors.

Background Facts:

On October 13, 2023, the Corporate Insolvency Resolution Process ("CIRP") was initiated against Rolta Bi & Big Data Analytics Pvt. Ltd. ("Corporate Debtor"). Greenshift Initiatives Pvt. Ltd. ("Appellant"/ "Assignee") entered into an Assignment Agreement with Rolta Pvt. Ltd. ("Assignor") on 6.11.2023 (after initiation of CIRP) and claimed to be a member of the CoC on that basis.

The Resolution professional admitted the Rs. 3.48 lakh claim of Appellant but did not permit it to sit in the CoC. The Appellant filed an IA to get a seat in the CoC with voting rights. The application was rejected by the impugned order dt. 13.01.2025 on the ground that the Assignor was a 'related party'. The appellant filed the appeal against the order.

Source: Live Law

Read Full news: <https://www.livelaw.in/ibc-cases/nclat-related-party-cant-assign-debt-to-bypass-disqualification-from-participating-in-coc-284083>

➤ **Delayed real estate projects: IBBI's amended rules to allow homebuyers to take possession during insolvency process**

The Insolvency and Bankruptcy Board of India has recently amended the rules governing the corporate insolvency resolution process (CIRP), enabling distressed homebuyers to take possession of their properties while the resolution process is ongoing. The key objective of

these amendments, which were notified earlier this month, is to prevent unnecessary and prolonged delays in handing over possession to homebuyers.

Effective immediately, these changes allow homebuyers to take possession during insolvency proceedings and ensure they have a voice in the resolution plans. The reforms are designed to offer much-needed relief to buyers and mitigate further financial losses, said legal experts.

Source: Hindustan Times

Read Full news: <https://www.hindustantimes.com/real-estate/delayed-real-estate-projects-ibbi-s-amended-rules-to-allow-homebuyers-to-take-possession-during-insolvency-process-101739690527485.html>

➤ **Deposit Of Security Under Memorandum Of Understanding Without Intention Of Commercial Effect Of Borrowing Cannot Be Categorised As Financial Debt: NCLAT**

The The National Company Law Appellate Tribunal (“NCLAT”) New Delhi bench of **Justice Rakesh Kumar Jain (Judicial Member)**, **Mr. Naresh Salecha (Technical Member)** and **Mr. Indevar Pandey (Technical Member)** has held that the security amount deposited under a **Memorandum of Understanding ('MoU')** without any intention of commercial effect of borrowing and time value of money cannot be categorised as financial debt under section 5(8) of the **Insolvency and Bankruptcy Code, 2016 (“Code”)**.

This appeal has been filed by Global Indian School Education Services Pvt. Ltd.(“Appellant”) against an order passed by the National Company Law Tribunal (“NCLT”).Housing Development and Infrastructure Ltd. (“Corporate Debtor”) entered into a Memorandum of Understanding ('MoU') with the appellant. As per the MoU, Corporate Debtor was required to construct “built to suit” school building on a land situated in Village Nahur, Taluka Kurla (“the said land”) for the appellant.The purpose of the 'MoU' was to create a school by the Corporate Debtor which could be operated by the Appellant for thirty years.

Source: Live Law

Read Full news: <https://www.livelaw.in/ibc-cases/deposit-of-security-amount-memorandum-of-understanding-without-intention-of-commercial-effect-of-borrowing-cannot-be-categorised-financial-debt-nclat-284058>

