

ReedSmith

Financial Industry Group

If you have questions or would like additional information on the material covered in this Memo, please contact:

Georgia M. Quenby
Partner, London
+44 (0)20 3116 3689
gquenby@reedsmith.com

...or the Reed Smith lawyer with whom you regularly work.

ReSearch Memo

Administration and Forfeiture

If a tenant company fails to pay its rent when due (subject to any grace periods in the lease) the landlord ordinarily has the right to forfeit the lease either by peaceable re-entry of the property or by legal proceedings. However, if the tenant is insolvent (or soon to become insolvent) then this right may be stayed by the moratorium under the Insolvency Act 1986.

The moratorium under the Insolvency Act is a period when creditors may not enforce certain rights against a company in administration. The moratorium prevents landlords from re-entering the property by peaceable re-entry or enforcing payment of the rent through the courts without the leave of the court or the consent of the administrators. If the exercise by the landlord of his proprietary rights to repossess the property is unlikely to impede the purpose of the administration, then leave should normally be given. In other cases, the court must balance the legitimate interests of the landlord and those of other creditors.

About Reed Smith

Reed Smith is a global relationship law firm. At Reed Smith we have been representing banks and financial institutions for more than 125 years. This strong tradition continues today as we advise a majority of the world's top financial institutions in Europe, the United States, the Middle East and Asia. Our Financial Industry Group includes more than 215 lawyers who are dedicated to clients in the financial sector focusing on finance, investment management, regulatory, litigation and commercial restructuring and bankruptcy.

We represent key participants in the finance sector, both on the lender side and the creditor side. We also advise people across the whole of the capital spectrum, from senior and super senior debt holders, through various levels of mezzanine finance and into the equity. For more information, visit www.reedsmith.com/fig.

Reed Smith LLP is a limited liability partnership registered in England and Wales with registered number OC303620 and its registered office at The Broadgate Tower, 20 Primrose Street, London EC2A 2RS. Reed Smith LLP is authorised and regulated by the Solicitors Regulation Authority. A list of the members of Reed Smith LLP, and their professional qualifications, is available at the registered office and on the website www.reedsmith.com. The term partner is used to refer to a member of Reed Smith LLP or an employee of equivalent standing.

Business from offices in the United States and Germany is carried on by Reed Smith LLP, a limited liability partnership formed in the state of Delaware; from the other offices, by Reed Smith LLP of England; but in Hong Kong, the business is carried on by Reed Smith Richards Butler.

This ReSearch Memo was compiled up to and including November 2011. It is intended merely to highlight issues and not to be comprehensive nor to provide legal advice. Please refer to <http://www.reedsmith.com/euregs.cfm> for important information on our regulatory position. Should you have any questions on issues reported here or on other areas of law, please contact one of your regular Reed Smith contacts, or contact the authors. © Reed Smith LLP. All rights reserved 2011.

November 2011

[reedsmith.com](http://www.reedsmith.com)