

# Secured Lending in Lebanon

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# Introduction

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**Advantages of passing a new law on secured lending**

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# Existing Lebanese Legal Framework

**The Lebanese legal system is a civil law system**

**The main laws relevant to taking of security over movable assets are :**

- Decree-Law No. 46 dated October 20, 1932
- Certain provisions of the Lebanese Code of Commerce

**Existing provisions on secured lending provide mainly the following:**

- For the dispossession of the collateral
- For the enforcement of a secured party's rights only through judicial means
- In practice, the enforcement procedures are lengthy and do not always ensure that the collateral would be sold before it loses value.

**This legal framework has created a gap between current global lending practices and the lending practices in Lebanon and lenders are reluctant to give loans that are not secured by real property**

# Advantages of a new law on secured lending

It facilitates lending against movables collateral by creating a more efficient legal framework. It secures the rights of creditors, debtors and collateral providers in addition to other registered right holders .

It offers a transparent system of registration.

It allows lenders to enforce their rights upon default through a self help mechanism or through expedited proceedings.

The timeframe for disposition is less likely to risk loss of the value of the collateral.

# Issues and Challenges

The perception that the draft law is mainly inspired from common law

The “self help” system is contrary to the traditional enforcement proceedings applied in Lebanon

The requirement for lien holders to register their liens in order to secure priority of their rights

Political instability in Lebanon constitutes one of the biggest challenges to pass and implement the law

# Steps taken to face issues and challenges

IFC Meetings with stakeholders including :

*Ministry of Finance*

*- Ministry of Justice*

*Banque du Liban*

*- Bankers Association*

Soliciting comments from the Ministry of Justice, the Ministry of Finance, the Bankers Association and Banque du Liban in order to accommodate their concerns to the greatest extent possible and understand their views on the law

Holding several conferences, workshops and one on one meetings to familiarize stakeholders with the provisions of the draft law and introduce to them the concept of a centralized registry

# Actions to be taken

- Submit the draft law to the Council of Ministers which will in turn forward it to Parliament
- Once the law is submitted, hold meetings with the Administration and Justice Committee and other relevant committees to move forward with the adoption of the Law
- Push for the implementing decree to be passed as soon as possible after the passage of the law
- Hold training programs that would acquaint the concerned persons and entities with the operations of the registry and the self-help enforcement process
- Work with the judicial system and relevant governmental entities on the implementation decree to ensure that it will meet practical needs for the registration of liens

# CONCLUSION

The draft law creates a legal system that encourages lenders to provide financing to borrowers against moveable assets

SMEs and other business enterprises would have more access to financing and they would not need to dispossess collateral

The draft law has been balanced to meet international best practices while maintaining to the extent possible certain characteristics of the Lebanese legal system

While this law is very important and beneficial to Lebanon, we believe that the political situation in Lebanon and the region remains the main challenge that may delay the passage of this law