

# Debt Relief (Developing Countries) Bill

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[AS INTRODUCED]

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[AS INTRODUCED]

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# BILL

TO

Make provision for or in connection with the relief of debts of certain developing countries.

**B**E IT ENACTED by the King’s most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

## *Introduction*

### **1 Meaning of “qualifying debt” etc**

In this Act—

an “arbitral award” means an award made (whether before or after commencement) on a claim in an arbitration (conducted under any law); 5

“commencement” means the commencement of this Act;

the “Common Framework” means the Common Framework for Debt Treatments beyond the DSSI of the Group of 20 announced on 13 November 2020 (as amended or replaced from time to time); 10

“country” includes a territory or municipality (or the government of the country or any part of the country or any department of any such government);

a “debt treatment” means—

(a) a debt treatment which has been agreed under the Common Framework, or 15

(b) any other international debt relief arrangement designated by the Secretary of State under section 3 (designation of debt treatment);

a debt treatment is regarded as agreed in respect of a country if it is so regarded for the purposes of the respective debt treatment; 20

“foreign judgment” means a judgment (however described) of a court or tribunal of a jurisdiction outside the United Kingdom, and includes anything (other than an arbitral award) which is enforceable as if it were such a judgment; 25

“judgment” includes an order (and references to the giving of a judgment are to be read accordingly);

“legal proceedings” means any legal process (by way of claim or counterclaim), execution, enforcement, distress or diligence, whether before a Court or an arbitration tribunal having its seat in the United Kingdom;

“public debtor” means –

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- (a) a country,
- (b) the central bank or other monetary authority of the country, or
- (c) a body corporate controlled (directly or indirectly) by anything within paragraph (a) or (b);

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“qualifying public debtor” means a public debtor to which a debt treatment applies;

“qualifying debt” means relevant debt of a public debtor which –

- (a) is subject to debt treatment, and
- (b) was incurred –
  - (i) before the beginning of the relevant period in respect of the country,
  - (ii) after the beginning of the relevant period with respect to that country provided that (and insofar as) that debt replaces a debt incurred before the beginning of the relevant period;

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“relevant debt” means a debt incurred through an arm’s length arrangement that is a public debt or publicly guaranteed;

“relevant claim” means –

- (a) a claim for, or relating to, a qualifying debt, or
- (b) a claim under an agreement compromising a claim under paragraph (a);

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“relevant period” means –

- (a) in respect of a country to which a debt treatment applies, the date beginning on the day when that debt treatment is agreed and ending on such other date specified as the end date of the debt treatment by the G20 and Paris Club from time to time,
- (b) in respect of a debt treatment designated by the Secretary of State under section 3 (Designation of debt treatment), the period beginning with the effective designation date and ending on the date on which the designation ceases to have effect.

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## 2 Qualifying debt and relevant debt: further definitions

(1) For the purposes of this Act, “debt” includes –

- (a) a liability that falls to be discharged otherwise than by the making of a payment, and
- (b) an obligation to repurchase property that arises under an agreement for the sale and repurchase of property (whether or not the same property).

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(2) “Debt” does not include –

- (a) a liability that falls to be discharged in less than a year from the time it was incurred (“a short-term debt”) unless the short-term debt is within subsection (3), or
  - (b) a liability incurred after the beginning of the relevant period that refinances any liability that was (at the time of the replacement) within paragraph (a). 5
- (3) A short-term debt is within this subsection if it ought to have been discharged more than a year before the beginning of the relevant period.
- (4) A debt is a “public debt” of a country if it was incurred by a public debtor.
- (5) A debt is a “publicly guaranteed” debt of a country if— 10
- (a) it is guaranteed or the creditor benefits from an indemnity for losses arising with respect to the debt, or both,
  - (b) the guarantee or indemnity (as the case may be) was entered into before the beginning of the relevant period, and
  - (c) the debt would be a public debt of the country if it had been incurred by the guarantor or indemnifying party. 15
- (6) If the conditions in subsection (5)(a) to (5)(c) are met as regards part of a debt, that part is regarded as a public guaranteed debt of the country concerned.

### 3 Designation of debt treatment

- (1) The Secretary of State may— 20
- (a) designate that a debt relief arrangement (other than one decided under the Common Framework) is a debt treatment for the purposes of this Act, and
  - (b) once a designation has been made, amend the specified information stated in that designation. 25
- (2) The Secretary of State may designate that a debt relief arrangement is a debt treatment only if the debtor country party to that arrangement (in this section “the debtor country”):
- (a) has made a formal request to the Secretary of State that the arrangement be designated under this Act, and 30
  - (b) at the time of making the formal request—
    - (i) is eligible to access resources of the International Development Association of the World Bank Group, or
    - (ii) benefits from or has made a request for financing under any concessional facility of the IMF. 35
- (3) If the Secretary of State decides to make or amend a designation under this section, the Secretary of State must—
- (a) notify the debtor country before the date on which the designation takes effect (“the effective designation date”), and
  - (b) publish notice of the designation before the effective designation date. 40
- (4) The notice of a designation under this section must state—
- (a) the name of the debt treatment,

- (b) the name of the debtor country,
  - (c) the effective designation date,
  - (d) the date on which the designation ceases to have effect, and
  - (e) where applicable, any internationally recognised “comparability of debt treatment” criteria applicable for the purposes of the debt treatment. 5
- (5) Together the information listed in subsection (4)(a) to (e) is “specified information” for the purposes of this section.

*Relief of debts etc.*

- 4 Amount recoverable in respect of claim for qualifying debt etc.** 10
- (1) The amount recoverable by a party in respect of—
- (a) a qualifying debt, or
  - (b) any cause of action relating to a qualifying debt,
- is no more in aggregate total than the amount the party would have recovered or expected to recover had it accepted an offer by the debtor on comparable debt treatment terms as defined in section 5 (*Meaning of “comparable debt treatment terms”*). 15
- (2) Subsection (1) does not apply in relation to an agreement (a “compromise agreement”) that compromises—
- (a) a claim for a qualifying debt, or 20
  - (b) a claim in respect of a cause of action to a qualifying debt,
- provided always that the amount recoverable under a compromise agreement is limited to the amount that would be recoverable in respect of the claim if the agreement had not been made (and subsection (1) applied to the claim).
- (3) Subsection (1) does not apply where an agreement that is not a compromise agreement (a “refinancing agreement”) has been made—
- (a) that changes the terms for repayment of a debt (“the rescheduled debt”) in such a way as to reduce its net present value, or
  - (b) by virtue of which a debt (“the original debt”) is replaced by a debt (“the new debt”) the net present value of which is less than the net present value of the original debt, 30
- provided always that the amount recoverable in respect of the rescheduled debt or the new debt is limited to the amount that would be recoverable in respect of the debt if that debt had not been rescheduled or if the refinancing agreement had not been made as the case may be (and subsection (1) applied to that debt). 35
- (4) References in this section to the amount recoverable include the amount recoverable on the enforcement of any security.
- (5) This section applies even if the law applicable to the qualifying debt, or to any compromise agreement, refinancing agreement or security, is the law of a jurisdiction outside the United Kingdom. 40

## 5 Meaning of “comparable debt treatment terms”

For the purposes of this Act, an offer is made on “comparable debt treatment terms” if any variation of terms to be made under the offer may be reasonably considered to be at least comparable to any variation that would have been applied under the then current debt treatment of the qualifying public debtor assuming the relevant debt is qualifying debt, having regard to— 5

- (a) any comparability of treatment criteria stated as applicable to the current debt treatment under section 3(4)(e) (*designation of debt treatment*), or
- (b) in the absence of the criteria in (a), any variation of either— 10
  - (i) the net present value of payments,
  - (ii) nominal debt service,
  - (iii) the term of the restructured debt, or
  - (iv) any combination of paragraphs (i) to (iii) as appropriate.

## 6 Judgments for qualifying debts etc. 15

- (1) This section applies to—
  - (a) a judgment on a relevant claim given by a court in the United Kingdom before the relevant period,
  - (b) a foreign judgment given (whether before or during the relevant period) on a relevant claim, and 20
  - (c) an award made (whether before or during the relevant period) on a relevant claim in an arbitration (conducted under any law).
- (2) The amount of the judgment or award is to be treated as equal to the amount it would be if—
  - (a) the court, tribunal or arbitrator had applied, or 25
  - (b) the relevant claim had not been compromised and the court, tribunal or arbitrator had applied

section 4 (*Amount recoverable in respect of claim for qualifying debt etc.*) in relation to the relevant claim.
- (3) Subsection (2) does not apply in relation to a claim if the effect of it so applying would be to increase the amount of the judgment or award. 30

## 7 Turnover

- (1) If a creditor receives—
  - (a) a payment or distribution in respect of any qualifying debt from a qualifying public debtor or any other source in excess of the relevant proportion recoverable by it under this Act, or 35
  - (b) the proceeds of any enforcement of a security interest or any guarantee or other assurance against financial loss provided by the qualifying public debtor for any qualifying debt in excess of the relevant proportion recoverable by it under this Act, 40

that creditor will—

- (i) hold the excess of such payment, distribution or proceeds over the relevant proportion recoverable by it under this Act on trust for the qualifying public debtor, and
  - (ii) immediately notify the public debtor of such receipt.
- (2) A creditor must pay to the qualifying public debtor on written demand the amount of any such payment, distribution or proceeds received by it in excess of the relevant proportion recoverable by it under this Act or, as the case may be, an amount equal to the excess over the relevant proportion recoverable by it under this Act of the qualifying debt so discharged, in each case less any third party costs and expenses (if any) reasonably incurred by it in recovering the amount. 5 10
- (3) Nothing in this Act shall restrict the ability of any creditor to—
- (a) arrange with any person other than that public debtor any assurance against loss in respect of, or reduction of its credit exposure to, that public debtor (including assurance by way of credit based derivative or sub-participation), or 15
  - (b) make any assignment or transfer of the qualifying debt, and that creditor shall not be obliged to account to the qualifying public debtor for any sum received by it as a result of that action.
- (4) If, for any reason, any of the trusts expressed to be created in this section should fail or be unenforceable, the affected creditor will promptly pay or distribute an amount equal to that receipt or recovery to the qualifying public debtor. 20

*Stay on debt proceedings*

**8 Debt services suspension** 25

- (1) A public debtor may make an application under section 10 (stay of legal proceedings) with respect to a claim, foreign judgment or arbitral award if—
- (a) the claim, foreign judgment or arbitral award is for or in respect of any qualifying debt (or part thereof),
  - (b) the public debtor— 30
    - (i) has made a formal application for debt treatment, or
    - (ii) benefits from official debt service suspension schemes under the Paris Club, the International Monetary Fund and the World Bank, or any replacement or amendment thereof, and
  - (c) where the public debtor has made a formal application for debt treatment, the debt treatment has not been agreed with respect to that public debtor. 35

**9 Conditions for grant of stay**

- (1) A qualifying public debtor may make an application under section 10 (stay of legal proceedings) with respect to a claim, foreign judgment or arbitral award if— 40



- (a) the claim, foreign judgment or arbitral award is for, or relates to relevant debt of a qualifying public debtor which is not subject to a debt treatment of that qualifying public debtor,
  - (b) legal proceedings are brought in respect of that claim, foreign judgment or arbitral award, 5
  - (c) the qualifying public debtor, after its debt treatment has been agreed but before the relevant time, has made an offer to the creditor of that relevant debt to compromise the legal proceedings on comparable debt treatment terms within the meaning of section 5 (meaning of comparable debt treatment terms), and 10
  - (d) the creditor has no genuine economic interest in pursuing the legal proceedings in respect of the claim, foreign judgment or arbitral award.
- (2) For the purposes of this section “relevant time” means –
- (a) the time when a court first gives judgment on the claim,
  - (b) the time when the foreign judgment or arbitral award is registered, or (as the case may be) 15
  - (c) the time when permission is given to enforce the arbitral award in the same manner as a judgment of the court.

## 10 Stay of legal proceedings

- (1) A public debtor (whether qualifying or otherwise) which meets – 20
- (a) the conditions under section 8 (*Debt service suspension*), or
  - (b) the conditions under section 9 (*Conditions for grant of stay*)
- may (upon notice to the other parties to the proceedings) apply to the court or tribunal before which the proceedings have been brought to stay the proceedings so far as they concern that relevant debt or the enforcement or execution of any judgment or award (in whatever jurisdiction such judgment or award may have been made) relating to it. 25
- (2) An application under subsection (1) may not be made by a public debtor before taking the appropriate procedural step (if any) to acknowledge the proceedings against it, nor after the public debtor has taken any further step in those proceedings after the relevant time to answer the substantive claim. 30
- (3) On a valid application under subsection (1) the court shall grant a stay for a period not ending earlier than –
- (a) in respect of a public debtor meeting the conditions of section 8, the day on which debt treatment is agreed with respect to that public debtor, or 35
  - (b) in respect of a qualifying public debtor meeting the conditions of section 9, the last day of the relevant period applicable to the qualifying public debtor.

## 11 Moratorium on other legal process

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- (1) During a stay granted under section 10 –
- (a) no step may be taken to enforce security over the public debtor’s property except –

- (i) with the consent of the public debtor, or
    - (ii) with the permission of the court,
  - (b) no step may be taken to repossess goods in the public debtor's possession under a hire-purchase agreement except—
    - (i) with the consent of the public debtor, or 5
    - (ii) with the permission of the court,
  - (c) a landlord may not exercise a right of forfeiture by peaceable re-entry in relation to premises let to the public debtor except—
    - (i) with the consent of the public debtor, or
    - (ii) with the permission of the court. 10
- (2) The court may only grant leave under this section if so doing is unlikely to impede in any way the achievement of the purpose for which—
- (a) with respect to a public debtor meeting the conditions of section 8 (debt services suspension), debt suspension has been granted,
  - (b) with respect to a qualifying debtor meeting the conditions of section 9 (conditions for grant of stay), debt treatment has been granted or (as the case may be) designated under this Act. 15
  - (c) In this section “landlord” includes a person to whom rent is payable.

*Supplementary and general*

**12 Exception for overriding international obligations** 20

- (1) Nothing in this Act applies to a foreign judgment or an arbitral award of a kind required by an international obligation of the United Kingdom, to be enforced in full even in cases where such enforcement is contrary to the public policy of the United Kingdom.
- (2) In particular, this Act does not apply to an award to which section 1 of the Arbitration (International Investment Disputes) Act 1966 applies (*awards made under the Convention on the Settlement of Investment Disputes between States and Nationals of other States*). 25

**13 Saving**

- (1) Nothing in this Act enables a person to recover anything paid in (total or partial) satisfaction of any liability (whether arising under an agreement, judgment, order award or otherwise). 30
- (2) Nothing in this Act deprives a public debtor of any defence it may have to any claim or enforcement proceeding relating to relevant debt.

**14 Commencement, extent and short title** 35

- (1) This Act comes into force at the end of the period of two months beginning with the day on which it is passed.
- (2) This Act extends to England and Wales, Scotland, and Northern Ireland.

- (3) This Act may be cited as the Debt Relief (Developing Countries) Act 2025.

# Debt Relief (Developing Countries) Bill

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[AS INTRODUCED]

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## B I L L

TO

Make provision for or in connection with the relief of debts of certain developing countries.

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