

Reduction in amount of company's relevant assets

241. (1) This section applies to a company in respect of which the total amount outstanding under any arrangements referred to in section 240 comes to exceed 10 per cent of the company's relevant assets for any reason but in particular because the value of those assets has fallen.

(2) The reference in subsection (1) to arrangements referred to in section 240 does not include a reference to any arrangement or arrangements entered into in accordance with the Summary Approval Procedure.

(3) Where the directors of a company to which this section applies become aware, or ought reasonably to become aware, that there exists the situation referred to in subsection (1), it shall be the duty of the company, its directors and any persons for whom the arrangements referred to in that subsection were made, to do the thing referred to in subsection (4) within the period specified in subsection (5).

(4) The thing mentioned in subsection (3) is to amend the terms of the arrangements concerned so that the total amount outstanding under the arrangements again falls within the percentage limit referred to in subsection (1).

(5) The period mentioned in subsection (3) is 2 months after the date that the directors become aware or ought reasonably to have become aware that the situation concerned referred to in subsection (1) exists.

(6) Where the terms of the arrangements referred to in subsection (4) are not amended within the period specified in subsection (5), the arrangements shall be voidable at the instance of the company; but the same restrictions apply to this right of the company to avoid as are contained in paragraphs (a) and (b) of section 246 on the right to avoid under that section.