

CHAPTER 3 Evidential provisions with respect to loans, other transactions, etc., between company and directors

Loans, etc., by company to directors: evidential provisions

236. (1) In this section “relevant proceedings” means civil proceedings in which it is claimed that a company has made a loan or quasi-loan to—

- (a) a director of the company, or
- (b) a director of its holding company, or
- (c) a person connected with a director of any such company.

(2) In relevant proceedings if the terms of the loan or quasi-loan are not in writing then it shall be presumed, until the contrary is proved, that—

- (a) the loan or quasi-loan is repayable on demand, and
- (b) for any period before repayment of the amount of the loan or quasi-loan (or for any period before repayment of part of that amount) the amount or part has borne interest at the appropriate rate.

(3) In relevant proceedings if the terms of the loan or quasi-loan are in writing or partially in writing but—

- (a) the case is one in which those terms are ambiguous with respect to the time at which, or the circumstances under which, the loan or quasi-loan is to be repaid, then it shall be presumed, until the contrary is proved, that the loan or quasi-loan is repayable on demand, or
- (b) the case is one in which those terms are ambiguous with respect to whether, or the extent to which, the loan or quasi-loan bears interest, then it shall be presumed, until the contrary is proved, that for any period before repayment of the amount of the loan or quasi-loan (or for any period before repayment of part of that amount) the amount or part has borne interest at the appropriate rate.

(4) If the case referred to in paragraph (a) of subsection (3) and the case referred to in paragraph (b) of that subsection both apply then both of the presumptions provided by that subsection shall apply.

(5) References in subsection (3) to the terms of a loan or quasi-loan being ambiguous with respect to a matter shall, if the terms of the loan or quasi-loan are partially in writing, be deemed to include references to the following case.

- (6) That case is one in which—

(a) the written terms of the loan or quasi-loan do not make provision in respect of the matter concerned, and

(b) provision in respect of that matter is alleged to be made by those of the terms of the loan or quasi-loan that are not in writing.