

Provisions with respect to leases

544. (1) Subject to subsection (3), proposals for a compromise or scheme of arrangement shall not contain, nor shall any modification by the court under section 541 of such proposals result in their containing, a provision providing for either or both—

(a) a reduction in the amount of any rent or other periodical payment reserved under a lease of land that falls to be paid after the date from which the compromise or scheme of arrangement would come into effect under section 542 (3) or the complete extinguishment of the right of the lessor to any such payments;

(b) as respects a failure—

(i) to pay an amount of rent or make any periodical payment reserved under a lease of land; or

(ii) to comply with any other covenant or obligation of such a lease, that falls to be paid or complied with after the date referred to in paragraph (a), a requirement that the lessor under such a lease shall not exercise, or shall only exercise in specified circumstances, any right, whether under the lease or otherwise, to—

(I) recover possession of the land concerned;

(II) effect a forfeiture of the lease or otherwise enter on the land;

(III) recover the amount of such rent or other payment; or

(IV) claim damages or other relief in respect of the failure to comply with such a covenant or obligation.

(2) Subject to subsection (3), proposals for a compromise or scheme of arrangement in relation to a company shall not be held by the court to satisfy the condition specified in section 541 (4)(b)(ii) if the proposals contain a provision relating to a lease of, or any hiring agreement in relation to, property other than land and, in the opinion of the court—

(a) the value of that property is substantial; and

(b) that provision is of like effect to a provision referred to in subsection (1)(a) or (b).

(3) Subsection (1) or (2) shall not apply if the lessor or owner of the property concerned has consented in writing to the inclusion of the provision referred to in subsection (1) or (2) in the proposals for the compromise or scheme of arrangement.

(4) In deciding, for the purposes of subsection (2), whether the value of the property concerned is substantial, the matters to which the court shall have regard shall include the length of the unexpired term

of the lease or hiring agreement concerned.