HMRC - OT28410 - Meaning Of Abandonment Guarantee

FA91\S104

An “abandonment guarantee” is defined by FA91\S104(1) as a contract under which a person (the guarantor) undertakes to make good any default by a participator in an oil field (the relevant participator) in meeting the whole or any part of those liabilities of his which -

arise under a relevant agreement relating to that field; and

are liabilities to contribute to field abandonment costs.

An abandonment guarantee need not be expressed as a guarantee and may arise under a letter of credit, a performance bond or any other instrument.

There are four exclusions in FA91\S104(2), see OT10300 for details. The first three exclusions are unlikely to affect normal commercial contracts. However, the fourth excludes a contract where the guarantor is connected with a participator unless it is made in the ordinary course of the guarantor’s main business to provide such guarantees (FA91\S104(3)).

Previous page

Next page