



Press Summary

25 March 2026

**UniCredit Bank GmbH, London Branch (Respondent) v
Constitution Aircraft Leasing (Ireland) 3 Ltd and another
(Appellants);**

**UniCredit Bank GmbH, London Branch (Respondent) v Celestial
Aviation Services Ltd (Appellant)**

[2026] UKSC 10

On appeal from: [2024] EWCA Civ 628

Justices: Lord Hodge (Deputy President), Lord Sales, Lord Burrows, Lord Stephens and Lady Simler

Background to the Appeal

These linked appeals concern the effects of a UK sanction on Russia on obligations in connection with lease agreements.

The relevant sanction is the Russian (Sanctions) (EU Exit) Regulations 2019, SI 2019/855 (“**the Regulations**”), regulation 28(3)(c). Following Russia’s invasion of Ukraine on 24 February 2022, regulation 28(3)(c) was amended with effect from 1 March 2022 to read:

“(3) A person must not directly or indirectly provide financial services or funds in pursuance of or in connection with an arrangement whose object or effect is— ...

(c) directly or indirectly making restricted goods or restricted technology available—

(i) to a person connected with Russia, or

(ii) for use in Russia”.

The effect of this amendment was to extend a prohibition regarding military goods and military technology to encompass certain civilian goods, including critical-industry goods such as aircraft.

The appellants are Irish incorporated entities which leased civilian aircraft to two Russian airlines. Letters of credit were issued as security for obligations under the leases. Payments under the letters of credit were to be made by the London branch of UniCredit Bank GmbH (“**the Bank**”), a German bank, to the appellants.

Shortly after regulation 28(3)(c) was amended, the appellants terminated the aircraft leases and demanded the return of the aircraft. However, most aircraft were not returned and continue to be used in Russia, without the appellants' consent and in breach of the lease terms. The appellants demanded that the Bank pay them under the letters of credit. The Bank did not immediately pay but applied for licences to do so. The appellants commenced proceedings.

The first issue is whether the obligation of the Bank to make payments under letters of credit was prohibited by regulation 28(3)(c) until licences to do so were obtained. Upon obtaining the licences, the Bank made the payments. In dispute are interest on the principal amounts and the costs of proceedings.

The second issue, raised by the Bank, concerns the interpretation of section 44 of the Sanctions and Anti-Money Laundering Act 2018 ("SAML A"). Section 44 applies to an act done in the reasonable belief that the act is in compliance with relevant regulations (section 44(1)). Section 44(2) provides that a person is not liable to any civil proceedings to which that person would otherwise have been liable in respect of the act. The Bank contended that even if regulation 28(3)(c) did not prohibit it from making payments under the letters of credit, section 44 protected it until a licence was obtained.

In the High Court, the appellants were successful. In considering the true interpretation of regulation 28(3)(c), the judge identified the purpose as being "to ensure that financial assistance was not provided to Russian parties in relation to, inter alia, the supply of the aircraft". The payments under the letters of credit were outside this purpose as the supply of the aircraft had occurred long before the prohibition came into effect. Regulation 28(3)(c) did not prohibit the Bank from making payments under the letters of credit.

In a subsequent judgment, the judge considered section 44 of SAML A. He found that the Bank believed that regulation 28(3)(c) applied, but that that belief was not reasonable. Therefore, section 44 was not engaged. The judge awarded the appellants interest.

The Court of Appeal allowed the Bank's appeal in relation to the true interpretation of regulation 28(3)(c). The effect of regulation 28(3)(c) was that the Bank's obligation to pay was suspended and could not be enforced during the period between the obligation to pay arising and the UK licences being obtained. It was therefore not necessary to resolve the SAML A issue. The Court of Appeal nevertheless explained that on its proper construction section 44 of SAML A would not have protected the Bank from "an action to recover a debt which is otherwise lawfully due but which has not been paid".

The appellants appeal to the Supreme Court on the regulation 28(3)(c) issue and the Bank cross appeals on the SAML A issue.

Judgment

The Supreme Court unanimously dismisses the appeal and allows the cross-appeal. Lord Stephens gives the judgment, with which Lord Hodge, Lord Sales, Lord Burrows, and Lady Simler agree.

Reasons for the Judgment

The issues in the appeal turn on the true interpretation of regulation 28(3)(c) and of section 44 of SAML A. Normal principles of statutory interpretation are engaged. A relevant aid in this case is the presumption that different words are used to denote a different meaning [68]-[71].

The purposes of the Regulations made under SAML A, as stated in regulation 4, are to encourage Russia "to cease actions destabilising Ukraine or undermining or threatening the territorial integrity, sovereignty or independence of Ukraine" [45]-[47], [54]. As held by the

Court of Appeal, the very broad purpose of the Regulations and Amended Regulations is to put pressure on Russia by, for instance, disrupting strategic industries such as aviation. This was reflected in reports laid before Parliament [48], [52], [54]-[57].

The prohibition in regulation 28(3)(c) as amended is not time limited and does not apply to anything done under the authority of a licence [49], [62]-[63]. Letters of credit give rise to private rights enforceable by civil action, whilst the Regulations are made for public purposes. To fulfil those public purposes, regulation 28(3)(c) prohibits a person, such as the Bank, from directly or indirectly providing financial services or funds in certain circumstances [60]-[67].

The judgment assumes (without deciding) that the effect of regulation 28(3) on the facts of this case is that it suspends the obligation to pay during the period between the obligation arising and the licence being obtained [67].

Issue one: The true interpretation of regulation 28(3)(c)

(a) No causal connection is required

The appellants argue that the words “in connection with” require a causal connection between the provision of financial services or funds and the prohibited supply of aircraft. They submit that prohibiting a German bank from paying Irish entities funds which do not relate to making aircraft available from 1 March 2022 to persons connected with Russia or for use in Russia is not within the mischief of the Amended Regulations: it does not put any pressure on Russia but harms Irish entities [72].

This interpretation is rejected for several reasons. First, the language of regulation 28(3)(c) requires a connection with the provision of financial services or funds and *an arrangement*, not *the prohibited supply of aircraft* [75]. Second, the purpose of regulation 28(3)(c) is served by casting a wide net, prohibiting payments but with the safety valve of a licensing system to mitigate unintended consequences. The net is wide because vital public interests are involved. The arbiter of those interests should be public authorities involved in licensing. This is consistent with the regulatory purpose. A bank or other private individual will be unable to see the larger picture [76]-[79]. Third, the use of “in connection with” in conjunction with the phrase “in pursuance of” indicates that the clear purpose is to cast the net more broadly [80]. The phrase “in connection with” means anything which *factually* connects the provision of funds to the arrangement [65], [88].

(b) The leases are relevant arrangements within regulation 28(3)(c)

There is no support in the wording of regulation 28(3)(c) for the appellants’ submission that “arrangements” exclude arrangements which were not prohibited when made or performed, or that arrangements existing prior to 1 March 2022 are not arrangements for the purposes of regulation 28(c) [81]-[84]. The words “whose object or effect is” do not require a temporal coincidence between the provision of funds and the existence of the arrangement [85]-[86].

(c) Conclusion

The Bank was prohibited under regulation 28(3)(c) from making payments under the letters of credit until licenses to do so were obtained. In those circumstances it is agreed that its payment obligation under the letters of credit was suspended until the UK license process was completed, and that statutory interest should also not accrue for that period [88]-[89].

Issue two: Does the protection under section 44(2) of SAMLA include protection against an action to recover a debt, an award of interest on the amount of the debt, and an award of associated costs?

The resolution of the regulation 28(3)(c) issue means that the prohibition on payment meant no interest was payable and was a relevant factor in relation to the exercise of discretion in relation to costs. Therefore, it is not necessary to resolve the SAMLA issue to dispose of the

appeal. It is nevertheless appropriate to deal with the interpretation of section 44(2) because it is likely to affect a significant number of other cases and the Court heard full argument on the point [90].

The purpose of section 44 is to provide protection for a person who acts or omits to act in the reasonable belief that the act or omission is in compliance with, for instance, regulation 28(3)(c). This protection furthers the public purpose of the sanction provision as making payments despite having the requisite belief might undermine the sanction regime [91]-[92].

Section 44 does not prohibit civil proceedings, which would require clear words because it would prevent access to justice. Rather, section 44 provides a defence in civil proceedings. Civil proceedings to recover a debt are only brought if the person (here, the Bank) fails to pay the debt. As the Bank's liability is "in respect of" its omission to pay upon receipt of a compliant demand under the letters of credit, the protection afforded falls within the language of section 44(2). Furthermore, a failure to pay a claim for interest or a claim for costs is also an omission "in respect of" the debtor's failure to pay the debt.

Section 44 of SAMLTA would have provided protection to the Bank against an action to recover a debt, an award of interest on the amount of the debt, and an award of associated costs [93].

For the reasons given, the appellants' appeal is dismissed and the Bank's cross appeal is allowed [94]-[95].

References in square brackets are to paragraphs in the judgment.

NOTE:

This summary is provided to assist in understanding the Court's decision. It does not form part of the reasons for the decision. The full judgment of the Court is the only authoritative document. Judgments are public documents and are available at: [Decided cases - The Supreme Court](#)