Press Summary

27 July 2026

Valeriy Ernestovich Drelle (Respondent) *v* Servis-Terminal LLC (In Liquidation in the Russian Federation) (Appellant)

[2026] UKSC 29

On appeal from: [2025] EWCA Civ 62

Justices: Lord Sales (Deputy President), Lord Briggs, Lord Hamblen, Lord Stephens and Lord Doherty

Background to the Appeal

For a creditor to present a bankruptcy petition against a debtor, section 267 of the Insolvency Act 1986 (the "1986 Act") requires, among other pre-conditions, that the petition is in respect of one or more "debts" owed by the debtor to the petitioner creditor. This appeal concerns whether an *unrecognised* and *unregistrable* foreign judgment for a debt or definite sum of money awarded in the creditor's favour can constitute such a "debt".

An 'unrecognised' foreign judgment is a judgment of a foreign court that has not been made the subject of recognition proceedings in the UK. An 'unregistrable' foreign judgment is a judgment of a foreign court which is not subject to any statutory registration process in the UK, for example under the Foreign Judgments (Reciprocal Enforcement) Act 1933 (the "1933 Act").

In May 2019, following 14 months of court proceedings in Russia, the Arbitrazh Court of Yaroslavl Region gave judgment ruling that the respondent, Valeriy Ernestovich Drelle ("Mr Drelle"), had breached his duties to the appellant, Servis-Terminal LLC ("ST"), when he was ST's Director General and was ordered to pay RUB 2 billion to ST (the "Russian Judgment"). ST is a Russian company acting through its trustee-in-bankruptcy. The background to the Russian Judgment was that in December 2011 ST advanced a loan of RUB 2 billion (the "Loan") to another Russian company and obtained a personal guarantee from that company's owner. Following the collapse of a related company, the guarantor of the Loan left Russia and was subsequently declared bankrupt. The Loan was never repaid and ST was later declared bankrupt. ST, now acting through its appointed trustee, commenced proceedings in Russia against Mr Drelle.

Following the Russian Judgment, Mr Drelle filed multiple appeals in Russia. However, the Russian courts dismissed them. In October 2020, ST served a statutory demand and a bankruptcy petition under the 1986 Act on the basis of the Russian Judgment. The Russian Judgment had not been subject to recognition proceedings, nor was it registrable under a statutory registration regime.

Mr Drelle sought to set aside the statutory demand in the UK Insolvency and Companies Court (the "ICC") on the grounds that the Russian Judgment debt was disputed on bona fide and substantial grounds, alleging that the Russian Judgment was, among other reasons, biased, against English public policy and/or obtained by fraud. The ICC judge concluded that these were not bona fide and substantial grounds and made a bankruptcy order against Mr Drelle.

Mr Drelle appealed to the High Court. Alongside challenging the ICC judge's conclusion on this, Mr Drelle argued that the unrecognised Russian Judgment could not constitute a "debt" under section 267 of the 1986 Act unless and until it had been recognised in recognition proceedings. The High Court disagreed and dismissed the appeal.

Mr Drelle appealed to the Court of Appeal who allowed the appeal. The Court of Appeal held that an unrecognised foreign judgment, like the Russian Judgment, could not provide a basis for a bankruptcy petition.

ST now appeals to the Supreme Court. Alongside challenging the Court of Appeal's conclusion, ST additionally argues that article 13 of the United Nations Commission on International Trade Law of 30th May 1997 ("the Model Law"), given effect by Reg 2(1) of the Cross Border Insolvency Regulations 2006, requires a creditor relying on a foreign judgment to be treated the same as a creditor relying on an English judgment. As the latter would be a "debt" under section 267 of the 1986 Act, it is argued that the former must be too.

Judgment

The Supreme Court unanimously allows the appeal. Lord Briggs and Lord Hamblen give the judgment, with which Lord Sales, Lord Stephens and Lord Doherty agree.

The Court orders that Mr Drelle's grounds of appeal which sought to challenge the ICC judge's conclusions as to whether the Russian Judgment debt was disputed on bona fide and substantial grounds should be remitted to the Court of Appeal **[95]-[96]**.

Reasons for the Judgment

<u>What is the effect at common law of an unrecognised and unregistrable foreign judgment for a debt or definite sum?</u>

The parties did not dispute that the Russian Judgment was a foreign judgment given by a court of competent jurisdiction and is otherwise final and conclusive. Unless the rulings of the ICC judge are overturned, it is also not impeachable (for example, by being obtained by fraud) **[35]**. In such circumstances, a foreign judgment for a debt or definite sum of money, like the Russian Judgment, gives rise to an immediate obligation at common law on the foreign judgment debtor to pay the relevant sum and this obligation does not depend upon recognition of the foreign judgment **[46]**, **[56]**.

This principle, labelled the 'obligation principle', is the juridical basis upon which a foreign judgment creditor may bring an action in England and Wales based on that foreign judgment **[39]**. The obligation principle was: (i) clearly established in the decisions of Parke B and Blackburn J in the 19th century **[41]-[46]**; (ii) recognised as the common law position in the 'Greer report' which led to the enactment of the 1933 Act **[47]**; and (iii) reiterated in modern authorities, which did not seek to cast doubt on its correctness **[48]-[55]**. Accordingly, the Court of Appeal was incorrect to suggest that a foreign judgment, like the Russian Judgment, has no legal effect at common law until it is recognised as this would be contrary to the obligation principle **[57]**.

The Court also rejects the Court of Appeal's reliance on Rule 45 of Dicey, Morris & Collins, *The Conflict of Laws* which states that a foreign judgment has no "direct operation" in England. This rule is referring to the fact that a foreign judgment does not have the status as a judgment in England such that none of the modes of execution which are available for an English judgment, like a third party debt order or a charging order, can be invoked in respect of it. It does not mean that a foreign judgment has no legal effects in England **[58]-[59], [62]-[64]**. A foreign judgment can indirectly operate in England. For example, a party may bring an action on the common law obligation to pay the judgment sum **[61]**. This also demonstrates that an unrecognised foreign judgment can operate as a "sword", not just as a defence / "shield" **[65]**.

Finally, the Court of Appeal's significant reliance on the revenue rule (whereby the English courts have no jurisdiction to enforce penal or revenue laws of another country) was misplaced. The enforcement of a foreign judgment in England concerning a private right does not involve "any act of a sovereign character, any exercise or enforcement of a sovereign right, or any vindication of sovereign power" with the result that the revenue rule, and the principles underlying it, are of no relevance **[66]-[73]**.

<u>Does such a foreign judgment give rise to a "debt" under section 267 of the 1986 Act?</u>

The Court holds that the common law obligation to pay to which an unrecognised and unregistrable foreign judgment for a debt or definite sum gives rise on the judgment debtor is a "debt" under section 267 of the 1986 Act **[89]**. Whilst the word "debt" is not defined in the 1986 Act for the purposes of section 267, and the previous Bankruptcy Act 1914 cannot assist with its interpretation given the significant changes made to the bankruptcy regime by the 1986 Act, the common law understanding of the term supports this conclusion **[76]-[78]**. The general common law meaning of a "debt" is wide, being a legal obligation to pay a sum of money to another person **[79]-[80]**. Before, during, and after the enactment of the 1986 Act, the common law also considered that such an unrecognised foreign judgment gave rise to a legal obligation to pay the sum concerned. This obligation was consequently understood at common law as a "debt" **[81]-[82]**.

There are no convincing reasons to suggest that a narrower interpretation of "debt" was intended, nor does this interpretation, in enabling bankruptcy proceedings to be commenced on the basis of an unrecognised foreign judgment like the Russian Judgment, provide for the "enforcement" of the foreign judgment **[83]-[86]**. Further, whilst section 6 of the 1933 Act has been held to prohibit relying on an unregistered but *registrable* foreign judgment to initiate bankruptcy proceedings, the 1933 Act did not impact the position of unrecognised and *unregistrable* foreign judgments at common law **[87]-[88]**.

<u>What is the impact (if any) of article 13 of the Model Law?</u>

Finally, the reference to "foreign creditors" in paragraph 1 of article 13 of the Model Law is concerned with the geographical location of the foreign creditor, not with the law under which they are owed a debt. Accordingly, its anti-discrimination provision has no bearing as to whether a (foreign or British) creditor can commence bankruptcy proceedings relying on an unrecognised foreign judgment **[90]-[93]**.

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]