

Luxembourg District Court rules on conditions for enforcing pledges

May 29 2018 | Contributed by [Luther SA](#)

Following the Luxembourg District Court's July 12 2017 decision concerning the conditions for the enforcement of a pledge, collaterals consisting in a pledge on the shares of a company can be enforced even outside of a default payment (ie, even if the secured debt is not due and payable).

In the case at hand, the pledge agreement provided that the pledge was enforceable in case of non-compliance with a binding financial ratio.

This decision confirms that, under Luxembourg law, parties may freely agree to the triggering event of a pledge. This is notable, as Article 1(6) of the Law of August 5 2005 on financial collateral arrangements provides that "any other event agreed by the parties" can activate and render a pledge enforceable. Hence, it is sufficient for one party to notify the other of the latter's breach of the related contractual clause.

In addition, the Luxembourg District Court stated that according to recent case law, the enforcement of a pledge cannot be annulled by courts which have only ex-post control powers (apart from in cases of manifest fraud or abuse).

For further information on this topic please contact [Mathieu Laurent](#) or [Maurice Goetschy](#) at Luther SA by telephone (+352 27484 1) or email (mathieu.laurent@luther-lawfirm.com or maurice.goetschy@luther-lawfirm.com). The Luther SA website can be accessed at www.luther-lawfirm.com.

The materials contained on this website are for general information purposes only and are subject to the [disclaimer](#).

AUTHORS

**Mathieu
Laurent**



**Maurice
Goetschy**

