



Insolvency Act 1986

1986 CHAPTER 45

PART IX

BANKRUPTCY

CHAPTER V

EFFECT OF BANKRUPTCY ON CERTAIN RIGHTS TRANSACTIONS, ETC.

Adjustment of prior transactions, etc.

342 Orders under ss. 339, 340.

- (1) Without prejudice to the generality of section 339(2) or 340(2), an order under either of those sections with respect to a transaction or preference entered into or given by an individual who is subsequently [^{F1}made] bankrupt may (subject as follows)—
- (a) require any property transferred as part of the transaction, or in connection with the giving of the preference, to be vested in the trustee of the bankrupt's estate as part of that estate;
 - (b) require any property to be so vested if it represents in any person's hands the application either of the proceeds of sale of property so transferred or of money so transferred;
 - (c) release or discharge (in whole or in part) any security given by the individual;
 - (d) require any person to pay, in respect of benefits received by him from the individual, such sums to the trustee of his estate as the court may direct;
 - (e) provide for any surety or guarantor whose obligations to any person were released or discharged (in whole or in part) under the transaction or by the giving of the preference to be under such new or revived obligations to that person as the court thinks appropriate;
 - (f) provide for security to be provided for the discharge of any obligation imposed by or arising under the order, for such an obligation to be charged on any property and for the security or charge to have the same priority as a security

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- or charge released or discharged (in whole or in part) under the transaction or by the giving of the preference; and
- (g) provide for the extent to which any person whose property is vested by the order in the trustee of the bankrupt's estate, or on whom obligations are imposed by the order, is to be able to prove in the bankruptcy for debts or other liabilities which arose from, or were released or discharged (in whole or in part) under or by, the transaction or the giving of the preference.
- (2) An order under section 339 or 340 may affect the property of, or impose any obligation on, any person whether or not he is the person with whom the individual in question entered into the transaction or, as the case may be the person to whom the preference was given; but such an order—
- (a) shall not prejudice any interest in property which was acquired from a person other than that individual and was acquired [^{F2}in good faith and for value], or prejudice any interest deriving from such an interest, and
- (b) shall not require a person who received a benefit from the transaction or preference [^{F2}in good faith and for value] to pay a sum to the trustee of the bankrupt's estate except where he was a party to the transaction or the payment is to be in respect of a preference given to that person at a time when he was a creditor of that individual.
- [^{F3}(2A) Where a person has acquired an interest in property from a person other than the individual in question, or has received a benefit from the transaction or preference, and at the time of that acquisition or receipt—
- (a) he had notice of the relevant surrounding circumstances and of the relevant proceedings, or
- (b) he was an associate of, or was connected with, either the individual in question or the person with whom that individual entered into the transaction or to whom that individual gave the preference,
- then, unless the contrary is shown, it shall be presumed for the purposes of paragraph (a) or (as the case may be) paragraph (b) of subsection (2) that the interest was acquired or the benefit was received otherwise than in good faith.]
- (3) Any sums required to be paid to the trustee in accordance with an order under section 339 or 340 shall be comprised in the bankrupt's estate.
- [^{F4}(4) For the purposes of subsection (2A)(a), the relevant surrounding circumstances are (as the case may require)—
- (a) the fact that the individual in question entered into the transaction at an undervalue; or
- (b) the circumstances which amounted to the giving of the preference by the individual in question.
- (5) For the purposes of subsection (2A)(a), a person has notice of the relevant proceedings if he has notice—
- [^{F5}(a) of the fact that the bankruptcy application as a result of which, or (as the case may be) the bankruptcy petition on which, the individual in question is made bankrupt has been made or presented; or]
- (b) of the fact that the individual in question has been [^{F6}made] bankrupt.
- (6) Section 249 in Part VII of this Act shall apply for the purposes of subsection (2A)(b) as it applies for the purposes of the first Group of Parts.]

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Textual Amendments

- F1** Word in s. 342(1) substituted (6.4.2016) by [Enterprise and Regulatory Reform Act 2013 \(c. 24\)](#), s. 103(3), [Sch. 19 para. 34\(2\)](#); S.I. 2016/191, art. 2 (with art. 3)
- F2** Words in s. 342(2)(a)(b) substituted (26.7.1994) by [1994 c. 12](#), [ss. 2\(1\)](#), 5, 6(2) (with ss. 5, 6(3))
- F3** S. 342(2A) inserted (26.7.1994) by [1994 c. 12](#), [ss. 2\(2\)](#), 5, 6(2) (with ss. 5, 6(3))
- F4** S. 342(4)-(6) substituted for s. 342(4) (26.7.1994) by [1994 c. 12](#), [ss. 2\(3\)](#), 5, 6(2) (with ss. 5, 6(3))
- F5** S. 342(5)(a) substituted (6.4.2016) by [Enterprise and Regulatory Reform Act 2013 \(c. 24\)](#), s. 103(3), [Sch. 19 para. 34\(3\)\(a\)](#); S.I. 2016/191, art. 2 (with art. 3)
- F6** Word in s. 342(5)(b) substituted (6.4.2016) by [Enterprise and Regulatory Reform Act 2013 \(c. 24\)](#), s. 103(3), [Sch. 19 para. 34\(3\)\(b\)](#); S.I. 2016/191, art. 2 (with art. 3)

Modifications etc. (not altering text)

- C1** Ss. 342-345 applied (with modifications) by [S.I. 1986/1999](#), art. 3, [Sch. 1 Pt. II](#)
S. 342 applied (with modifications) (4.4.2006) by [The Cross-Border Insolvency Regulations 2006 \(S.I. 2006/1030\)](#), [reg. 2](#), {Sch. 1 Art. 23 paras. 2, 3}

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

- Act amendment to earlier affecting provision S.I. 1986/1999, art. 3, Sch. 1 Pt. 2 by [S.I. 2017/1119 Sch. 3 para. 1](#)
- Act extended (N.I.) for specified purposes (except for ss. 13-15) by [2024 c. 3 Sch. 13 para. 4\(3\)](#)
- Act savings and transitional provisions for amendments by S.I. 2022/1166 by [S.I. 2022/1172 Regulations](#)

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 21(5) inserted by [2024 c. 3 Sch. 13 para. 2\(12\)\(b\)](#)
- s. 22(2B) inserted by [2024 c. 3 Sch. 13 para. 2\(13\)](#)
- s. 22H(1)(a) words inserted by [2024 c. 3 Sch. 13 para. 2\(14\)\(a\)](#)
- s. 22H(1)(aa) inserted by [2024 c. 3 Sch. 13 para. 2\(14\)\(b\)](#)
- s. 22H(4)(j) words inserted by [2024 c. 3 Sch. 13 para. 2\(14\)\(c\)](#)
- s. 22H(4)(k) inserted by [2024 c. 3 Sch. 13 para. 2\(14\)\(d\)](#)
- s. 41HB(2) words substituted by [2018 c. 14 s. 1\(3\)\(b\)](#)