

Corporate & Financial Weekly Digest

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Court of Appeal Decides LBIE Client Money Application

On August 2, the English Court of Appeal handed down its judgment on the client money directions application made in the Administration of Lehman Brothers International (Europe) (LBIE). The Court of Appeal overturned Mr. Justice Briggs' High Court decision in part, holding unanimously that:

1. Clients whose money (as opposed to securities and other assets) should have been segregated by LBIE as client money prior to administration but was not are entitled to share in the client money pool.
2. Money held by LBIE (at the time of administration) outside its segregated client money accounts which is "identifiable client money" is to be pooled with the client money held in its segregated accounts.
3. The client money pool will be distributed pro rata to all of LBIE clients entitled to claim against the pool, with the share of each client calculated based on the amount of client money which should have been segregated, as a proportion of the total amount which LBIE should have segregated.

LBIE's Joint Administrators stated that they were considering the Court of Appeal's judgment carefully to assess its implications for LBIE's client money claimants and creditors, including, in particular, on the likely timing and level of any distribution of client money.

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