

ALERTS

UK Supreme Court Clarifies Allocation of Prepayment Premiums for Debt Traders

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Following High Court and Court of Appeal decisions, the UK Supreme Court ('Supreme Court') in *Tael One Partners Limited v. Morgan Stanley & Co International PLC* [2015] UKSC 12 ('Tael') has clarified the position regarding the treatment of one-off payments that are not interest or recurring fees payable, in accordance with the provisions in the Loan Market Association Standard Terms and Conditions for Par Trade Transactions ('Standard Terms'). In *Tael* the Supreme Court held that a loan prepayment premium paid after the settlement date is for the account of the buyer and not for the account of the seller or the seller's predecessor-in-title. The basis for the Supreme Court's decision is that a payment premium does not accrue over the lifetime of a loan but only becomes due and payable on a defined event. Debt traders should take comfort that the Supreme Court's decision confirms the general market consensus and a commercial operation of the Standard Terms.

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