



Follow-up update | October 2025

# UAE LAW UPDATE: COURT OF CASSATION CLARIFIES "SUFFICIENT GUARANTEES" - SECURITY CHEQUES UPHELD

The Abu Dhabi Court of Cassation has issued a judgment (Case No. 819-2025, dated 28 August 2025) that may provide useful guidance on what constitutes "sufficient guarantees" under Article 121 bis of the Banking Law. While this decision relates specifically to individual lending, it could potentially inform the broader interpretation of adequate security requirements we highlighted in our June 2024 update.

## Key Development

The court found that security cheques covering the full facility amount may constitute sufficient guarantees in the context of individual lending, with cases based on such security remaining admissible even where loans exceed regulatory salary multiples.

## BACKGROUND

In our June 2024 update (read [here](#)), we highlighted the introduction of "adequate security" requirements under Article 121 bis of the Banking Law (applying to individuals and sole proprietorships) and Article 409(2) of the Commercial Transactions Law (which may extend to corporate borrowers), noting significant uncertainty around their interpretation and

scope. The recent Court of Cassation judgment, while relating specifically to individual lending under Article 121 bis, may offer some insights into how courts might approach the broader "sufficient guarantee" concept in a bank recovery case involving a AED 725,000 personal loan.

## KEY FINDINGS FROM THE JUDGMENT

### *Security Cheques and Guarantee Adequacy*

In the context of individual lending, the Court of Cassation found that a security cheque covering the full value of banking facilities may constitute "sufficient guarantee" under Article 121 bis. The court indicated that a single post-dated cheque for the facility amount could satisfy the guarantee requirement, and that multiple separate cheques may not be necessary as either format could potentially be acceptable. The court referenced the Central Bank's instructions, which appear to permit cheques up to 120% of loan value, though the precise application of these principles to corporate lending arrangements remains to be determined.

### *Regulatory Compliance vs. Judicial Admissibility*

The court appeared to distinguish between regulatory compliance and judicial admissibility in the individual lending context. While banks may potentially face regulatory consequences for lending beyond salary multiples, the court



suggested that cases may still be admissible if adequate security exists, regardless of such regulatory compliance issues. The judgment indicated that exceeding salary multiples may not necessarily affect case admissibility where the court considers guarantees to be sufficient, though the extent to which this reasoning might apply to corporate lending scenarios is unclear.

#### Reference to Central Bank Circulars

The judgment references Circular No. 3 of 2023 (supplementing Circular No. 9 of 2022) and Article 7 of Banking Loans Regulation No. 29 of 2011. These circulars confirm that execution is limited to accepted guarantees, but validate security cheques as acceptable guarantees for the full facility amount plus accrued interest/profits.

#### PRACTICAL IMPLICATIONS

While this judgment specifically addresses individual lending under Article 121 bis, banks should be aware of potential implications for their broader lending operations. Corporate lending may be subject to the "adequate securities" requirement under Article 409(2) of the Commercial Transactions Law, though the precise scope and application of this provision remains uncertain. The court's reasoning regarding the distinction between regulatory compliance and judicial admissibility might potentially be relevant to corporate lending contexts, though this cannot be assumed without further judicial clarification.

For banks dealing with corporate clients, this judgment may suggest that properly structured security arrangements could potentially satisfy adequacy requirements, though each case would likely be assessed on its specific facts. The judgment's validation of security cheques in the individual context may provide some guidance for corporate guarantee structures, but the extent to which this reasoning would apply to corporate transactions remains to be determined.

#### IMMEDIATE CONSIDERATIONS

While this judgment provides some clarity for individual lending, its limited scope means there are no immediate actionable steps required for corporate lending arrangements. The judgment's direct application is limited to individual lending under Article 121 bis, and the extent to which its reasoning might influence corporate lending under Article 409(2) of the Commercial Transactions Law remains unclear.

Banks may wish to continue documenting security assessment decisions as a matter of good practice, particularly given the evolving nature of adequate security requirements. However, given the uncertain scope of adequacy requirements in corporate contexts, any significant changes to existing practices should be carefully considered and based on specific legal advice rather than assumptions about how this individual lending judgment might apply.

#### ONGOING CONSIDERATIONS

Several considerations may require ongoing attention as this area of law continues to develop. While this judgment offers some insights, many questions around "adequate securities" for corporate lending remain unanswered, and further judicial guidance may be needed to clarify the full scope of these requirements.

The DIFC Courts structuring solution mentioned in our earlier update may continue to offer potential benefits for additional legal certainty, though the viability of such arrangements should be assessed on a case-by-case basis. Additionally, maintaining appropriate focus on regulatory compliance remains important, as administrative consequences may still apply regardless of judicial admissibility considerations.



## CONCLUSION

This judgment may represent a useful development in understanding how courts might approach "sufficient guarantee" requirements, though its direct application is limited to individual lending under Article 121 bis. While important questions remain regarding the application of adequate security requirements to corporate lending, the decision suggests that courts may consider properly structured security arrangements as potentially satisfying adequacy requirements.

The court's apparent distinction between regulatory compliance and judicial admissibility may be relevant to broader lending contexts, though the extent of this relevance remains to be determined through further judicial guidance or regulatory clarification.

### Next Steps

We recommend continuing to monitor legal developments in this evolving area, as the full implications for corporate lending arrangements remain uncertain. Please contact our debt finance team for specific advice on your security arrangements and recovery strategies.

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