

Kingdom of Saudi Arabia  
Bureau of Experts at the Council of Ministers  
Official Translation Department



# *Law of Commercial Lien*

*Translation  
Of Saudi Laws*

First Edition 2009

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## ***Translation of Saudi Laws***

# ***Law of Commercial Lien***

**Royal Decree No. M/75  
21 Dhu Al-Qa'dah 1424H / 13 January 2004**

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*In the Name of God  
the Compassionate  
the Merciful*

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**This translation is provided for  
guidance. The governing text is the  
Arabic text.**

*Law of Commercial Lien*

*Official Translation Department***Introduction**

In accordance with the Kingdom's policy of publishing all laws and making them available for all concerned individuals within and outside the Kingdom, the Official Translation Department at the Bureau of Experts at the Council of Ministers is pleased to present the English translation of the Law of Commercial Lien issued pursuant to Royal Decree No. M/75 on the 20<sup>th</sup> of Dhu Al-Qa'dah 1424H, corresponding to the 13<sup>th</sup> of January 2004.

In its endeavor towards improvement, the Department highly appreciates all views and welcomes comments and suggestions for improvement.

**Isam ibn Sa'd ibn Sa'id**

**Head of the Bureau of Experts at the Council of Ministers  
Supervisor of the Official Translation Department**

*Law of Commercial Lien*

**Article 1:**

Commercial lien is the pledging of a movable property as a security for a debt that is considered commercial in relation to the debtor.

The lien shall be commercial *vis-à-vis* all parties concerned, whose rights and obligations are related to it.

**Article 2:**

A lien property shall be a legally saleable object and established in detail in the lien contract or a subsequent contract. Properties to be acquired in the future may not be lien.

**Article 3:**

A lien shall be a security for an established or establishable debt, provided that the amount of the secured debt or the maximum limit thereof is determined in the lien contract.

**Article 4:**

The lien property shall be the same debtor or may be another person who advances a lien for the interest of the debtor. In both cases, the lien property shall be the owner of the lien property and entitled to dispose of it. If it is found that the lien property has no authority to dispose of the lien property, the *bona fide* lien creditor may either assert his right to an alternative lien or rescind the contract.

**Article 5:**

The lien and the secured debt are inseparable. The lien's validity and satisfaction shall be subject to validity and satisfaction of the secured debt.

If the lien property is other than the debtor, he shall be entitled, in addition to assertion of his own defenses, to assert the defenses relating to the debt and shall maintain this right even if it is relinquished by the debtor.

*Official Translation Department***Article 6:**

The lien shall not be enforceable against third parties unless the possession of the lien property is transferred to the lien creditor or to an escrow designated by the two contracting parties. A person is deemed an escrow if he was in possession of a lien property for the interest of a lienee and it is agreed that its possession shall be for the interest of the lien creditor.

In all cases, the lien property shall remain in the possession of the person receiving it until the satisfaction of the lien.

**Article 7:**

The lien creditor or the escrow designated by the two contracting parties shall be deemed to be in possession of the lien property if it is put at his disposal in such a way as to make others believe that the property has become in his possession, or if he receives the deed of the lien property and that deed gives the possessor the exclusive right to receive said property.

**Article 8:**

Established rights in nominal deeds shall be lien in writing, stating the lien of these rights. The lien shall be recorded in the registers of the authority issuing the deeds and shall be cited in the deeds themselves.

Rights established by bearer deeds shall be lien in writing, stating the lien of these rights. A note to this effect shall be forwarded to the authority issuing the deeds. Possession of rights shall be transferred upon delivery of deeds establishing these rights. If the deed is kept in escrow, the receipt shall be deemed as delivery of the deed itself, provided that the deed is sufficiently identified in the receipt and the escrow consents to hold it for the lien creditor.



*Official Translation Department***Article 9:**

The lien shall be established by all means of proof *vis-à-vis* the two contracting parties and against third parties.

**Article 10:**

In case of a lien of a property in kind, the lien shall remain valid even if the lien property is replaced by another property of the same value and kind.

If the lien property is not in kind, the lien debtor may recover it and substitute it by another, provided that it is stated in the lien contract and the creditor accepts the substitute without prejudice to bankruptcy provisions and the rights of a *bona fide* third party.

**Article 11:**

The lien creditor or the escrow in possession of the lien property shall provide the debtor, upon his request, a receipt identifying the lien property, its kind, amount, weight and other characteristics.

**Article 12:**

The lien creditor shall take necessary measures for the safekeeping of the lien property and exercise normal care. If the lien property is a commercial paper, the lien creditor shall follow all necessary procedures required by law to protect the right established therein and collect its value on the date of maturity.

The provisions of this Article shall apply to the escrow in possession of the lien property. The lien debtor shall bear all normal expenses incurred by the lien creditor or the escrow.

**Article 13:**

The lien creditor may not benefit free of charge from the lien property without the permission of the lienee, and he shall, upon the request of the lienee, exploit the lien property and exercise all rights relating to it for the benefit of the lienee and receive its price and profits and other sums resulting from it on their due date. The lien creditor shall deduct safekeeping expenses and normally incurred expenses from the sums received and from the sums for his use of the lien property. Any balance shall be deducted from the debt secured by the lien unless stated otherwise by agreement or law.

**Article 14:**

The lien creditor or the escrow shall assume responsibility for the loss or damage of the lien property caused by his negligence or trespass.

**Article 15:**

If a debtor fails to satisfy a debt secured by a lien on the due date, the lien creditor may, after the lapse of three business days from the date of notification of the debtor to satisfy the debt, file a petition with the Board of Grievances for an order to sell the lien property or part thereof.

**Article 16:**

The Board of Grievances' order to sell the lien property shall not be executed before the lapse of five days from the date it is served to the debtor or the guarantor – if any – indicating the venue, date and time of sale. If the lien consists of various properties, the lien creditor may specify the property to be sold, unless it has been agreed otherwise, or if this causes the debtor to sustain damage. In all cases, the sale shall not exceed what is necessary to satisfy the creditor's rights.

**Article 17:**

The sale shall be by public auction at the time and place determined by the Board of Grievances, unless the Board of Grievances determines another method of sale.

If the lien property is a commercial paper, it shall be endorsed in a way that transfers ownership by the permission of the Board of Grievances with no obligation on the part of the endorser.

**Article 18:**

The lien creditor shall have priority to have his debt satisfied and the normal expenses incurred by him covered from the sale proceeds of the lien property.

**Article 19:**

If the lien property is susceptible to loss or damage or requires exorbitant maintenance expenses and the lienee is not willing to provide a substitute, then the lien debtor or the lienee may file a request with the Board of Grievances for its immediate sale by any means deemed fit by the Board. The lien shall be transferred to the sale proceeds and the Board shall determine where such proceeds to be deposited.

**Article 20:**

If the lien property depreciates in market value and the value becomes insufficient to secure the debt, the lien creditor may request the lienee to offset the shortage within a specified period.

If the lienee declines or the specified deadline elapses without offsetting the shortage, the lien creditor may file a petition with the Board of Grievances for review.

**Article 21:**

If the lien property is a deed the value of which is not paid in full, the lienee shall pay the lien creditor the installments due at least one day before the due date; otherwise, the lien creditor may request the sale of the deed according to applicable legal procedures.



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**Article 22:**

Any condition or agreement made at the time of establishing the lien or thereafter that provides the lien creditor, in case the debt is not satisfied on its due date, with the right to own or sell the lien property without consideration to the provisions provided for in Articles (15 to 18) of this Law, shall be invalid. However, the Board of Grievances may, at the request of the lien creditor, allow him to own the lien property or part thereof in satisfaction of the debt for the value assessed by experts.

**Article 23:**

If the lien is released for any reason and such reason is found invalid, the lien shall revert to its original status, without prejudice to the rights of *bona fide* third parties acquired between the release of the lien and its reversion.

**Article 24:**

In case of a forced sale of the lien property at public auction, the rights resulting from the lien shall terminate upon payment of the lien creditor's entitlement from the bid price or when the entitlement is deposited with the party designated by the Board of Grievances.

**Article 25:**

The Board of Grievances shall have jurisdiction to decide disputes arising from the application of the provisions of this Law.

**Article 26:**

The Minister of Commerce and Industry shall issue the implementing regulations of this Law within ninety days from the publication date.



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**Article 27:**

This Law shall be published in the Official Gazette and shall come into effect ninety days from the date of publication. It shall supersede all provisions in conflict therewith.

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For comments and inquiries please write to the Following Address:

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