

JUDGMENT SUMMARY

Neutral Citation	[2023] ADGMCFI 0018
Case Number	ADGMCFI-2023-028
Name of Case	Julie Anne McCrae v The LorEau Group FZ LLC & Anor.
Judge	Justice William Stone SBS KC
Date Issued	19 October 2023
Catchwords	Action in debt. Whether original agreement was restructured. Corporate veil. Shareholders' voluntary liquidation.
Cases Cited	–
Legislation and Authorities Cited	Media Zone Authority – Abu Dhabi Companies Regulations 2016 – Part 11
Executive Summary	<p>This judgment concerns a commercial and civil case between Ms Julie Anne McCrae and The LorEau Group FZ LLC ("LorEau") (the First Defendant) and Christopher Taylor (the Second Defendant). The core issue revolves around the non-repayment of a AED 500,000 bridging loan with AED 100,000 in agreed interest, provided by Ms. McCrae to LorEau. The Court determined that judgment is entered in favour of Ms McCrae against LorEau for AED 545,000 plus interest. The case against Mr Taylor was dismissed because the Court found no evidence of personal liability on his part as LorEau's agent or that the corporate veil should be pierced. A significant point of contention was whether the original loan agreement was effectively restructured into personal payment plans, which the Court ultimately ruled did not legally occur.</p>
Overall Summary	<p>Background</p> <p>This Abu Dhabi Global Market Court of First Instance (Commercial & Civil Division) judgment concerns a claim by Ms Julie Anne McCrae for the non-repayment of a corporate debt against The LorEau Group FZ LLC ("LorEau") (the First Defendant) and Mr Christopher Taylor (the Second Defendant). The debt arose from a bridging loan of AED 500,000 provided by Ms McCrae to LorEau, a marketing and advertising company, on 17 January 2022 (the "Original Loan Agreement"). An agreed fixed interest of AED 100,000 brought the total debt to AED 600,000, due for repayment on 31 July 2022. The loan was intended to assist LorEau with a short-term cash flow problem. Repayment did not occur. Mr Taylor was LorEau's general manager and signed the Original Loan Agreement on its behalf.</p>

	<p>The case involved disagreement over two main issues: (i) whether the Original Loan Agreement was replaced by three personal payment plans; and (ii) whether Mr Taylor had personal liability under the Original Loan Agreement.</p> <p>Analysis</p> <p>Regarding Mr Taylor's personal liability, he argued that signing on behalf of LorEau as general manager did not create personal liability. The Court agreed, finding that LorEau, as a limited liability company, had its own independent legal personality. Mr Taylor was acting as an agent for LorEau when signing, and there was no evidence he personally warranted repayment or assumed personal liability. The Court rejected the argument that his role as signatory implied personal liability, highlighting the fundamental concept of separate legal personality. Therefore, the case against Mr Taylor was dismissed.</p> <p>On the issue of restructuring, Mr Taylor and Mr Ronnie McCrae (the Claimant's husband), supported by emails, WhatsApp messages, and meeting minutes, contended that due to LorEau's financial difficulties consequent upon the Covid-19 epidemic, the loan was restructured into personal obligations for three 'partners' (Mr Taylor, Mr McCrae, and Mr Victor Krrashi) to ensure Ms McCrae was repaid. Proposed amounts were discussed. Ms McCrae, facing personal financial problems, sought repayment in any form. However, Ms McCrae strongly maintained that nothing was formally finalised and the original corporate liability of LorEau remained extant. The Court agreed with Ms McCrae, finding that the Original Loan Agreement was not novated. No formal substitute agreements were drawn up, and critically, Ms McCrae would not have agreed to receive less than the full AED 600,000 debt. As one proposed participant (Mr Krrashi) ultimately declined, the potential personal repayments would have left her AED 110,000 short.</p> <p>Regarding monies received, Ms McCrae admitted receiving AED 55,000 from Mr Taylor. Payments from Mr McCrae were disputed; Ms McCrae claimed these were for rent and a personal loan, not the LorEau debt. The Court found it could not differentiate Mr McCrae's claimed repayments from domestic expenses based on the evidence. Thus, the debt of AED 600,000 was only reduced by the AED 55,000 received from Mr Taylor.</p> <p>Late in the proceedings, it emerged that LorEau had been undergoing a Shareholders' Voluntary Liquidation since January 2023, although its status remained uncertain. Despite this, the Court proceeded on the basis that LorEau currently remains in existence, albeit likely without assets.</p> <p>Conclusion</p> <p>In conclusion, the Court entered judgment against LorEau, in the amount of AED 545,000 (AED 600,000 less AED 55,000 received). The case against Mr Taylor, was dismissed. A costs order <i>nisi</i> was made that there be no order as to costs.</p>
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