



# Satisfaction of a Charge

## **What is a 'charge'?**

A charge is created as security for loan or debentures or as security for some other purpose.

## **What happens if a company fails to deliver a charge?**

Every charge created by a company is void against the company's liquidator/any creditors of the company unless particulars of the charge are filed in the CRO. In addition, if a charge document has been filed but the particulars of one or more properties to which the charge relates have been omitted, then the charge will be against the company or its liquidator in respect of that omitted property. This applies when a company fails to register an existing share on a property which is owned by the company. This could result in a potential fine.

## **What is the Satisfaction of a Charge /a Judgment Mortgage?**

If the amount of loan is repaid or debentures are fully paid or its other purpose is fulfilled, there remains no need for the charge. This is called satisfaction of charge.

A charge can be satisfied either fully or partially.

Details of the satisfaction of a charge should be completed on the following forms:

- Form C6 - Full Satisfaction
- Form C7 - Partial Satisfaction

## **How do I register a satisfaction of a charge?**

The company will need to complete a Form C6 for full satisfaction of a charge or a form C7 for partial satisfaction.

Where completed by the company, the form must be signed by two directors or by a director & the secretary of the company. Where a person signs in one capacity, he or she may not sign the form in another capacity.

***Where the company is in liquidation, the liquidator must sign the form in lieu of the director and secretary. A receiver cannot complete a Form C6.***

Once this is received at the Companies Registration Office, a notice is then issued to the charge holder (chargee). However, where the charge holder (chargee) / judgment creditor has signed the form, the satisfaction will be registered without notice being issued under Section 416(1) of the Companies Act 2014.

If the C6/C7 is completed by the company only, then the CRO notifies the person(s) entitled to the charge that a memorandum of satisfaction has been received for registration. The person(s) entitled to the charge will then have 21 days to lodge an objection to the registration of the memorandum of satisfaction.

## **Is there a penalty for falsely stating that the charge has been satisfied?**

If the satisfaction is submitted by the company and it is found that the persons signed the declaration knowing it to be false, then the officers in question are guilty of a Category 2 offence.

*(Category 2 offence – conviction on indictment can result in a term of imprisonment of up to five years or a fine of up to €50,000 or both; • Category 2 offence - summary conviction can result in a class A fine or imprisonment for a term not exceeding 12 months or both)*

Also, under section 416(6), if the court considers that the making of the statement contributed to the company being unable to pay its debts, prevented or impeded the orderly winding up of the company or facilitated the defrauding of the creditors, they may remove the limited liability of the company as they see fit in order to settle the debts and other liabilities of the company.

### **How long does the process take?**

If the form is not signed by the charge holder, the process of registration of the satisfaction of charge may take up to 2 months. No routine notification concerning the registration of the submission will be issued. The status of this submission may be checked on the CRO website

### **What are the implications of this process?**

This process works well for the most part; however, where a charge registered in the CRO has been transferred to a third party and the CRO has not been notified of the change of ownership, there is a risk of the charge being marked as satisfied by the Registrar when it has not been released by the current owner of the charge (as they will not have been notified).

The Registrar is only obliged to issue the 21-day notice to the registered charge holder and not the acquirer of the charge. The registered charge holder may not respond to the notice and, if an objection is not received, the charge will be marked as satisfied after the expiry of the 21-day notice period.

### **Current approach being taken by the CRO**

Guidance notes 3 on Form C6 and guidance note 5 on Form C7 provide that where the charge holder has changed since the registration of a charge then a Form C17 evidencing the transfer of the charge should be lodged before Form C6 or Form C7 is lodged.

The Form C17 must be signed by both the registered charge holder and the current owner of the charge whether that is the party that the registered charge holder transferred to or not.

### **Implications for Non-Filing?**

Form C6/C7 – Full/Partial satisfaction of a charge to be delivered when charge has been satisfied. Failure to deliver these forms means that the property remains unchanged on register of charges. This may affect a company's credit rating.

### **How can CFI assist?**

CFI has over 30 years' experience in all aspect Company Secretarial work and resulting submissions to the Companies Registration Office As such, we are ideally placed to assist you with the preparation and guaranteed filing of Satisfaction of Charges.

Our fees this service starts at just € 89 + VAT + CRO filing fee

If you would like further information, or have a particular case you would like to discuss, please contact Ms Sue Jesper ([sue@formations.ie](mailto:sue@formations.ie)) or Ms Gagani Nidesha ( [gagani@formations.ie](mailto:gagani@formations.ie) )

### **Very Important note:**

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