The Moscow Times
30 YEARS
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Businesses Win Landmark Case Against Crimean Compensation Fund

Case highlights unique legal complexities faced by businesses operating on the peninsula.

March 04, 2020



Crimean residents have been largely cut-off from mainstream Ukrainian and Russian financial services since the annexation. **Sergei Kiselyov / Moskva News Agency**

Two Crimean businesses have won a landmark legal case over the repayment of loans taken out with a Ukrainian bank before the peninsula was annexed by Russia in 2014, news site RBC has reported.

Local authorities were trying to recover almost one billion rubles ($15 million) of debts under a controversial setup which allows a compensation fund — established to reimburse Crimean residents who lost bank deposits when Ukrainian banks left Crimea following the Russian takeover — to seize property and unpaid debts owed by Crimean businesses to Ukrainian banks.

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The Depositor Protection Fund (DPF) argued that the Dnepr Metal Servis Group (DMSG) should pay it 927 million rubles that it had not returned to Ukrainian Delta Bank on a 2011 loan agreement. However, the Sevastopol Arbitration Court ruled last week that DMSG had already reached an agreement with Delta Bank over the loan, and the DPF therefore had no grounds to request reimbursement. The DPF also lost its attempt to withhold property owned by a group connected to DMSG.

It is the first time the DPF has lost such a case.

Legal experts told RBC the episode highlights another set of legal complexities faced by firms operating in Crimea, as Russian courts have to interpret and rule on commercial agreements that were taken out between two Ukrainian entities under Ukrainian law. Stanislav Petrov, managing partner of Precedent Consulting, a law firm which represents businesses operating in Crimea, said the ruling "will have will have a stabilizing effect" on the DPF's activities in Crimea.

The DPF claims to have reimbursed 30 billion rubles ($450 million) to Crimean depositors who had cash saved with Ukrainian banks prior to the annexation. According to the organization's website, it offers compensation of up to 700,000 rubles ($10,500) unilaterally, and provides legal support to help depositors recover sums above this amount from the Ukrainian banks who left the peninsula immediately after the Russian annexation.

Original url:
https://www.themoscowtimes.com/2020/03/04/businesses-win-landmark-case-against-crimean-compensation-fund-a69513