

Eureka Journal of Humanities and Social Research (EJHSR)

ISSN 2760-4934 (Online) Volume 2, Issue 5, May 2026



This article/work is licensed under CC by 4.0 Attribution

<https://eurekaoa.com/index.php/4>

CHALLENGING THE DEBTOR'S TRANSACTIONS AS A LEGAL MECHANISM FOR PROTECTING CREDITORS' PROPERTY RIGHTS IN INSOLVENCY PROCEEDINGS UNDER THE LEGISLATION OF THE REPUBLIC OF UZBEKISTAN

(Scientific Article)

Ruzimova Ruzanna Maxmudjan qizi

Abstract

The article examines the institution of invalidation of the debtor's transactions as one of the central legal mechanisms for protecting the property rights of creditors in insolvency proceedings under the law of the Republic of Uzbekistan. Drawing on the Law of the Republic of Uzbekistan No. ZRU-763 of 12 April 2022 “On Insolvency”, the Civil Code, and the Economic Procedural Code, the author analyses the grounds, terms (so-called “suspect periods”), procedural framework, and legal consequences of declaring the debtor's pre-insolvency transactions invalid. Particular attention is given to Chapter 6 of the Insolvency Law (Articles 63–68), which differentiates between transactions causing losses to creditors, transactions involving preferential satisfaction, and transactions concluded with the debtor's successors. The article identifies systemic problems in law enforcement practice and offers proposals for further development of the doctrine and legislation.

Keywords: Insolvency, bankruptcy, debtor's transactions, invalidity of transactions, suspicious transactions, preferential satisfaction, liquidation estate, creditors' property rights, court manager, Republic of Uzbekistan.

Eureka Journal of Humanities and Social Research (EJHSR)

ISSN 2760-4934 (Online) Volume 2, Issue 5, May 2026



This article/work is licensed under CC by 4.0 Attribution

<https://eurekaoa.com/index.php/4>

1. Introduction

Insolvency law performs a dual function. On the one hand, it provides the debtor with a structured exit from a state of permanent inability to pay; on the other hand, it secures collective and proportionate satisfaction of creditors' claims from the assets that remain in the debtor's possession by the time the proceedings begin. The second function would be largely unattainable if the debtor, foreseeing imminent insolvency, retained an unrestricted power to dispose of the assets that constitute the future liquidation estate. Practice shows that the period preceding the formal opening of insolvency is frequently used by the debtor and persons connected with it for the withdrawal of assets, the artificial reshuffling of priorities among creditors, and the conclusion of transactions with non-equivalent consideration.

Against this background, modern insolvency systems develop a special regime for challenging the debtor's pre-insolvency transactions – a regime that operates parallel to, and sometimes in derogation from, the general rules of civil law on the invalidity of transactions. The Republic of Uzbekistan, having adopted the Law No. ZRU-763 of 12 April 2022 “On Insolvency” (hereinafter – the Insolvency Law), has substantially renewed this regime. The Law replaced the previously effective Law of 5 May 1994 “On Bankruptcy” and introduced, in particular, a separate Chapter 6 entitled “Invalidity of Transactions”, comprising Articles 63 to 68.

The present article analyses this institution from the standpoint of protecting the property rights of creditors. The choice of subject is dictated by the fact that the avoidance of the debtor's transactions is, in functional terms, the principal civil-law mechanism by which the assets of the future liquidation estate are restored to their pre-fraudulent condition. The work proceeds in five steps: (i) clarification of the legal nature and aims of the institution; (ii) systematic analysis of the grounds for invalidity established by the Insolvency Law; (iii) examination of the procedural framework, including the persons entitled to bring the claim; (iv)

Eureka Journal of Humanities and Social Research (EJHSR)

ISSN 2760-4934 (Online) Volume 2, Issue 5, May 2026



This article/work is licensed under CC by 4.0 Attribution

<https://eurekaopenaccess.com/index.php/4>

study of the consequences of invalidation; and (v) assessment of selected enforcement problems with proposals for their resolution.

2. Legal nature and purpose of the institution of avoidance of the debtor's transactions

In the system of Uzbek private law, the invalidity of transactions is generally regulated by Sub-Chapter 4 of the Civil Code (Articles 113–128), which distinguishes between voidable and void transactions and establishes uniform consequences of their invalidation. The general rules of the Civil Code, however, address invalidity from the perspective of the parties to a transaction and the public interest, not from the perspective of an absent third party – the future creditor of the contracting debtor. For this reason, the Insolvency Law contains a special regime which is not a mere repetition but rather a functional extension of the general civil-law rules.

Three doctrinal points should be underlined. Firstly, the special grounds for invalidity established in Chapter 6 of the Insolvency Law operate during a defined retrospective period preceding the opening of the proceedings (the so-called “suspect period”). Within this period, transactions that would otherwise be valid under ordinary civil-law standards may be set aside in order to protect the integrity of the future liquidation estate. Secondly, the institution rests on a presumption of bad faith or, at least, of objective imbalance: the law presumes that transactions concluded shortly before insolvency, especially with related persons or for non-equivalent consideration, harm the collective body of creditors. Thirdly, the consequences of invalidation are tailored to the collective procedure: the transferred property returns to the liquidation estate (and not directly to the debtor as an autonomous owner), and the counter-party becomes, as a rule, a creditor in the proceedings.

Thus, the avoidance regime under the Insolvency Law performs three interconnected functions: a restorative function (returning property to the estate),

Eureka Journal of Humanities and Social Research (EJHSR)

ISSN 2760-4934 (Online) Volume 2, Issue 5, May 2026



This article/work is licensed under CC by 4.0 Attribution

<https://eurekaoa.com/index.php/4>

a deterrent function (discouraging asset stripping during the pre-insolvency period), and an equalising function (preventing one creditor from being satisfied at the expense of others).

3. Grounds for invalidating the debtor's transactions under the Law of 12 April 2022

Chapter 6 of the Insolvency Law structures the grounds for invalidation around the type of harm caused. The architecture of the chapter is as follows: Article 63 lays down the general rule on invalidity of transactions concluded by the debtor; Article 64 governs transactions causing losses to creditors; Article 65 regulates the so-called “preference” transactions, that is, those securing preferential satisfaction of one creditor over others; Article 66 addresses transactions involving the debtor's successors; Article 67 establishes the consequences of invalidity; and Article 68 enumerates the persons entitled to bring an action for invalidation. The provisions on the invalidity of an individual entrepreneur's transactions are placed separately in Article 231 of the Law in view of the procedural specificities of personal insolvency.

3.1. Transactions causing losses to creditors (Article 64)

The first key ground concerns transactions that have caused or could have caused property harm to creditors. The criterion of harm follows the doctrinal model widely accepted in post-Soviet jurisdictions: harm consists in the reduction of the value or volume of the debtor's assets, or in an artificial increase of the volume of claims against the debtor, leading wholly or partially to the loss of the creditors' ability to obtain satisfaction at the expense of the debtor's property. Three cumulative conditions must, as a rule, be established: (a) the objective fact of harm; (b) the subjective intent of the debtor (or its controlling persons) to cause harm; and (c) the awareness of this purpose on the side of the counter-party at the moment of conclusion. The latter element is normally presumed when the

Eureka Journal of Humanities and Social Research (EJHSR)

ISSN 2760-4934 (Online) Volume 2, Issue 5, May 2026



This article/work is licensed under CC by 4.0 Attribution

<https://eurekaopenaccess.com/index.php/4>

counter-party is an interested person within the meaning of Article 21 of the Insolvency Law (relatives, controlling shareholders, affiliated companies, and so on).

It should be observed that the new Law abandons the formerly used construction “economic insolvency (bankruptcy)” in favour of “insolvency”, which by virtue of Article 5 covers a broader factual reality, including current illiquidity and permanent insolvency where the obligations of the debtor exceed the value of its assets. This terminological change extends the practical reach of Article 64: a transaction may be challenged not only when the debtor was already a “bankrupt” in the formal procedural sense, but already at the stage of growing illiquidity preceding the opening of the case.

3.2. Preference transactions (Article 65)

The second category covers transactions whose effect is to grant one creditor an unjustified advantage over the others. Typical examples include early payment to a single creditor while obligations to other creditors of the same priority remain unsatisfied; the granting of security to an existing unsecured creditor on the eve of insolvency; and the conclusion of contracts that change the order of priority for already existing claims. The economic logic of this ground is straightforward: such transactions do not necessarily diminish the total value of the debtor's assets, but they redistribute that value in a manner inconsistent with the principle of *pari passu* satisfaction laid down in the rules on the priority of claims.

A characteristic feature of the preference ground is that it does not always require proof of the debtor's intent to harm. Where the transaction was concluded after the filing of an application to open the case or within a short period preceding it, and where the result is an objective preferential effect, the law allows the court to presume the abusive nature of the transaction. The defendant counter-party may rebut the presumption by showing, for instance, that it acted within the ordinary

Eureka Journal of Humanities and Social Research (EJHSR)

ISSN 2760-4934 (Online) Volume 2, Issue 5, May 2026



This article/work is licensed under CC by 4.0 Attribution

<https://eurekaopenaccess.com/index.php/4>

course of business or that it had no actual or constructive knowledge of the debtor's signs of insolvency.

3.3. Transactions with the debtor's successors (Article 66)

Article 66 addresses an issue often overlooked in earlier domestic legislation: the use of corporate restructurings (mergers, divisions, transformations) and inheritance constructions for the purpose of taking the debtor's assets beyond the reach of creditors. The Law extends the avoidance regime to transactions concluded with the legal successors of the debtor where these operations have led, in fact, to a loss for the creditors. From a doctrinal viewpoint, this provision strengthens the principle of universality of the liquidation estate and restricts the use of formally lawful corporate techniques as a tool for evading collective enforcement.

3.4. The general rule of Article 63

Article 63 contains the umbrella rule under which all transactions concluded by the debtor in violation of the Insolvency Law and other acts of legislation may be challenged. This article performs a residual function: it allows the court to set aside transactions that do not fall squarely within Articles 64 and 65 but that nonetheless contradict the aims of the proceedings. Examples include transactions concluded after the introduction of supervision (Article 30 of the Law) without the consent of the court manager, where such consent was statutorily required, and transactions concluded by the debtor's management after their powers had been transferred to the court manager.

4. Procedural framework: persons entitled to challenge and forum

Under Article 68 of the Insolvency Law, the principal claimants in actions for invalidation are the court manager (a unifying term that, depending on the stage of the proceedings, covers the supervisor, the rehabilitation manager, the external

Eureka Journal of Humanities and Social Research (EJHSR)

ISSN 2760-4934 (Online) Volume 2, Issue 5, May 2026



This article/work is licensed under CC by 4.0 Attribution

<https://eurekaopenaccess.com/index.php/4>

manager, and the liquidator) and, with certain limitations, the creditors and the body of creditors. The role of the court manager is central: as a fiduciary acting in the collective interest, the manager is obliged to investigate the debtor's pre-insolvency transactions, to identify those that satisfy the criteria of Articles 63–66, and to file the corresponding actions in due time. Failure to do so may give rise to liability under Article 25 of the Law for breach of professional duties.

The procedural rules are determined jointly by the Insolvency Law and the Economic Procedural Code of the Republic of Uzbekistan, the latter containing in Chapter 25 the special rules for the consideration of insolvency cases. Under Article 36 of the Economic Procedural Code, the case is heard at the court at the place of state registration of the debtor (in the case of a legal entity) or at the place of residence (in the case of an individual entrepreneur or natural person). Actions for invalidation are heard within the framework of the main case, that is, by the same court that exercises jurisdiction over the insolvency proceedings, which ensures procedural economy and consistency of decisions.

The Law does not establish a special limitation period for these actions. Application is therefore made of the general civil-law rules: under Article 150 of the Civil Code, the standard limitation period is three years, but for voidable transactions it is shorter. The combined reading of the Insolvency Law and the Civil Code suggests that the period of limitation for an action of avoidance based on Article 64 begins to run from the moment when the court manager learned or should have learned of the grounds for the avoidance – a solution which gives substantial protection to the collective interest of creditors and which may be considered a doctrinal contribution of the new Law to Uzbek civil-procedural theory.

5. Consequences of invalidation (Article 67)

Article 67 of the Insolvency Law sets out the consequences of declaring a transaction invalid in the framework of insolvency proceedings. The general rule

Eureka Journal of Humanities and Social Research (EJHSR)

ISSN 2760-4934 (Online) Volume 2, Issue 5, May 2026



This article/work is licensed under CC by 4.0 Attribution

<https://eurekaopenaccess.com/index.php/4>

is that everything that was transferred to the counter-party under the avoided transaction is to be returned to the debtor's liquidation estate (the so-called "special restitution"). Where the property has been alienated by the counter-party in favour of a bona fide third party, restitution in kind is impossible; instead, the counter-party is liable for the value of the property at the moment of conclusion of the avoided transaction, plus, where applicable, compensation for the use of the property and for any damage caused.

The position of the counter-party is delicate. After restitution, the counter-party acquires a claim against the debtor in the amount of what it actually transferred. However, this claim is not satisfied on equal footing with the claims of the original creditors. Where the transaction was avoided on the grounds of Article 64 (transactions causing harm), the counter-party's claim is, as a matter of policy, demoted to a lower priority – a solution which functions as a sanction for participation in a fraudulent scheme. Where the transaction was avoided on the grounds of preference (Article 65) and the counter-party acted in good faith, its claim is reinstated in its original priority.

It is essential to emphasise that the consequences of invalidation in insolvency are not identical to the bilateral restitution of Article 114 of the Civil Code. The collective procedure transforms the legal effects of avoidance: the transferred asset is returned not to the debtor as an isolated owner, but to the estate as a fund destined for the collective satisfaction of creditors. This transformation is the most concrete expression of the special, public-law-oriented character of insolvency.

6. Selected problems of law enforcement and doctrinal proposals

Although the new Law has introduced a more refined and systematic regime, several practical problems remain. The first concerns the proof of the counter-party's awareness of the signs of insolvency. The current text of the Law does not contain detailed rules of presumption and the burden of proof, leaving these

Eureka Journal of Humanities and Social Research (EJHSR)

ISSN 2760-4934 (Online) Volume 2, Issue 5, May 2026



This article/work is licensed under CC by 4.0 Attribution

<https://eurekaopenaccess.com/index.php/4>

questions to be resolved through case law. Comparative experience in other CIS jurisdictions – in particular the Russian Federation, where Article 61.2 of the Federal Law “On Insolvency (Bankruptcy)” contains an elaborate set of refutable presumptions – demonstrates that the codification of such presumptions significantly improves the predictability of judicial outcomes. It would be doctrinally sound to enrich the practice of the economic courts of Uzbekistan with similar instruments, either through the development of explanations of the Plenum of the Supreme Court or through subsequent legislative refinement.

The second problem concerns the relationship between the special grounds of Articles 64–66 of the Insolvency Law and the general grounds of Articles 113–128 of the Civil Code. In practice, claimants frequently invoke both regimes simultaneously. Although such concurrent application is permissible, it produces uncertainty as to limitation periods, the burden of proof, and the consequences of invalidation. The doctrinal solution would be to recognise the priority of the special regime: when a transaction falls within the scope of Articles 64–66, the proceedings should be conducted on the basis of those provisions, with the general rules of the Civil Code applied only subsidiarily.

A third problem relates to the position of the bona fide acquirer. The Law contains no separate rules on the protection of a bona fide third party who has acquired property previously transferred under an avoided transaction. The general rules of Article 228 of the Civil Code on protection of the bona fide acquirer apply, but their interaction with the rules of the Insolvency Law has not been worked out in detail. From a policy standpoint, a balance must be struck between the protection of the integrity of the liquidation estate and the protection of civil-law turnover. The proposal here is to formalise, by way of judicial interpretation, that the protection of the bona fide acquirer is preserved unless it is shown that the latter knew or ought to have known about the existing insolvency proceedings or the signs of imminent insolvency at the time of acquisition.

Eureka Journal of Humanities and Social Research (EJHSR)

ISSN 2760-4934 (Online) Volume 2, Issue 5, May 2026



This article/work is licensed under CC by 4.0 Attribution

<https://eurekaoa.com/index.php/4>

A fourth problem concerns the effective enforcement of judgments declaring transactions invalid. The court manager often faces difficulties in tracing transferred assets, especially when these have been alienated through chains of formally independent intermediaries. A more developed system of disclosure obligations and access of the court manager to public registers (real estate, corporate, banking) would substantially increase the practical efficiency of the institution.

Finally, the institutional capacity of court managers themselves deserves attention. The qualification, professional standards, and ethical requirements for court managers, addressed in Chapter 2 of the Law, are decisive for the success of avoidance actions. The strengthening of self-regulation through professional associations (Article 24) and the development of insurance of professional liability are essential conditions for the proper functioning of the institution.

7. Conclusion

The avoidance of the debtor's pre-insolvency transactions is the principal civil-law instrument for the protection of creditors' property rights in the framework of insolvency proceedings. The Law of the Republic of Uzbekistan No. ZRU-763 of 12 April 2022 "On Insolvency", by introducing a separate Chapter 6 dedicated to the invalidity of transactions and by differentiating between transactions causing harm, preferential transactions, and transactions involving the debtor's successors, has substantially modernised the domestic regime. The new Law strengthens the position of creditors and aligns Uzbek law with mainstream international practice.

Nevertheless, the effectiveness of this institution depends largely on its enforcement. Practical challenges persist with respect to the proof of the counterparty's awareness, the relationship with the general rules of civil-law invalidity, the position of the bona fide third party, and the institutional capacity of court managers. The further development of the doctrine, the elaboration of judicial

Eureka Journal of Humanities and Social Research (EJHSR)

ISSN 2760-4934 (Online) Volume 2, Issue 5, May 2026



This article/work is licensed under CC by 4.0 Attribution

<https://eurekaopenaccess.com/index.php/4>

guidance, and selective legislative refinement are likely to determine the final assessment of the reform. In any event, the new Law has firmly established avoidance of the debtor's transactions as a central pillar of the architecture protecting the property rights of creditors in Uzbekistan.

References

1. Civil Code of the Republic of Uzbekistan (Part One), approved by the Law of the Republic of Uzbekistan of 21 December 1995 No. 163–I (with subsequent amendments).
2. Economic Procedural Code of the Republic of Uzbekistan, adopted on 24 January 2018 (with subsequent amendments).
3. Law of the Republic of Uzbekistan of 12 April 2022 No. ZRU–763 “On Insolvency” (with amendments and additions).
4. Law of the Republic of Uzbekistan of 5 May 1994 No. 1054–XII “On Bankruptcy” (repealed by the Law of 12 April 2022 No. ZRU–763).
5. Resolution of the President of the Republic of Uzbekistan on the implementation of the Law “On Insolvency” and related normative acts.
6. Federal Law of the Russian Federation of 26 October 2002 No. 127–FZ “On Insolvency (Bankruptcy)”, Article 61.2 (used for comparative purposes).
7. Resolution of the Plenum of the Supreme Arbitration Court of the Russian Federation of 23 December 2010 No. 63 (used for comparative purposes).
8. Doctrinal commentaries on the Insolvency Law of the Republic of Uzbekistan published by the Ministry of Justice of Uzbekistan and academic legal centres.