Law of the Vessels (Ships) Mortgage

Umm Al-Qura No 1569 on 26/10/1374H(1)

The Ministry of Interior has notified us by its notice no 7798 on 21/10/74 that it has received His Majesty the King’s Royal approval No 3765 on 8.9.1374 by the Royal Cabinet letter No 9.3.8469 on 1.9.1374H of the Resolution of the Council of Ministers No 93 on 1.9.1374H, Concerning the draft law of ship mortgage, the provisions of which is hereunder:-

Article 1

No claim shall be raised against the selling of any vessel transference of proprietorship or mortgage thereof or transference of such mortgage on a person other than the alienor of the mortgage pawnor, their heirs and successor, and those, who actually knew of such. Until the document, proving such disposal is registered in the office having legal jurisdictions of such registration and the competent office shall evaluate the mentioned documents according to their submission priorities. Such evaluation shall be made in records specially designed for such purpose and serially numbered and organized to show the following:-

1- Name of the Vessel.
2- Names of the Parties.
3- Hour and date of receiving the document.
4- Content of the document.
5- The amount of the mortgage debt and its maturity date.

Article 2

Every sound mortgage contract including a whole vessel when concluded shall be deemed preference to the mentioned vessel as from the date of registration if:-

1- The mortgage has appeared on the vessel registration certificate.
2- The mortgage has been registered according to this law.
3- A declaration that such mortgage was concluded in good faith and was not intended to mean delay, default, or to cheat by any creditor to the debtor mortgagor in the present or in the future or to whoever having right in rem on the mortgaged (pawned) vessel was attached to the mortgage record.

Article 3

The confiscation of any vessel registered in accordance with this law, for violating any of the Kingdoms laws, shall not preclude the right of the
mortgagee unless he had licensed, approved, or participated in the commission of the violating act or in the default or the negligence that constitutes the subject of violation.

**Article 4**

The vessel sale contract, transference of proprietorship and mortgage thereof shall not be registered unless such is stating the right of the aliened or the mortgagor (pawner) in such vessel and the disposition and mortgage thereto, and it is stipulated that such mortgage to be registered, shall be based on statement be for a competent officer and a Saudi consul or one of the Saudi consular corps officers or an authorized notary to receive such statements by virtue of the laws of the country in which such decision is to be issued.

**Article 5**

a) Every mortgage satisfying the conditions stipulated in this law shall be deemed preferred mortgage.

b) The registration certificate of every preferably pawned (mortgaged) vessel shall show the following:-

1- Names of the mortgagor and mortgagee.

2- Hour and date of endorsement.

3- Value of the mortgage and its maturity date.

4- Any amount that shall be endorsed according to the paragraph (b) or (d) of this article.

c) The above-stated endorsement shall be processed in the knowledge of the competent officer or his deputy at the registration port or any competent officer in any foreign port. Such vessel shall not be given navigation license save after conducting such endorsement and a certificate stating the endorsement hour, place and content shall be recorded with such mortgage. If such endorsement was made in the knowledge of an official other than the competent one at the registration port, the certificate organizing such endorsement shall be delivered to the competent official for registration.

d) If the mortgage includes something other than the vessel and such shall be deemed a preferred mortgage and the share of each in the mortgage guaranteed shall be shown to be released of such upon paying it, and the endorsement of the ship document shall be made on an amount equal to its share in the dept.

e) If the preferred mortgage guaranteed more than one vessel and the share of each vessel in the dept was specified in such a way that it shall release itself on paying it, the vessel document shall be endorsed at the value of such share.

**Article 6**

The preferred mortgage shall entail a marine right in rem on the pawned
mortgaged vessel against the mortgage dept guaranteed by such vessel.

**Article 7**

The mortgagor shall present to the mortgagee upon concluding the mortgage contract a written statement of any previous marine right in rem or mortgage or any commitment or burdens which he knows and before the elapse of suitable time for the mortgage to have it registered and concluding the necessary endorsement in the vessel registration certificate, the mortgagor may not pledge, without the permission of the mortgagee to enter into any contract by virtue of with a right in rem shall be entailed on the vessel except for the wages of porters (stevedores) employed the owner of the vessel, its provider or its captain and the wages of the crew and the vessels share in loss general rate or the rescue of the vessel including the vessels pertinent rescue contract.

And every violation to this article committed under the responsibility of the mortgagor or the manager the official in charge of the mortgagor’s company the perpetrator shall be punished with a fine not exceeding six thousand riyals or with imprisonment for a period not exceeding two years or by both. Such violation shall result in the maturity of the debt according to the will of the mortgagee.

**Article 8**

Immediately after facilitating the preferred mortgage, two official copies of the mortgage contract shall be delivered to the mortgagor, who shall keep one of them on the mortgaged (pawned) vessel and he shall endeavor that the captain presents such copy with the vessel registration certificate to whoever having interest that may lead a right in rem on the vessel or to sale, alienation, or mortgage of the vessel, and if the captain abstains from presenting such document with a copy of the mortgage contract, he shall be punished with suspending or withdrawing his license.

**Article 9**

The competent officer or his authorized deputy shall, on the request of any person, register his claim of an in rem right on the mortgaged (pawned) vessel, such registration shall include the nature of such right, date of origination, its value, name of the concerned person, and his residence place, and whoever his claim against the vessel is registered shall, upon collecting his debt in full or partially, take the initiative to present a declaration of such release to the competent officer or to his authorized deputy who shall register such declaration.

And if the mortgagor has paid the debt of the mortgage in full, then he shall take the initiative to present a declaration of such issued by the mortgagee or his heirs or the alienee to the competent officer or to his authorized deputy who shall immediately register such declaration and the mortgagor shall present the partial release declaration which shall be delivered in the same manner, and whenever the vessel was burdened with a preferred mortgage the competent officer or his authorized deputy shall endorse the vessel registration certificate with such release, and the certificate confirming such endorsement which state
its time, place and content shall be registered, and if such certificate is issued by a person other than the competent officer, it shall be presented to the competent officer for registration.

Article 10

The right in rem of the preferred mortgage may be collected by filing an in rem suit before the judiciary for any violation to the provisions or terms of the mortgage and in addition to the proclamation of the claim the claimer shall deliver his bill of indictment, in a way specified by the judiciary, to the vessel captain or to one of its officers or guards and to every creditor who registered his claim against the vessel for collecting his right in rem unless the judiciary convinced that the claimer has failed to know his residence place in the Kingdom, provided that default in making such delivery shall not affect the course of the suit, but it may permit the mentioned person to claim to be compensated by the claimer of the value of his debt. The right in rem of the preferred mortgage may also be claimed by instituting an in rem suit in any foreign country wherein the vessel existed in accordance with the procedures in effect in such country as to the settlement(payment) of vessel creditors debts, nevertheless, the mortgagee in addition to his rights mentioned in this law, shall have the right to institute personal suit against the mortgagor before any competent judiciary for the collection of the remaining mortgage or due any shortage in full payment. No in rem suit shall be instituted to collect the rights of the mortgagor from estates or funds except for the mortgaged (pawned) vessel.

Article 11

The sale of any vessel in an in rem suit for paying the debts of mortgagee shall release such vessel from all the debts which shall be transferred to the price thereof according to their order of priority, provided that the preferred mortgage rights shall have priority of all other rights and debts on the vessel except the debts originated prior to the registration and endorsement of the preferred mortgages according to this law and debts originating due an error and the wages of the crew and the vessel share in the general rate of loss and rescue (even if such was by virtue of the legally permitted remuneration and charges fees contract and the expenditures judged by the judiciary.

Article 12

Maintaining the vessel, providing it with supplies, tugging it using it for dry-dock or marine railway or for other necessities to any foreign or national vessel according to the order from the master thereof or any authorized person by the master, shall entail a marine right in rem on the vessel, and it is supposed that the owner of the vessel already approved securing such necessities by the vessels provider or manager or captain or who might be in charge of it at the port where such necessities are provided or by whoever is appointed by the vessel lease contract or its temporary owner or he who is in agreement to purchase the vessel it was in his possession.

The extoriter of the vessel or the illegally extortion occupier (occupant) may not entail any of such commitments thereupon. Moreover, the creditor shall not acquire a right in rem if he knew or would have known, with a reasonable care
that the requester of such necessities was not authorized to burden the vessel with such debts according to the terms of lease contract, sale contract or otherwise.

Article 13

There is nothing precludes the mortgagee or the creditor (of the maintenance values of supplies or tugging the vessel or use such for the dry dock and a marine railway and other facilities) from ceding his right in rem and also the preference mortgagee may cede the preference position of his right with or without mutual consent.

Article 14

This Law shall become effective as of its publishing date in the official Gazette, and the Prime Minister shall execute it through notifying whoever is concerned.

(1) 17 Jun 1955.