**This is an important document. You should take independent legal advice before signing.**

**RANKING AGREEMENT**

**Definitions**

|  |  |
| --- | --- |
| **Security Agent:****Secured Parties:** | [ ] (registered number [ ]) as security agent for the Secured Parties (as defined below)[ ] (registered number [ ]) and [ ] (registered number [ ]) and their respective successors (and **Secured Party** shall mean any such person)  |
| **[****Security Agent’s Priority:][[1]](#footnote-1)** | [All sums due and to become due to the Secured Parties in any way including all interest, charges and expenses]/[ £[ ] of principal[ plus interest and expenses]/[plus 1 year's interest and expenses]/[inclusive of interest and expenses]] |
| **[****Security Agent’s Sharing Limit:][[2]](#footnote-2)** | £[ ] |
| **Security Agent’s Standard Security:** | The standard security granted by the Customer in favour of the Security Agent over the Property [dated [ ]] [dated on or around the date of the Customer’s execution of the Ranking Agreement]/[ registered in the Land Register of Scotland on [ ]] |
| **CFRSA:** | The Conveyancing and Feudal Reform (Scotland) Act 1970 |
| **Creditors:** | The Security Agent and the Lender |
| **Customer:** | **[ ]** |
| **Lender:** | **[ ]** |
| **[Lender's Priority:][[3]](#footnote-3)** | [All sums due and to become due to the Lender in any way including all interest, charges and expenses]/[ £[ ] of principal[ plus interest and expenses]/[plus 1 year's interest and expenses]/[inclusive of interest and expenses]] |
| **[Lender’s Sharing Limit:][[4]](#footnote-4)** | £[ ] |
| **Lender’s Standard Security:** | The standard security granted by the Customer in favour of the Lender over the Property [dated] [dated on or around the date of the Customer's execution of the Ranking Agreement]/[registered in the Land Register of Scotland on [ ]] |
| **Parties** | The Creditors and the Customer |
| **Property:** | ALL and WHOLE [ ] |
| **Securities:** | The Security Agent’s Standard Security and the Lender’s Standard Security |

1. **Interpretation**
	1. The expressions "Security Agent", "Lender" and "~~r~~Secured Parties" include their respective successors and assignees, and
	2. A reference to a provision of law is to that provision as amended or re-enacted.
2. **Consent**

The Creditors consent to the creation by the Customer of the Securities.

1. **Ranking**

[Priority Limits]

The Parties agree that the Securities shall rank in the following order of priority:-

* 1. the [Security Agent's/Lender’s] Standard Security to the extent of the [Security Agent's/Lender’s] Priority,
	2. the [Lender's/Security Agent’s] Standard Security to the extent of the [Lender's/Security Agent’s] Priority, and
	3. [the Security Agent's Standard Security to an unlimited extent.]

[Sharing]

 The Parties agree that the Securities shall rank on an equal footing so that any sums realised from the disposal of the Property shall be shared proportionally between the Creditors in the same ratio as their respective Sharing Limits. This will not limit the total amount recoverable by the Security Agent or the Lender from its Standard Security.

1. **Alteration of Securities**

The Ranking Agreement shall be construed and shall receive effect as a variation within the meaning of Section 16 of CFRSA.

1. **Exclusion of legal rules**

Notwithstanding the provisions of Section 13 of CFRSA or any other rule of law which might operate to the contrary effect, the provisions of Clause 3 shall be valid and effective.

1. **Assignation**

The Creditors and any other Secured Party shall be entitled to assign or otherwise transfer or dispose of the benefit of their respective interests in the Securities without the consent of the other Creditors and other Secured Party, as applicable, provided that the assignee or transferee undertakes in writing to the other Creditor or Secured Party, as the case may be, to be bound by the terms of the Ranking Agreement and to enter into all necessary documentation to give effect to that undertaking.

1. **Disclosure of information**

During the joint continuance of the Securities each of the Creditors and any Secured Party may disclose to the other information concerning the Customer and its affairs in a manner and to such extent as the Creditors and the Secured Parties shall agree and the Customer consents to such disclosure.

1. **Compensation**

Each of the Creditors, and the Security Agent on behalf of the Secured Parties, undertakes to the other that in the event of the proceeds of sale of the Property being distributed otherwise than in accordance with Clause 3 and the other is prejudiced as a result, it will compensate the other in order to give effect to Clause 3.

1. **Severability**

If any provision of the Ranking Agreement is or becomes invalid, illegal or unenforceable the validity, legality or enforceability of the remaining terms of the Ranking Agreement shall not be affected.

1. **Governing law**

The Ranking Agreement shall be governed by and construed in accordance with the law of Scotland.

**11 Third party beneficiaries**

11.1 The Parties acknowledge and agree that the rights and interests granted to the Security Agent and the Secured Parties under this Ranking Agreement are subject to the terms of the intercreditor agreement entered into between the Security Agent and the Secured Parties in connection with the Customer's obligations to the Secured Parties as amended, supplemented, varied or restated from time to time.

11.2 A Secured Party may enforce and enjoy the benefit of any term of the Ranking Agreement in accordance with the Contract (Third Party Rights) (Scotland) Act 2017.

11.3 The consent of any person who is not a party hereto is not required to rescind or vary the Ranking Agreement at any time.

**12 Testing clause**

 This document is executed as follows:

**Note:** block testing clauses to be added for each of the Parties

1. Only if ranking is on a priority basis [↑](#footnote-ref-1)
2. Only if ranking is on a sharing basis [↑](#footnote-ref-2)
3. Only if ranking is on a priority basis [↑](#footnote-ref-3)
4. Only if ranking is on a sharing basis [↑](#footnote-ref-4)