JUDICIARY OF
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30 October 2026

PJSC VTB Bank v. HM Treasury
Appeal No: CA-2026-000295
Neutral Citation Number: [2026] EWCA Civ 1373

JUDGMENT SUMMARY

Important note for media and public: this summary forms no part of the court's decision. It is provided so as to assist the media and the public to understand what the court decided. The full judgment of the Court of Appeal is the only authoritative document. Judgments are public documents and are available at: www.judiciary.uk, https://caselaw.nationalarchives.gov.uk

The basic facts

1. In February 2022, PJSC VTB Bank (the Bank) was designated under the Russia (Sanctions) (EU Exit) Regulations 2019/855 (the Russia Regulations), made under the Sanctions and Anti-Money Laundering Act 2018 (SAMLA). The Bank's designation followed Russia's invasion of Ukraine. The Bank is and was the second largest bank in Russia, and majority owned by the Russian Government.

2. VTB Capital PLC (the Subsidiary) is a UK company which is majority owned by the Bank, and which, as a result of the sanctions against the Bank, went into administration in December 2022 (the Administration). The objective of the Administration was to achieve a better result for the Subsidiary's creditors as a whole than would be likely if

it were wound up. The Administration order was made **after** the Office of Financial Sanctions Implementation (OFSI), a part of HM Treasury (HMT), had granted a licence (the General Licence) to allow the Subsidiary to be able to make and receive payments in the course of its business whilst it was in administration.

3. The Bank is a major creditor of the Subsidiary. Its proof of debt exceeded £205 million. Many of the Subsidiary's assets (estimated at some £180 million) and debts were in Russia. That made it practically impossible for the administrators to recover them. In addition, the Bank has taken enforcement action against the Subsidiary's Russian assets.

4. The administrators decided to try to achieve a creditors' scheme of arrangement for the Subsidiary, so that those of its creditors, who were unaffected by sanctions, could be paid. But for that purpose, the General Licence granted by OFSI needed to be amended. Ultimately, in September 2024, the Bank voted against the scheme, which meant that it was not approved. As a result, the administrators asked OFSI to amend the General Licence to create a "sanctions solution" to their inability to secure approval for the scheme.

5. In January 2025, OFSI amended the licence it had granted (the Licence Amendment). The Bank challenges the lawfulness of the Licence Amendment in these proceedings.

6. The substance of the Licence Amendment was in a new para 5.3A which provided that "no funds or economic resources shall be made available, including the making of any provision with a view to making a payment of funds or a transfer of economic resources [to the Bank] at a later date" without deducting: (a) the recoveries made by the Bank from its enforcement actions in Russia, and (b) the debts owed to the Subsidiary in Russia (the Deductions). The most controversial new requirement in para 5.3A was the prohibition on making an insolvency **provision** for monies that might later (after

sanctions were lifted) become due to the Bank without making the Deductions. The Bank submitted that that requirement improperly usurped the function of the Insolvency Court.

7. On 19 December 2025, Mrs Justice Collins-Rice (the judge) dismissed the Bank's application to set aside the Licence Amendment under section 38 of SAMLA. She rejected each of the Bank's four administrative law grounds of complaint. Those complaints were repeated before the Court of Appeal and were as follows.

The Bank's grounds of appeal and arguments

8. First, the Bank said that the judge was wrong to conclude that OFSI acted for a purpose that was consistent with its statutory discretion. The Bank submitted that OFSI had acted for the improper purpose of substantively prejudicing the Bank's rights as creditor in the Administration.

9. Secondly, the Bank said that the judge ought to have held that, in making the Licence Amendment, OFSI unlawfully interfered with the Bank's right to a fair hearing under Article 6 of the European Convention on Human Rights.

10. Thirdly, the Bank said that the judge ought to have concluded that the Licence Amendment was unreasonable and irrational because: (i) it required the value of the Deductions to be converted at the date of the Administration, and (ii) it prevented the administrators from making provision for the Bank's claims without making the Deductions.

11. Fourthly, the Bank said that the judge ought to have held that the failure to allow the Bank to make representations before the Licence Amendment infringed common law procedural fairness.

12. The Court of Appeal (Sir Geoffrey Vos MR, and Lord Justices Bean and Zacaroli) held in its judgment (the judgment) at [14] that the four grounds of appeal disguised the Bank's real case, which was, in effect that the "sanctions solution" permitted by the Licence Amendment was an improper use of the sanctions' legislation. SAMLA allowed the assets of designated persons to be frozen, but it did not, the Bank submitted, allow their property rights to be finally extinguished.

13. The Bank's essential complaint was that it was unlawfully prejudiced by the Licence Amendment. That prejudice resulted from the Bank's claim to have rights in the Subsidiary's insolvency, which would result in it being able to receive (but for the sanctions) a significant distribution. Those rights were disputed, but that dispute could only be decided by the Insolvency Court. The Bank contended that the Licence Amendment dictated or materially influenced the outcome of that dispute. The Bank said that it would ultimately (after sanctions were lifted) receive substantially less than it was entitled to under insolvency law by way of distribution from the Subsidiary's estate. Thus, the Bank said that some or all of its property rights were being extinguished by the Licence Amendment.

The critical questions before the Court of Appeal

14. The critical questions were, therefore, whether the Licence Amendment really did go beyond what is permitted by SAMLA and the Russia Regulations and improperly impose an expropriatory insolvency distribution on the Bank. Those questions, in effect, underlay all the Bank's arguments.

The Court of Appeal's decision in outline

15. The Court of Appeal held there were two conclusive answers to the Bank's case.

16. First, the Court of Appeal held that the Licence Amendment was purely permissive. It decriminalised conduct that would otherwise be a breach of sanctions but it did not, in itself, affect any substantive rights the Bank might have in the insolvency of the Subsidiary or determine what those rights were. The Licence Amendment had not been acted upon in terms of a provision being made or not being made as envisaged by it. When, and if, it was acted upon by the Insolvency Court, the Bank would, if it had insolvency or other grounds, be able to challenge the Insolvency Court's decision.

17. Secondly, the Court of Appeal held that the wide purposes of SAMLA and the Russia Regulations were quite broad enough to allow OFSI lawfully to amend the General Licence it had granted to relax the blanket freeze on the Bank's assets in the way it had done. As the UK Supreme Court emphasised at [213] in *Shvidler v. Secretary of State for Foreign, Commonwealth and Development Affairs* [2025] UKSC 30, [2026] AC 607 "sanctions often have to be severe and open-ended if they are to be effective", and "designation has to hurt those who are subject to it". When the Insolvency Court comes, in the future, to consider the Licence Amendment, it would need to decide whether and how the Licence Amendment should be implemented. The Court of Appeal suggested at [153]-[158] how that might be possible under insolvency law, but since it had not had full argument on the point, it could not go further.

18. The Court of Appeal reached the conclusion at [16] above having reasoned as follows:

    i) At [97] of the judgment, it said that, if the Bank were right about some or all the three disputed insolvency law propositions (see [92]-[94] of the judgment), and if the Insolvency Court were required to follow the terms of the Licence Amendment, the Bank would obviously lose some or all of the distribution that it would otherwise be entitled to. That would be because no adequate provision

would be made by the administrators for a distribution to the Bank in the event that sanctions were lifted. The Licence Amendment provides that no provision is to be made without first deducting the Deductions (see [40] of the judgment).

ii) At [104] of the judgment, it said that, as a matter of principle, the sanctions imposed on the Bank by the Russia Regulations do not affect its rights in the Subsidiary's administration, provided that none of the Russia Regulations is breached by its assertion of those rights.

iii) At [131]-[132] of the judgment, it said that the term "making available" in the Russia Regulations does **not** include an insolvency practitioner making provision for a claim by a designated entity. Accordingly, the words of [5.3A] relating to the making of a provision can have no legal effect, save perhaps to suggest a direction of travel to the administrators. Even if that interpretation of [5.3A] were to be wrong, and effect were to be given to the relevant wording, it still would not have the consequence of overriding insolvency law or extinguishing the Bank's rights.

iv) At [136] of the judgment, it said that the Russia Regulations did not permit OFSI validly to authorise a distribution of an insolvent company's assets to one creditor without making any provision for a debt owed to a designated entity. It did not rule out the possibility that an insolvency law solution, imposed by an Insolvency Court, could go some way towards such an outcome (see [153]-[159] of the judgment).

v) At [141] of the judgment, it said that the Licence Amendment could not and did not actually purport to extinguish or materially alter the Bank's rights in the insolvency of the Subsidiary.

19. On the first ground, the Court of Appeal held that OFSI acted for the purpose of making the sanctions effective against the Bank. That was well within the broad scope of the sanctions' legislation. The Licence Amendment could not be said to have actually affected the Bank's substantive rights in the Subsidiary's insolvency.

20. On the second ground, the Court of Appeal held that the Bank had made a full court challenge to the Licence Amendment. There would still need to be an insolvency hearing when and if the administrators sought to put the Licence Amendment into effect.

21. On the third ground, the Court of Appeal held that the Bank's substantive rights (as the Bank claimed, but were disputed) would, even if it was right, only be affected when the Insolvency Court decided how, under insolvency law, the Licence Amendment should be given effect.

22. On the fourth ground, the Court of Appeal held that procedural fairness did not in this situation require prior consultation with the Bank about the terms of the Licence Amendment, which were purely permissive. Such consultation would anyway have been impracticable.

23. The Court of Appeal reached the conclusion at [17] above having reasoned as follows:

i) The provisions of [5.3A] of the Licence Amendment, correctly interpreted as explained at [131] and [132] of the judgment, were in no way inconsistent with

the purposes of the sanctions imposed by the Russia Regulations. The wide purposes of SAMLA and the Russia Regulations were quite broad enough to allow OFSI lawfully to amend the General Licence it had granted to amend the blanket freeze in the way it has done, even if the amendments did not force the administrators or the Insolvency Court to implement the solution suggested.

ii) It was perhaps unfortunate that this major challenge was raised to the decision to make the Licence Amendment, when it was inevitable that, if the Bank's rights were to be affected, they would be affected by the orders made by the Insolvency Court, rather than by the Licence Amendment itself. The Insolvency Court would need to decide whether, and if so how, to accede to the suggested approach in [5.3A] of the Licence Amendment. The judgment would, at least, give it some guidance as to the proper interpretation of the Licence Amendment. The Insolvency Court would know in advance what the Licence Amendment achieved (some limited relaxation of the freeze on making funds available to the Bank) and what it did not achieve (an absolute prohibition on making provision for the Bank's claims).

24. Finally, the Court of Appeal addressed in summary at [153]-[159] of the judgment the question of whether or not insolvency law might be able to provide a solution to the problem faced by the administrators. It said at [157] that it could see force, for example, in the proposition that the outcome sought by the administrators might be achieved either through an application of what is known in insolvency law as the "hotchpot rule" or through provision for the Bank's claims being made by way of the Russian assets and the VTB Group Receivables (see [31] of the judgment).

25. The Bank's appeal was dismissed.