Preventive Composition Under the Omani Bankruptcy Law No. 53/2019: A Comparative Analysis with the Principles of Islamic Jurisprudence

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DOI: https://doi.org/10.47772/IJRISS.2026.101000491

Received: 25 October 2026; Accepted: 30 October 2026; Published: 05 November 2026

ABSTRACT

Oman's Bankruptcy Law, issued by Royal Decree No. 53/2019, created preventive composition (*al-ṣulḥ al-wāqī min al-iflās*) as a court-supervised route for a distressed merchant to settle with creditors before bankruptcy is declared. The Law does not define the institution, and Omani writing on it has rarely asked how its conditions sit with the Islamic jurisprudence that informs Omani legal culture. This article addresses both gaps. It uses doctrinal analysis of Articles 24 to 30 of the Law, read with the Commercial Law (Royal Decree No. 55/90) and the Civil and Commercial Procedures Law (Royal Decree No. 29/2002), and compares them systematically with Egyptian Law No. 11 of 2018 and UAE Federal Decree-Law No. 51 of 2023 in a comparative matrix. It also examines how the Investment and Trade Court, established by Royal Decree No. 35/2025, now governs jurisdiction over applications. It then assesses each condition against classical rules on conciliation (*ṣulḥ*), respite for the insolvent debtor (*inẓār al-muʿsir*), interdiction of the bankrupt (*ḥajr al-muflis*) and creditors' rights, drawing on Ḥanafī, Mālikī, Shāfiʿī, Ḥanbalī and Ibāḍī sources. The article finds that preventive composition is a composite institution: consensual in origin and judicial in effect, and functionally independent of bankruptcy. Its requirements of good faith, full disclosure and judicial control align with Islamic principles. The merchant-status requirement and the two-year trading period, by contrast, are legislative choices with no counterpart in fiqh. The two-year rule also excludes young but viable enterprises. The article recommends judicial discretion in place of the fixed two-year period, express provision for minors trading through guardians, and clearer timing rules for the application, and sets out draft provisions and implementation guidelines for each.

Keywords: preventive composition; Omani Bankruptcy Law; insolvency; comparative insolvency law; Investment and Trade Court; Islamic jurisprudence; *ṣulḥ*; debtor rescue

INTRODUCTION

Oman replaced the bankruptcy chapters of its 1990 Commercial Law with a stand-alone Bankruptcy Law, issued by Royal Decree No. 53/2019 and published in Official Gazette No. 1300 on 7 July 2019 (Sultanate of Oman, 2019b). The Law came into force one year after publication, in July 2020. It offers three tracks for a merchant in difficulty: restructuring, preventive composition and bankruptcy. This article concerns the second.

Preventive composition lets a merchant whose financial affairs are disturbed propose a settlement to creditors before any bankruptcy judgment. The settlement may grant new payment terms, a partial remission of debts, or both. It binds the creditors it covers once approved by the statutory majority and confirmed by the court. The Law regulates the procedure in Articles 24 to 68, from eligibility through the vote, confirmation, rescission and annulment.

The policy choice behind the procedure is familiar from comparative insolvency law. Liquidating a viable business destroys going-concern value, jobs and credit relationships. Recent empirical work supports early

intervention: French preventive procedures are associated with higher firm survival (Teti et al., 2024), and delay in out-of-court restructuring lowers survival, employment and creditor recoveries (Srhoj et al., 2023).

Three problems remain in the Omani literature. First, the Law does not define preventive composition or state its legal nature, so its characterisation is left to scholarship and the courts. Second, Omani law operates in a legal culture shaped by Islamic jurisprudence (fiqh), yet the relationship between the statutory conditions and classical rules on conciliation and insolvency has not been examined condition by condition. Third, the legal setting has changed since the earlier Omani studies were written: the UAE replaced its bankruptcy law in 2023, and Oman transferred commercial and bankruptcy disputes to a new Investment and Trade Court in 2025. Section 2 shows that no Omani study yet addresses all three problems together.

This article asks three questions:

1. How should preventive composition under Law No. 53/2019 be defined and characterised?
2. What substantive and formal conditions govern access to it, and how do they compare with current Egyptian and Emirati law?
3. To what extent are those conditions consistent with, grounded in, or independent of the principles of Islamic jurisprudence?

The article makes four contributions. It proposes a working definition built on the Law's own provisions. It sets out a method for comparing a modern statutory procedure with fiqh without attributing modern procedures to classical jurists. It updates the analysis of jurisdiction to take account of the Investment and Trade Court. And it proposes three legislative reforms, each supported by legal reasoning, comparative evidence and implementation guidelines.

The article proceeds as follows. Section 2 reviews the literature and identifies the gap. Section 3 sets out the method, including the criteria for selecting comparative systems and provisions and the treatment of differences among the schools. Section 4 defines preventive composition and its legal nature. Section 5 analyses the conditions of access, the competent court and a comparative matrix of Omani, Egyptian and Emirati law. Section 6 assesses the conditions in light of Islamic jurisprudence. Section 7 sets out the reforms, and Section 8 concludes.

LITERATURE REVIEW

The literature falls into three groups.

Comparative Arab legislation. Egypt's Law No. 11 of 2018 on Restructuring, Preventive Composition and Bankruptcy prompted several studies. Al-Bastawisi (2022) treats restructuring as a judicial procedure in which the debtor keeps control of its assets under a financial and administrative plan. Ahmed (2022) compares the Egyptian and Emirati procedures and links them to the investment climate. Al-Saqqa (2021) separates the substantive from the formal conditions of restructuring and stresses the court's review of the plan's seriousness. For the UAE, Al-Ra'i (2017) and Al-Balushi (2019) analyse preventive composition, including challenge, rescission and annulment. Shukur and Hussein (2018) and Dawood (2017) emphasise its economic function of keeping viable firms out of liquidation.

The Omani setting. Al-Hinai (2012) studied preventive composition under the former Commercial Law No. 55/90 and noted gaps in that regime. Al-Fulaiti (2019) analysed restructuring under the new Law and its shift from liquidation towards rescue. Al-Saadi (2021) examined preventive composition in Omani legislation comparatively, covering its concept, conditions, effects and termination. Al-Aryan (2022) offers a commentary on the whole of Law No. 53/2019.

Fiqh-based studies. Al-Harbi (2013) compared preventive composition in Saudi and Sudanese law from a fiqh perspective. Al-Utain (2013) assessed its consistency with Islamic rules on conciliation, insolvency and creditor

protection. Neither addresses the Omani Law, and neither uses Ibāḍī sources, which carry particular weight in Oman.

Table 1 compares the Omani studies with the present study on four points: the law examined, the focus, the treatment of fiqh and the comparative scope.

Table 1. Omani studies on preventive composition compared with the present study

Study	Law examined	Focus	Treatment of fiqh	Comparative scope
Al-Hinai (2012)	Commercial Law No. 55/90 (repealed)	Preventive composition and gaps in the former regime	Doctrinal (ta'ṣīlī) approach; no school-by-school assessment	Arab laws in force at the time
Al-Fulaiti (2019)	Law No. 53/2019	Restructuring, not preventive composition	Not addressed	Selected Arab laws
Al-Saadi (2021), the first author's master's thesis	Law No. 53/2019	Concept, conditions, effects and termination	General; not condition by condition	Selected Arab laws, before the 2023 UAE reform
Al-Aryan (2022)	Law No. 53/2019	Article-by-article commentary on the whole Law	Not addressed	Limited
Present study	Law No. 53/2019, read with Royal Decree No. 35/2025	Definition, legal nature and conditions of access	Condition by condition, across the four Sunni schools and the Ibāḍī school	Current Egyptian (2018) and Emirati (2023) law

Read critically, the Omani studies share three limitations. First, they are dated. Al-Hinai (2012) predates Law No. 53/2019, and all four predate the 2023 UAE reform and the 2025 transfer of jurisdiction to the Investment and Trade Court. Second, fiqh is either absent or treated in general terms. Where it appears, it is not applied condition by condition, and the Ibāḍī sources that carry weight in Oman are rarely used. Third, none tests the Omani conditions against the current Egyptian and Emirati provisions in a structured way, so the reform proposals in the literature are not grounded in comparative evidence.

The studies agree that preventive composition is preventive in purpose and that judicial supervision is essential to it. They disagree on its legal nature. Al-Ra'i (2017) stresses its contractual basis, Al-Shawarbi (2006) its judicial character, Badawi (2005) its composite nature, and Al-Harbi (2013) treats it as close to a mitigated bankruptcy. They also leave open whether the two-year trading period is justified and how a minor's trading capital should be treated.

The gap. No study yet reads the conditions of Law No. 53/2019 one by one against the fiqh of conciliation and insolvency, across the four Sunni schools and the Ibāḍī school. None compares them systematically with the current Egyptian and Emirati provisions, or analyses jurisdiction after Royal Decree No. 35/2025. Studies that do engage fiqh also tend to describe modern procedures, such as the composition trustee or the creditor majority, as if classical jurists knew them. This article fills these gaps and avoids that error.

METHODOLOGY

The study is qualitative and uses doctrinal legal research in three steps.

1. **Doctrinal analysis.** Articles 24 to 30 of Law No. 53/2019 are read with the Commercial Law (Royal Decree No. 55/90), the Commercial Companies Law (Royal Decree No. 18/2019) and the Civil and Commercial Procedures Law (Royal Decree No. 29/2002). The aim is to define the institution and state each condition precisely.
2. **Comparative legal analysis.** The Omani provisions are compared with Egyptian Law No. 11 of 2018 and UAE Federal Decree-Law No. 51 of 2023, read with the laws that define merchant status in each country (Egyptian Commercial Law No. 17 of 1999; UAE Federal Decree-Law No. 50 of 2022). These systems share a civil-law heritage and much of their drafting, which makes the comparison meaningful.
3. **Comparative fiqh analysis.** Each condition is assessed against classical rules on *ṣulḥ*, *inẓār al-muʿsir*, *ḥajr al-muflis* and creditors' rights. The sources are al-Kāsānī (Ḥanafī), al-Dardīr (Mālikī), al-Nawawī (Shāfiʿī), Ibn Qudāmah (Ḥanbalī), and Aṭfayyish and al-Sālimī (Ibāḍī), with al-Zuḥaylī (1997) as a modern synthesis.

The fiqh analysis follows one rule throughout. Classical law knew conciliation and insolvency, but not a court-confirmed composition voted on by a creditor majority. The comparison therefore tests the **aims and limits** of each statutory condition against fiqh principles. It does not claim that classical jurists knew the modern procedure. Each condition is then placed in one of three categories:

- **Grounded:** the condition expresses a fiqh principle.
- **Compatible:** the condition is a legislative choice that fiqh permits but does not require.
- **In tension:** the condition sits uneasily with a fiqh principle.

3.1 Selection criteria

- **Comparative systems.** Egypt and the UAE were selected on three criteria. First, both share the civil-law tradition and much of the drafting of the Omani Law; the Omani provisions on preventive composition follow the Egyptian model closely. Second, both regulate preventive composition as a distinct procedure. Third, both have reformed their insolvency law recently, Egypt in 2018 and the UAE in 2023, so the Omani Law can be tested against current rather than historical models. Only legislation in force is used for comparison; repealed texts are cited only to explain the origin of a rule.

- **Statutory provisions.** Articles 24 to 30 of Law No. 53/2019 were selected because they govern access to the procedure: who may apply, on what conditions, before which court and with what documents. They are read with the provisions that give them content: Articles 16 to 22 of the Commercial Law (merchant status and capacity), the Commercial Companies Law (company forms), Articles 36 and 52 of the Civil and Commercial Procedures Law (former jurisdiction) and the Investment and Trade Court Law (current jurisdiction). Later articles (42, 54, 60, 65 and 66) are cited only where they qualify an access condition. In Egypt and the UAE, the corresponding provisions were identified by function, not by article number.

- **Relationship with fiqh.** Each condition is assigned to one of the three categories above by an explicit test. A condition is *grounded* if it can be traced to a Qur'anic or prophetic text or to a rule agreed among the schools. It is *compatible* if it falls within the ruler's power to regulate procedure for the public interest (*siyāsah sharʿiyyah*) and contradicts no text or agreed rule. It is *in tension* if it conflicts with an agreed rule, or with the position of all the schools examined, unless it is qualified.

3.2 Treatment of differences among the schools

Differences among the schools were handled in four steps. First, the fiqh question raised by each statutory condition was stated, for example whether a debtor may be interdicted or how insolvency is proved. Second, the position of each school was recorded from its reference work: al-Kāsānī (Ḥanafī), al-Dardīr (Mālikī), al-Nawawī (Shāfiʿī), Ibn Qudāmah (Ḥanbalī), and Aṭfayyish and al-Sālimī (Ibāḍī). Third, each question was classified as agreed or disputed. Fourth, where the schools disagree, the statutory condition was tested against each position.

A condition consistent with at least one recognised position is treated as compatible, and the position it follows is named. This rests on the principle that the ruler may adopt one of the recognised juristic views (*takhayyur*) and that a judge's ruling settles a disputed question (*ḥukm al-ḥākim yarfaʿ al-khilāf*). Where a choice between positions was needed for a reform proposal, the article preferred the position with stronger textual support that best serves the purposes of the procedure: rescuing the debtor in good faith and protecting creditors (*tarjīḥ bi-al-dalīl wa-al-maṣlaḥah*). Section 6.7 applies this method to the questions on which the schools differ.

4. Concept and Legal Nature of Preventive Composition

4.1 Definition

In Arabic, *ṣulḥ* means ending a dispute and restoring what was broken. Classical jurists defined it as a contract that ends a dispute by mutual consent (al-Kāsānī, 1986; Ibn Qudāmah, 1968). It is valid unless it permits what is forbidden or forbids what is permitted. Its legitimacy rests on the Qur'anic statement "and conciliation is best" (Q. 4:128).

Law No. 53/2019 gives no definition. It describes the institution through its rules instead. Article 24 allows a merchant to apply when its financial affairs are so disturbed that they are likely to lead it to stop paying its debts. The merchant must not have committed fraud, or a fault that an ordinary debtor merchant would not commit. It must also have traded during the two years before the application.

Arab scholarship defines preventive composition as an agreement between the debtor merchant and its creditors, under judicial supervision and by a statutory majority, to avoid a bankruptcy declaration (Al-Shawarbi, 2006; Al-Ra'i, 2017). Building on the Omani provisions, this article proposes the following definition:

> *Preventive composition is a preventive legal institution of composite nature. It is a settlement between a debtor merchant and its creditors, made under judicial supervision and according to the conditions and majority set by law. Its purpose is to reorganise the payment of debts, protect the body of creditors and enable a viable enterprise to overcome financial disturbance and avoid bankruptcy, balancing the debtor's interest, the creditors' rights and the economic value of the business.*

Four elements follow from the definition:

1. A financial disturbance that threatens the merchant's ability to continue.
2. The debtor's own initiative in seeking protection.
3. A settlement with the body of creditors at the statutory majority.
4. Judicial control and confirmation.

Together these show that the institution is neither a purely consensual contract nor a softened form of bankruptcy.

4.2 Legal nature

Two questions arise. The first is whether preventive composition is independent of bankruptcy. Al-Harbi (2013) stresses its close link to bankruptcy and treats it as a preventive or mitigated version of it. That view underplays the difference in stage and purpose. Preventive composition comes before any bankruptcy judgment and aims to prevent one; bankruptcy begins only once its own conditions are met. The Omani Law regulates the two separately, with distinct conditions, procedures, effects and grounds of termination. Preventive composition is therefore **functionally independent** of bankruptcy. Bankruptcy rules apply to it only where the Law expressly refers to them.

The second question is how the composition itself should be characterised. Three views appear in the literature:

- **Contractual:** it rests on the debtor's proposal and the creditors' consent (Al-Ra'i, 2017).
- **Judicial:** court supervision and confirmation are decisive (Al-Shawarbi, 2006).

- **Composite:** it combines both elements (Badawi, 2005).

The composite view best explains the Omani regime. The consensual elements are the debtor's application, negotiation of terms and the creditors' vote. The judicial elements are the court's review of the application, the appointment of a trustee, verification of claims, supervision of the vote and confirmation.

The composite character also explains rules that ordinary contracts do not know. Article 54 requires a double majority: a majority of creditors holding two-thirds of the debt value. Once confirmed, the composition binds dissenting creditors within the class covered. Neither rule fits a purely consensual model, and the judicial review of good faith does not fit a purely procedural one.

4.3 Distinction from neighbouring institutions

Table 2 sets preventive composition against four related institutions in Omani law.

Table 2. Preventive composition and related institutions under Omani law

Institution	Stage	Who initiates	Court role	Binds non-consenting creditors
Preventive composition (Arts. 24–68)	Before any bankruptcy judgment	Debtor merchant only (and heirs or companies under Arts. 25–26)	Opens, supervises and confirms	Yes, once confirmed by the statutory majority
Judicial composition	After bankruptcy has been declared	Within the bankruptcy proceedings	Supervises and confirms	Yes, within the bankruptcy
Composition with abandonment of assets	After bankruptcy has been declared	Bankrupt debtor, with creditors	As for judicial composition	Yes, within the bankruptcy
Restructuring (Arts. 6–23)	Before bankruptcy	Debtor merchant	Supervises a wider financial and managerial plan	According to the plan's rules
Amicable settlement	Any time, outside the Law	Debtor and willing creditors	None	No, binds only the parties

The key distinction is between preventive composition and amicable settlement. An amicable settlement is an ordinary contract governed by general rules, and it binds only its parties. A creditor who stays outside may still sue, or petition for bankruptcy. Preventive composition gives collective protection that private contracts cannot. That collective effect is a creation of statute, not of contract or of fiqh.

5. Conditions under Law No. 53/2019

Article 24 sets four substantive conditions, and Articles 25 to 30 add formal and procedural ones.

5.1 Merchant status

Article 24 refers to the "debtor merchant", so merchant status is determined under the Commercial Law. Under Article 16, a merchant is anyone with the required capacity who carries on commercial acts in their own name and makes those acts their profession. Every commercial company is also a merchant, as is every company that takes a commercial form even if its business is civil. Three elements apply to natural persons.

- **Acting in one's own name and for one's own account.** Whoever bears the profit and loss of the business must appear in the dealings and carry the legal consequences. Employees and managers who are not partners are therefore not merchants. Under Article 17, the status attaches both to a person trading under a borrowed name and to the visible front person. It also attaches to someone trading in breach of a legal prohibition. This protects third parties who relied on appearances.
- **Capacity.** Under Article 21, a person aged eighteen with no legal impediment may trade. Egypt sets the age at twenty-one (Commercial Law No. 17 of 1999, Article 11). The UAE lowered it from twenty-one to eighteen in 2022 and now allows minors aged fifteen or over to trade under conditions set by the Cabinet (Federal Decree-Law No. 50 of 2022, Article 18). Article 22 allows a court to let a minor's capital stay in a business, and a bankruptcy then reaches only the capital used in trade. The Bankruptcy Law is silent on whether such a minor may seek preventive composition. If the minor's trading assets can be made bankrupt, the protective route should logically be open as well. This gap is taken up in Section 7.
- **Profession.** Commercial activity must be habitual, continuous and a regular means of earning a living. An isolated transaction is not enough, and mere habit falls short of profession. Courts should infer profession from several indicators together rather than from a single test.

5.2 Disturbance of financial affairs

The disturbance must be likely to lead to a cessation of payments. This wording shows the preventive purpose of the institution: the merchant may apply before payments actually stop. Two qualities are required.

- **Serious.** The disturbance must have a real effect on the merchant's financial position, not be a passing cash-flow problem.
- **Financial.** It must concern the merchant's financial affairs in a way that affects its ability to pay. Otherwise preventive composition could become a tool for postponing debts without good cause.

Whether the test is met is a question of fact for the court, decided on the documents filed under Article 28. In practice, the application should state the type, amount and maturity of each debt in question, and disclose disputed and secured debts.

Under Article 29, a pending bankruptcy petition does not stop the court from deciding the composition application first. This gives priority to rescue while no bankruptcy judgment has been issued.

5.3 Good faith: no fraud or gross fault

The applicant must not have committed fraud, or a fault that an ordinary debtor merchant would not commit. Good faith here is a legal standard, not a moral label. It is inferred from the merchant's books, disclosures and transactions before and after the application.

- **Fraud** requires intent to deceive. Examples include fabricating documents, concealing books or assets, and moving property to defeat creditors.
- **Gross fault** is a serious departure from the care expected of an ordinary merchant, even without intent.

The cause of distress need not be an extraordinary event such as war or natural disaster. Market change and ordinary trading losses qualify, provided the merchant dealt with them openly. Courts should not presume fraud from the fact of distress. The Law backs this condition at later stages too: the composition may be cancelled for concealment (Article 42) and annulled for fraud (Article 66).

5.4 Two years of trading

The merchant must have traded during the two years before the application. The aim is to confine the procedure to established businesses with a record that can be checked. The condition requires actual trading, proved by the registration certificate, Chamber of Commerce membership and audited accounts listed in Article 28.

The rule has a cost. It excludes new enterprises that are viable and run in good faith but hit early trouble, which is exactly when rescue can matter most. The court already examines every application for seriousness and good faith, so a fixed period adds little protection. Section 7 proposes replacing it with judicial discretion.

5.5 Who may apply

The initiative belongs to the debtor alone. Creditors may petition for bankruptcy, but they cannot impose a composition. This follows from the nature of the remedy: it asks creditors to accept remission or delay, and only the debtor can propose terms and disclose its position. Two extensions apply.

- **Heirs and legatees (Article 25)** who take over the business and continue it may apply within three months of the merchant's death. The deceased must have met the Article 24 conditions.
- **Commercial companies (Article 26)** may apply if they meet Article 24 and obtain internal authorisation. That means a majority of partners in general and limited partnerships, an extraordinary general meeting in joint-stock companies, the partners' meeting in limited liability companies, and the owner in a sole-proprietor company. Joint ventures (*sharkāt al-muḥāṣṣah*) are excluded because they have no legal personality. Companies in liquidation are excluded because there is no going concern left to save. De facto companies may apply.

5.6 Formal and procedural conditions

Competent court. Jurisdiction has changed since Law No. 53/2019 came into force. Until 30 September 2025 it was governed by the Civil and Commercial Procedures Law. Article 36 assigned bankruptcy and preventive composition matters to the court of first instance sitting as a three-judge panel. Article 52 gave local jurisdiction to the court for the debtor's place of business, or its main place of business where it had several. These rules are of public order.

Royal Decree No. 35/2025 established the Investment and Trade Court. The court is attached to the Supreme Judicial Council, has its seat in Muscat, and comprises first-instance and appeal circuits. Since 1 October 2025 it has had exclusive jurisdiction over commercial disputes involving businesses and disputes arising from investment contracts, expressly including bankruptcy. Administrative, labour and rental disputes are excluded (CMS, 2025). From the same date, the Supreme Judicial Council established first-instance circuits in ten governorates and appeal circuits in four (Times of Oman, 2025). Three consequences follow for preventive composition.

- **Subject-matter jurisdiction.** Law No. 53/2019 regulates restructuring, preventive composition and bankruptcy as parts of a single statute. An application for preventive composition is therefore a bankruptcy matter within the court's exclusive jurisdiction. Applications filed on or after 1 October 2025 go to the Investment and Trade Court. Applications filed earlier remain with the courts before which they were brought.

- **Local jurisdiction.** The principle of Article 52, which looks to the debtor's place of business, now operates through the court's circuits. An application should be filed with the circuit for the governorate of the debtor's place of business, or its main place of business, and otherwise with the court in Muscat.

- **Time and finality.** The Investment and Trade Court must decide cases within ninety days of referral, extendable by forty-five days for good reason (CMS, 2025). Article 30 of the Bankruptcy Law requires the application to be heard urgently, in chambers, and decided by a final judgment. As the special rule, Article 30 should prevail, so the ninety-day period is an outer limit rather than the expected time for a decision.

Studies and practitioner guidance that locate jurisdiction only in the Civil and Commercial Procedures Law therefore need to be read with the Investment and Trade Court Law.

Form and documents (Article 28). The application must state the causes of the disturbance, the proposed terms and the guarantees of performance. It must be accompanied by:

1. supporting documents for these statements;
2. a commercial registry certificate and a Chamber of Commerce certificate covering the previous two years;
3. audited financial statements for the two years, with a statement of the merchant's personal expenses;
4. a list of creditors and debtors, with addresses, amounts and securities;
5. a ministry certificate that no restructuring application has been filed, or that one was struck out more than three months earlier;
6. a registry certificate that the merchant has not been declared bankrupt or concluded a preventive composition before;
7. proof of payment of the fee.

Companies must add their certified constitutional documents and the authorising resolution. If documents are missing, the applicant must explain why. An unpaid fee causes the application to be treated as not filed.

Hearing and interim measures (Article 30). The court hears the application urgently and in chambers. It may order precautionary measures over the debtor's assets until it decides. The urgency matters because delay erodes going-concern value.

5.7 Comparative matrix: Oman, Egypt and the UAE

Table 3 sets the Omani conditions against the corresponding provisions of current Egyptian and Emirati law. The final column states the implication for Omani law.

Table 3. Conditions of access to preventive composition under Omani, Egyptian and Emirati law

Element	Oman (Law No. 53/2019)	Egypt (Law No. 11 of 2018)	UAE (Decree-Law No. 51 of 2023)	Implication for Oman
Forum	Investment and Trade Court since 1 October 2025	Courts of first instance of the Economic Courts, bankruptcy department (Arts. 2, 35)	Bankruptcy Court (Art. 5)	All three use specialised forums; Oman's is commercial rather than insolvency-specific
Persons covered	Merchants and commercial companies, except joint ventures; companies in liquidation excluded (Arts. 24, 26)	Merchants; joint ventures and public-sector companies excluded; companies in liquidation excluded (Issuance Art. 1; Art. 30)	Companies, natural-person traders and licensed professional civil companies (Art. 3); companies in liquidation may apply (Art. 20)	The UAE scope is widest; Oman and Egypt confine the procedure to going concerns
Financial condition	Disturbance likely to lead to cessation of payments (Art. 24)	Same, and a debtor that has stopped paying if it applies within 15 days (Art. 30)	Default or expected inability to pay; filing due within 60 days of cessation, but late filing is no bar (Arts. 15, 56)	Oman has no rule on applications after cessation of payments
Good faith	No fraud or fault an ordinary merchant would not commit (Art. 24)	No fraud or gross error (Art. 30)	Not an admission condition in the provisions reviewed; addressed through termination	Oman and Egypt screen at entry; the UAE screens later

Element	Oman (Law No. 53/2019)	Egypt (Law No. 11 of 2018)	UAE (Decree-Law No. 51 of 2023)	Implication for Oman
Minimum trading period	Two years (Art. 24)	Two years of continuous trading (Art. 31)	None in the provisions reviewed	The UAE shows the procedure can work without a fixed period
Heirs	Within three months of death (Art. 25)	Within three months of death (Art. 32)	Within two years of death (Art. 21)	Oman follows Egypt
Company approval	Majority of partners, extraordinary general meeting, partners' meeting or owner (Art. 26)	Majority of partners or general assembly (Arts. 31, 36)	Decision of the competent corporate body (Art. 22(11))	Broadly similar
Capacity and minors	Age 18; court may keep a minor's capital in trade (Commercial Law Arts. 21–22); Bankruptcy Law silent	Age 21 (Commercial Law Art. 11); no specific rule on minors in Law No. 11 of 2018	Age 18; minors aged 15+ may trade under Cabinet conditions (Decree-Law No. 50/2022, Art. 18); a debtor lacking capacity is represented by the trustee (Decree-Law No. 51/2023, Art. 21(4))	The UAE offers a model for representing a debtor who lacks capacity
Documents	Two years' audited statements, registry and Chamber certificates, list of creditors (Art. 28)	Two years' accounts, registry and Chamber certificates, EGP 10,000 deposit (Art. 36)	Three years' statements, one-year cash-flow forecast and details of the proposal (Arts. 22, 57)	The UAE requires forward-looking evidence of viability
Pending bankruptcy petition	Composition decided first (Art. 29)	Composition decided first (Art. 34)	Composition takes precedence (Art. 19(2))	Shared priority to rescue
Hearing	Urgent, in chambers, final judgment (Art. 30)	In chambers, expedited, final judgment (Art. 37)	Decision within 10 days after the response periods (Arts. 28, 31)	Only the UAE sets a fixed time limit

Similarities. The three systems share the core of the procedure: the debtor alone initiates it, a specialised court supervises it, good faith is required in substance, and a pending bankruptcy petition yields to the composition. Oman and Egypt are closest. Their conditions on financial disturbance, good faith, the two-year period, heirs and documents are almost identical, reflecting the Egyptian origin of the Omani text.

Differences. The UAE has moved furthest from this model. It admits companies in liquidation and licensed professional firms, sets no minimum trading period, gives heirs two years, regulates applications after cessation of payments and requires forward-looking evidence of viability. Egypt differs from Oman mainly in allowing a debtor that has already stopped paying to apply within fifteen days.

Implications. Three implications follow for Oman. The two-year period is not essential to the procedure, since the UAE operates without it. Oman's silence on applications after cessation of payments leaves room for tactical filings that Egypt and the UAE address. And Oman lacks a rule on debtors who lack capacity, where the UAE offers a model. Section 7 builds on each point.

6. Assessment in Light of Islamic Jurisprudence

Most of the Law's conditions are grounded in or compatible with fiqh. One feature, the binding of dissenting creditors, needs a specific justification. Table 4 summarises the assessment, and the discussion follows.

Table 4. Statutory conditions and their fiqh assessment

Statutory element	Relevant fiqh principle	Assessment
Settlement of debts by agreement	Legitimacy of *ṣulḥ* (Q. 4:128)	Grounded
Disturbance of financial affairs	Respite for the insolvent (Q. 2:280); proof of insolvency	Grounded in aim; the test itself is statutory
Good faith, no fraud or gross fault	Prohibition of fraud, deceit and wrongful delay; *lā ḍarar*	Grounded
Disclosure and documents	Duty of truthfulness; proof of the debtor's real condition	Grounded
Judicial supervision and confirmation	Judge's authority over the insolvent's estate (*ḥajr*)	Compatible
Merchant status	*ṣulḥ* is open to all debtors	Compatible (statutory scope)
Two-year trading period	No counterpart; treatment depends on the debtor's condition, not seniority	Compatible but weakly justified
Majority vote binding dissenters	*ṣulḥ* binds only those who consent	In tension; justified by *siyāsah sharʿiyyah* and *maṣlaḥah*
Remission and new terms	Remission encouraged; no increase for delay (*ribā*)	Grounded, provided no interest is added for time

6.1 Conciliation as the foundation

The schools agree that *ṣulḥ* over a debt is lawful (al-Kāsānī, 1986; Ibn Qudāmah, 1968; al-Zuḥaylī, 1997). The Prophet asked Kaʿb ibn Mālik to remit half of a debt owed to him, and Kaʿb agreed (al-Bukhārī, 2001, No. 457; Muslim, n.d., No. 1558). This shows that partial remission by agreement is not merely allowed but encouraged. The two tools of preventive composition, delay and remission, are both recognised forms of *ṣulḥ* over a debt.

One limit applies. Extending the term in exchange for an increase in the debt is *ribā al-nasīʾah*, prohibited by consensus. A composition plan that adds interest for the extended period would be invalid in fiqh, even though the Law does not address the point. Delay or remission without any increase raises no objection.

6.2 Disturbance and respite for the insolvent

The Qur'an commands: "If the debtor is in hardship, then grant him respite until a time of ease" (Q. 2:280). This is the closest fiqh analogue to the preventive aim of the Law. The jurists also distinguished the genuinely insolvent from the solvent debtor who delays. The Prophet said that "delay by a wealthy person is injustice" (al-Bukhārī, 2001, No. 2287; Muslim, n.d., No. 1564). They required the debtor's condition to be established before respite or interdiction was granted (Ibn Qudāmah, 1968; al-Nawawī, 1991).

The statutory test of a serious, financial disturbance proved by documents serves the same function. It confines protection to debtors in real difficulty. Article 60 makes the link explicit: it allows a composition term requiring payment of remitted debts if the debtor later becomes able to pay (*bi-sharṭ al-wafāʾ idhā aysar*). That echoes the Qur'anic "until a time of ease".

6.3 Good faith and the prohibition of fraud

Fraud (*ghishsh*), deceit (*tadlīs*) and consuming property wrongfully are prohibited (Q. 4:29). The maxim *lā ḍarar wa-lā ḍirār* forbids harm to creditors. The good-faith condition therefore expresses, rather than merely tolerates, fiqh values. Fiqh does not, however, provide the specific standard of the "ordinary debtor merchant" for gross fault. That standard is a matter for statute and the courts.

6.4 Judicial control and the interdiction of the bankrupt

Classical law gave the judge authority over an insolvent's estate. The Prophet placed Muʿādh ibn Jabal under interdiction and sold his property for his creditors (al-Bayhaqī, 2003). The majority of jurists allowed interdiction once debts exceeded assets, at the creditors' request (Ibn Qudāmah, 1968; al-Nawawī, 1991; al-Dardīr, n.d.). Abū Ḥanīfah opposed interdicting a free adult, while his two companions accepted it (al-Kāsānī, 1986).

The Ibāḍī school also recognises *taflīs* by the judge and the pro rata distribution of the estate among creditors (Aṭfayyish, n.d.; al-Sālimī, 1981). In all schools the judge protects the body of creditors and prevents the debtor from preferring some over others. Judicial supervision of preventive composition is thus compatible with fiqh. It is a modern, more protective use of a recognised judicial function.

6.5 Merchant status and the two-year period

In fiqh, *ṣulḥ* and respite are available to any debtor, merchant or not, and their treatment depends on the debtor's financial condition and conduct, not on how long they have traded. Limiting preventive composition to merchants is a legitimate statutory decision about scope, since fiqh permits the ruler to organise procedures for the public interest. The two-year period is harder to defend. It excludes some debtors who are in good faith and in genuine hardship, which is precisely the group the Qur'anic command protects.

6.6 The majority rule

This is the point of real tension. Classical *ṣulḥ* is a contract, and a creditor cannot be compelled to remit part of their debt without consent. Article 54 nonetheless lets a double majority bind a dissenting minority.

Two justifications are available. The first is *siyāsah sharʿiyyah*: the authority to regulate procedures for the public interest where the texts are silent. The second is *maṣlaḥah*: protecting the collective interest of creditors against a holdout who would push a viable business into liquidation. Liquidation would leave every creditor, the dissenter included, with less.

The judge's classical power to sell the bankrupt's estate and distribute it pro rata without each creditor's consent offers an analogy. It is not an exact precedent. The justification holds only if the safeguards are real: equal treatment within the class, judicial confirmation, and rescission or annulment where the debtor fails to perform (Article 65) or acted fraudulently (Article 66).

6.7 Reconciling differences among the schools

Applying the method in Section 3.2, the schools differ on three questions relevant to the conditions of access. In each case the Omani provision is consistent with at least one recognised position.

- **Interdiction.** Abū Ḥanīfah rejected interdiction of a free adult for debt, while his two companions and the Mālikī, Shāfiʿī, Ḥanbalī and Ibāḍī schools allowed it once debts exceeded assets (al-Kāsānī, 1986; al-Dardīr, n.d.; al-Nawawī, 1991; Ibn Qudāmah, 1968; Aṭfayyish, n.d.). Preventive composition imposes no interdiction: the debtor keeps management under supervision. It therefore satisfies Abū Ḥanīfah's concern for the debtor's capacity, while securing the creditors' interest in the estate as the majority require.

- **Proof of insolvency.** The Ḥanafīs allowed the judge to imprison a debtor who claimed insolvency until his condition became clear. The Shāfiʿīs and Ḥanbalīs distinguished by the origin of the debt: a debtor

whose debt arose from property received was presumed solvent until he proved otherwise (al-Kāsānī, 1986; al-Nawawī, 1991; Ibn Qudāmah, 1968). All schools agree on the purpose, which is to establish the debtor's true condition before granting respite. Article 28's documentary requirements serve that purpose by modern means. They are compatible with every school and closest to the Shāfiʿī and Ḥanbalī allocation of the burden of proof to the debtor.

- **Binding the minority.** The schools agree that *ṣulḥ* binds only those who consent, but all allow the judge to sell an insolvent's estate and distribute it pro rata without each creditor's consent. The majority rule is not an application of either rule directly. It is justified by analogy to the second and by *siyāsah sharʿiyyah*, and the choice is settled by the court's confirmation (*ḥukm al-ḥākim yarfaʿ al-khilāf*).

DISCUSSION AND RECOMMENDATIONS

The Omani Law fits the modern shift in insolvency policy from liquidation to rescue, and it shares most of its design with the Egyptian regime and, to a lesser degree, the current Emirati one. Its access conditions protect creditors against abuse through good faith, documentary disclosure, urgent judicial review and interim measures. They also leave three gaps.

First, the two-year trading period. It is rigid, and fiqh does not require it. The court already tests seriousness and good faith on full documents, so the fixed period mostly excludes young enterprises in genuine difficulty. *Recommendation:* replace the fixed period with judicial discretion. The court would weigh the age of the business together with its records and viability. Alternatively, keep the period as a presumption that the applicant can rebut.

Legal reasoning. The period serves to confirm that the applicant runs a genuine business. Article 28 already serves that purpose by requiring registry and Chamber certificates, audited statements and a list of creditors, and the court must be satisfied of seriousness and good faith before it opens the procedure. The rule is also inconsistent: a merchant who has traded for less than two years can be declared bankrupt but cannot seek the preventive route. Comparatively, Egypt keeps the period (Art. 31), but the UAE's 2023 reform dropped it. In fiqh, respite depends on the debtor's condition and conduct, not on how long it has traded (Section 6.5).

Draft provision. “The court shall take into account the period during which the merchant has carried on trade. Where that period is less than two years, the merchant shall submit financial statements for the whole period of trading, certified by a licensed auditor, together with a business plan. The court may admit the application if it is satisfied of the seriousness of the business and the good faith of the applicant.”

Implementation. Article 28 and the executive regulations would allow the certificates and statements to cover the actual period of trading. The trustee's first report would assess viability. The court would state reasons when it admits an applicant with less than two years of trading, so that a body of practice develops.

Second, minors trading through a guardian. The Commercial Law allows a minor's capital to remain in trade under court permission (Article 22), and that capital can be made bankrupt. The Bankruptcy Law does not say whether the guardian may seek preventive composition for it. *Recommendation:* expressly allow the guardian to apply, with the permission of the court that authorised the trading.

Legal reasoning. Article 22 of the Commercial Law lets the court keep a minor's capital in trade, and that capital can then be made bankrupt. Exposure to bankruptcy without access to the preventive route serves neither the minor nor the creditors. In fiqh, the guardian's acts are valid when they serve the ward's interest (*taṣarruf al-walī manūṭ bi-al-maṣlaḥah*), and a guardian's settlement on the ward's behalf is valid when it benefits the ward (al-Kāsānī, 1986). Comparatively, UAE law provides that a debtor who lacks capacity is represented in the proceedings by the trustee (Decree-Law No. 51 of 2023, Art. 21(4)).

Draft provision. “Where the capital of a minor or of a person lacking capacity is employed in trade with the court's permission under Article 22 of the Commercial Law, the guardian may apply for preventive composition

with the permission of the court that authorised the trading. The composition shall extend only to the assets employed in trade."

Implementation. The guardianship court's permission would be added to the Article 28 documents. The trustee would report on the effect of the proposed terms on the minor's assets. The authority responsible for minors' property would be notified of the application.

Third, timing. The Law allows an application before payments stop and gives the composition priority over a pending bankruptcy petition (Article 29). It does not set a time limit after distress appears, except the three-month limit for heirs. *Recommendation:* adopt clearer timing rules, or let the court refuse a late or tactical application. This would stop the procedure being used purely to delay creditors, without narrowing access for serious debtors.

Legal reasoning. Article 24 opens the procedure before payments stop, but the Law says nothing about applications after cessation of payments and sets no deadline. Because Article 29 gives the composition priority over a pending bankruptcy petition, a debtor can file late in order to block a creditor's petition. Comparatively, Egypt admits a debtor that has stopped paying only if it applies within fifteen days (Art. 30), and the UAE sets a sixty-day period (Art. 15(1)). In fiqh, delay by a debtor able to pay is injustice and harm to creditors is prohibited, so the procedure must not become a means of delay (Section 6.2).

Draft provision. "A merchant who has stopped paying its commercial debts may apply for preventive composition within thirty days of the cessation of payments. An application filed after that period, or after a creditor has petitioned for bankruptcy, may be admitted only if the court is satisfied that it is not made to delay creditors."

Implementation. The executive regulations would define the date of cessation by reference to the first commercial debt left unpaid after formal notice. The court would decide the question of delay at the in-chambers hearing under Article 30. The Investment and Trade Court's general time limit would remain the outer limit for the decision.

Two further points concern practice.

- The majority rule (Article 54) is defensible in fiqh only through *siyāsah sharʿiyyah* and *maṣlaḥah*. That justification depends on strict equality within the creditor class and effective judicial confirmation. Courts should give reasons on both points when confirming a composition.
- Composition plans should not include any increase in debt for extended time. The Law does not prohibit such terms, but they would be *ribā* in fiqh. Making the point explicit in regulation, or in judicial practice, would bring the regime fully into line with Islamic principles.

Finally, jurisdiction now has to be read with the Investment and Trade Court Law (Royal Decree No. 35/2025). Section 5.6 explains the consequences for subject-matter jurisdiction, local jurisdiction and the time for decision.

CONCLUSION

Preventive composition under Royal Decree No. 53/2019 is a composite institution, consensual in origin and judicial in effect, and functionally independent of bankruptcy. Its substantive conditions are merchant status, a serious financial disturbance, good faith and two years of trading. Its formal conditions cover standing, jurisdiction, documents and urgent judicial review.

Since 1 October 2025, applications fall within the exclusive jurisdiction of the Investment and Trade Court, with Article 30's urgent procedure as the special rule. Comparatively, the Omani conditions are closest to Egyptian Law No. 11 of 2018. They differ from UAE Federal Decree-Law No. 51 of 2023 mainly in the two-year period, the exclusion of companies in liquidation and the absence of rules on applications after cessation of payments and on debtors who lack capacity.

Measured against Islamic jurisprudence, the institution's core is grounded: settlement by *ṣulḥ*, respite for the debtor in hardship, the ban on fraud, and judicial protection of creditors. The merchant-status requirement is a legitimate choice about scope. The two-year period lacks a fiqh basis and cuts against the protection fiqh gives to good-faith debtors. Binding dissenting creditors departs from the consensual model of classical *ṣulḥ*, and it is justifiable only through *siyāsah sharʿiyyah* and *maṣlaḥah*, with real safeguards.

The article recommends judicial discretion in place of the fixed two-year period, express provision for minors trading through guardians, and clearer timing rules, each set out in draft form with implementation guidelines. Further research could examine Omani case law on confirmation and rescission as it develops. It could also test whether the procedure is used by small and medium enterprises.

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