Vincent Tchenguiz may have settled dispute with Kaupthing

It appears that Vincent Tchenguiz has agreed a deal with the Icelandic Bank
Photograph Bloomberg

The property impresario may have struck a deal to restructure his controversial loan agreements that that had lead to his offshore holding companies being put into administration by Kaupting.

The restructuring, about to be agreed with administrators Grant Thornton and the failed Icelandic bank Kaupthing, will see Tchenguiz drop his £1.5bn legal claim against the bank and its employees (alleging he had been the victim of "fraudulent misrepresentation" by bank executives)..

The agreement is designed to resolve a complicated dispute triggered by the near forfeiture in October 2008 of Tchenguiz's shares in more than a dozen holding companies that sit above Britain's largest residential freehold empire.

It appears that the administrators have discovered, what was widely suspected elsewhere, that there was currently no equity in these companies as their cash flows had already been largely pledged against other debts in the wider Tchenguiz group. As Mr Tchenguiz has previously explained, liquidating these companies would actually lose value for everyone concern.

A Guardian source stated that “Vincent has a very big smile on his face".

The resolution of this dispute with Kaupthing may allow Tchenguiz to negotiate further restructuring deals with other lenders to his property empire. This may even include an attempt to repurchase the Peverel Group – which was taken from Tchenguiz in March this year when it failed to repay £120m+ to Bank of America Merrill Lynch.

The restructuring has been agreed despite a series of sensational developments that have cast a long shadow over Tchenguiz's business activities since the collapse of Kaupthing in October 2008. This would appear to give strength to the argument that it has only been achieved as the equity in the companies was effectively worthless.

Back in March Tchenguiz and several former senior Kaupthing bankers were subject to raids by the SFO. The investigation is continuing though no charges have been brought and all involved deny any wrongdoing. As the SFO continue to investigate the relationship between the bank's former executives and Tchenguiz.

Tchenguiz's deal with administrators secures his presence at the helm of three ground-rent portfolios, although he has, to date been unable to hang on to the maintenance division of his property empire, Peverel Group (including OM management, Consort, Pembertons, Peverels and others). This group of companies which fell into administration in March is responsible for the upkeep of 190,000 leasehold flats and houses, including many McCarthy & Stone retirement homes. One of which burnt down last week with the sad loss of one residents life.

The latest restructuring agreement over who should own a clutch of holding companies that sit above three heavily indebted corporate entities created by Tchenguiz to house many UK residential freeholds.

Just months before Kaupthing failed in October 2008, shares in Tchenguiz's holding companies had been valued at more than £220m and pledged as security as part of an ill-fated attempt to stop Kaupthing calling in a £1.8bn loan to Vincent's brother Robert Tchenguiz's businesses.

The value of collateral continued to deteriorate, however, and by October Kaupthing called in the loan to Robert. But when administrators came to enforce their rights over the holding companies they found their path blocked. The majority of assets in underlying companies were pledged to other banks under pre-existing, long-term senior loan agreements.

A series of so-called "change of control" clauses meant that if the holding companies were to move out of Vincent Tchenguiz's control, the senior lenders could call in their loans. As a result, instead of seizing control of a valuable shares, Kaupthing administrators would have been left with little or nothing.

It is claimed that Kaupthing bank managers were well aware of the senior lending agreements and change of control clauses when they accepted the collateral offered by Tchenguiz.

"All the parties have had to take some very public steps in the wake of the collapse of Kaupthing in order to protect their respective legal rights," Tchenguiz said yesterday. "However, in the meantime, the strength of our asset base and the commercial opportunities available to us have enabled us to work together with Kaupthing [administrators] to achieve an outcome which benefits everyone."

Tchenguiz's brother Robert was the largest borrower from Kaupthing, receiving about €2bn (£1.7bn) in loans from the bank – the equivalent of more than 40% of Kaupthing's capital base. Kaupthing was also a frequent co-investor on deals struck by Robert..