

## Press Release

20 April 2010

### **‘Vulture funds’ – UN expert on foreign debt welcomes landmark law to address profiteering**

GENEVA – The UN expert on foreign debt and human rights, Mr. Cephas Lumina, has welcomed the passage of the landmark Debt Relief (Developing Countries) Act in the United Kingdom on 8 April 2010. “This law marks the first occasion on which a country has banned profiteering by ‘vulture funds,’” he said.

“I commend the UK for taking a critical step to halt the profiteering of ‘vulture funds’ at the expense of both the citizens of distressed debtor countries and the taxpayers of countries that have supported international debt relief efforts,” said the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights.

“‘Vulture funds’ have exploited the voluntary nature of international debt relief schemes by acquiring defaulted sovereign debt at deeply discounted prices and then seeking repayment of the full value of the debt through litigation, seizure of assets or political pressure,” said Mr. Lumina.

“While debts held by these private investment firms represent a small fraction of poor countries’ debt, awards in ‘vulture fund’ litigation represent a substantial burden on the budgets of these countries,” the Independent Expert explained.

Since the 1990s, the UK and other creditor countries have provided or committed billions of dollars in debt relief for the world’s poorest countries through internationally agreed schemes. However, vulture funds have been trying to force heavily indebted poor countries, often through litigation, to divert precious financial resources saved from debt cancellation.

“It is critical to put a halt to such unconscionable profiteering,” noted Mr. Lumina. “Awards to vulture funds diminish the impact of debt relief for these countries and undermine the core objectives of internationally-agreed debt relief measures.”

“From a human rights perspective, the settlement of excessive vulture fund claims by poor countries with unsustainable debt levels has a direct negative effect on the capacity of governments of these countries to fulfill their human rights obligations, especially economic, social and cultural rights, such as the rights to health, water and sanitation, food, housing and education,” stressed the Independent Expert.

Mr. Lumina stated, “I am pleased to note that, with the passage of the Debt Relief Bill into law, it is expected that the 26 November 2009 ruling of London’s High Court awarding \$20 million to two vulture funds will make the verdict unenforceable in

full.” Previously, the Independent Expert issued a statement\* regretting the decision in favour of the ‘vulture funds’ in their suit against Liberia

“I call upon the international community and, in particular, the countries, which are preferred jurisdictions for many ‘vulture funds,’ to follow the example of the UK and enact legislation to prevent 'vulture fund' activity within their jurisdiction as a clear indication of their commitment to find a durable solution to the debt problem,” said Mr. Lumina.

The Independent Expert strongly supports measures to ban profiteering by speculative investors on distressed sovereign debt, and said he hopes that the UK example will produce a positive ripple effect.

(\*): Press Release (17.12.09) – “UN expert on foreign debt regrets British court order that Liberia must pay 1978 debt to ‘vulture funds’”  
<http://www.ohchr.org/en/NewsEvents/Pages/DisplayNews.aspx?NewsID=9689&LangID=e>

ENDS

*Mr. Cephas Lumina was appointed Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights by the United Nations Human Rights Council in 2008. He is independent from any government or organization and serves in his individual capacity. The mandate covers all countries*

*Learn more about the mandate of the Independent Expert, visit:*  
<http://www2.ohchr.org/english/issues/development/debt/index.htm>

*For further information and media requests, please contact Yoonie Kim (Tel: +41 22 917 9643 / e-mail: [ieforeigndebt@ohchr.org](mailto:ieforeigndebt@ohchr.org))*