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Case study of a recent Judgment from Singapore High Court: Aquilo Shipping Inc v SRTT Marine Trading & Services Pte Ltd [2026] SGHC 79

On 10th October 2024, Aquilo, the Liberian shipowner (the Buyer), and SRTT (the original shipowner and Seller) executed a vessel sales contract on the latest edition of Saleform 2012. The MOA contract provides the law and jurisdiction clause : disputes shall be governed by the laws of Singapore, and all controversies shall be submitted to arbitration administered by the Singapore Chamber of Maritime Arbitration (SCMA). Clause 9 of the contract serves as an indemnity clause for the Seller's full liability: the Seller warrants that the Vessel shall be free from all mortgages, claims, liabilities and debts upon delivery. The Seller shall fully indemnify the Buyer against all losses sustained by the Buyer arising out of any matters occurring prior to the delivery of the Vessel.

The Vessel was delivered in the United Arab Emirates on 13th January 2025.

On 18th November 2025, an Indonesian cargo trader arrested the Vessel in Singapore due to non-bill-of-lading discharge conducted by the former shipowner, which caused losses to its palm oil cargo. The trader demanded security of approximately USD 3.67 million (principal and interest) plus SGD 300,000 for the release of the Vessel.

The Buyer's P&I Club refused to issue a letter of undertaking, holding that liabilities originated from the Seller and were not insured under the Club's coverage.

On 21st November 2025, the Buyer issued a formal notice to the Seller, demanding the Seller to immediately take over and handle the arrest proceedings, provide funds and security to secure the Vessel's release. However, the Seller failed to respond.

On 3rd December 2025, the Buyer directly applied to the Singapore High Court for an Interim Mandatory Injunction, seeking to compel the Seller to post security deposits or issue bank guarantees and resolve the vessel arrest matter forthwith. Up to the court hearing on 30th January 2026, the Buyer had not formally commenced arbitration proceedings.

On 10th April 2026, the Singapore High Court fully dismissed the Buyer's application for the following reasons:

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I. Failure to Meet the Statutory Threshold for Pre-Arbitral Interim Relief under Section 12A of the Singapore International Arbitration Act

A court may only grant interim relief pursuant to Section 12A on satisfaction of two cumulative conditions:

(1) the existence of extreme urgency; and

(2) the arbitral tribunal is objectively unable to dispose of the application for interim relief expeditiously.

Upon factual review, the Singapore Court held that the Buyer's application failed to satisfy both conditions. First, the vessel arrest took place on 18^{th} November, yet the Buyer delayed filing the court application until 3^{rd} December, constituting a substantial lapse of time. No arbitration application was filed by the hearing date, and the Buyer failed to provide reasonable justification for the delay, demonstrating no genuine intention to initiate arbitration promptly. Second, statutory provisions restrict court-ordered pre-arbitral interim relief to limited exceptional circumstances, which are absent in this case. The contract explicitly provides for an emergency arbitrator mechanism capable of resolving the matter speedily, rendering judicial intervention unnecessary.

II. The Buyer's Claims Lack Merits of Success

First, in line with English case law authorities, the indemnity liability under Clause 9 is severable from the Seller's warranty of delivering the vessel free of encumbrances. Even if the third-party claim is unfounded in substance, the Seller is not entitled to evade its indemnity obligations, affording the Buyer little prospect of success on this ground.

Nevertheless, the Singapore Court's clear distinction between two types of contractual indemnities constitutes the key reasoning of the Judgment:

The first category is the compensatory indemnity, represented by Clause 9 of the subject contract. Under this mechanism, the Seller's indemnity obligation is triggered only after the Buyer has actually made payment or compensated the third party, entitling the Buyer to reimbursement of its actual losses from the Seller.

The second category is the preventative indemnity, which compels the indemnifying party to advance funds or provide security proactively to resolve risks such as vessel arrest and prevent prospective losses to the indemnitee (e.g., Letters of Indemnity (LOI) issued for non-bill-of-lading discharge fall within this category).

In accordance with the contractual wording and established shipping market practices, the subject vessel purchase and sale agreement only prescribes compensatory indemnity, without imposing any obligation on the Seller to advance security or take proactive measures to release the arrested vessel. It is the incumbent duty of the current vessel owner (the Buyer) to post security for vessel release upon arrest, with the Seller solely liable for post-facto compensation. The Buyer's attempt to compel the Seller to provide pre-emptive security via injunction lacks contractual and legal basis, rendering its substantive claims unenforceable.

III. Discretionary Refusal of Injunction on the ground of Equity

The Singapore High Court further declined to grant the injunction based on equitable consideration. Firstly, the Buyer has an adequate and complete remedy under the sale and purchase agreement: the Buyer may post security and secure the vessel's release independently, then recover all resultant losses from the Seller through contractual arbitration proceedings. Secondly, the Buyer's contention that its status as a single-vessel company would lead to business collapse if the vessel remained under arrest or was sold at auction was rejected by the Court, given that single-vessel company structures are prevalent in the shipping industry and cannot serve as grounds for exceptional judicial relief against the Seller. Thirdly, granting the injunction would impose extraneous contractual obligations on the Seller that were never agreed under the contract, amounting to forced performance of non-existent liabilities and violating the principle of contractual equity.

To conclude, two reasoned considerations are most worthy of attention as follows:

First, Clause 9 of standard Saleform MOA contract provides the compensatory indemnity only. The Seller bears no obligation to advance funds or provide security to release an arrested vessel. The obligation to post arrest security rests primarily with the Buyer as the current vessel owner, who may only claim indemnity for losses actually incurred. To simply put, the pre-emptive risk-undertaking mechanism applicable to non-bill-of-lading discharge LOIs is not applicable here.

Second, the threshold for granting pre-arbitral interim mandatory relief by the Singapore courts under Section 12A of the International Arbitration Act is extremely high. The applicant must prove extreme urgency, a genuine readiness to initiate arbitration, and the objective inability of the arbitral institution to handle the matter expeditiously. Courts will dismiss applications for mandatory injunctions where the vessel owner unreasonably delays commencing arbitration after vessel arrest.

The above case study and comments are for reference only and do not intend to be, and should not be used as a substitute for taking legal advice or opinion in any specific situation.

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