



**When the Judiciary Says
Rights Cannot Be Erased by Decision**

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Amid the ongoing debate over Lebanon's Banking Restructuring Law and the Financial Gap Law, the State Council has issued a landmark ruling.

This ruling should not be viewed as just another legal development. It is a clear message at the heart of the country's financial crisis.

The ruling will not return deposits tomorrow, nor will it resolve the financial crisis by itself. But it states one fundamental point that everyone should hear:

Deposits cannot be written off.

Debts cannot be cancelled by a phrase in a State decision.

And the funds of banks and depositors cannot be transformed into losses erased from the books as if they had never existed.

The State had attempted to reopen the case of the State Council's decision of 6 February 2024, which had annulled the Council of Ministers' decision to cancel part of BDL's foreign currency obligations towards the banks. But the State Council rejected the request for retrial, making its earlier ruling even firmer and clearer.

This is precisely where the importance of the ruling lies – for depositors, for the banking sector and the economy as a whole.

First: A Deposit is not an Accounting Entry

Since the beginning of the crisis, deposits have at times been treated as if they were adjustable figures, or losses to be allocated.

But the truth is far simpler:

A deposit is a right.

A right does not disappear because the State delayed the solution.

It is not written off because the financial gap is large.

And it does not become a burden on its owner simply because that owner placed trust in the State and its Central Bank.

This is the first message that must be understood from the State Council's ruling.

Second: No One Denies the Scale of the Crisis ... But the Crisis Does Not Justify Erasing Rights

Yes, the crisis is unprecedented.

Yes, the losses are large.

And yes, the solution requires exceptional and unconventional legislation.

But exception does not mean disorder.

A crisis does not mean that everything becomes permissible.

And the need for a solution does not mean that depositors and banks should be made to bear the consequences of choices for which they were not solely responsible.

The State Council did not say that the State is unable to adopt exceptional measures in times of crisis. What it did say, clearly, is that such measures have limits.

The most important of those limits is that any interference with the rights of individuals and banks must be based on a clear law and a clear compensation mechanism – not on an administrative decision that removes an obligation as if it had never existed.

Third: There Can Be No Real Recovery Without Respect for Property Rights

Some may believe that the shortcut lies in transferring part of the obligations of the State and the Central Bank on the banks.

But such an approach does not build recovery.

It creates a new crisis of confidence.

An economy is not rebuilt by cancelling rights. It is rebuilt by respecting them. A deposit remains a deposit, whether it belongs to an individual or to a bank that placed its funds with the Central Bank.

The banking sector cannot be rebuilt if what remains of confidence in it is destroyed.

And depositors will not return to banks if they feel that their rights can be erased by decision.

Protecting property rights is therefore not a purely legal matter. It is an economic prerequisite.

Without it, there will be no new deposits, no new investments, and no real exit from the cash economy.

Fourth: The State Cannot Resolve the Financial Gap by Denying its Obligations

The financial gap cannot be resolved through denial.

It cannot be resolved by cancelling the Central Bank's obligations towards the banks.

And it cannot be resolved by assuming that the banks alone are capable of carrying a systemic burden that accumulated over many years.

What is needed is not to escape the truth, but to confront it.

This means clearly defining responsibilities:

- What is the responsibility of the State?
- What is the responsibility of the Central Bank?
- What is the responsibility of the banks?
- And how can the largest possible share of deposits be recovered without destroying what remains of the banking sector?

Any law that fails to answer these questions realistically and fairly will continue to face serious obstacles at the implementation stage.

Fifth: The Ruling Sets Boundaries for Future Legislation

The importance of the State Council's ruling is not limited to the past.

It also extends to what is currently being prepared.

Every draft law dealing with deposits, the financial gap, or the Central Bank's obligations must take into account a fundamental principle:

A fair solution cannot be built on the erasure of banks' rights.

Rescheduling is possible.

Payment mechanisms can be organized.

Long-term solutions may be designed.

But banks' deposits with the Central Bank cannot be converted into uncompensated losses and then presented as a solution to the crisis.

In Conclusion

The State Council's ruling is not a legal detail.

It is a reminder that rights cannot be erased by administrative decisions. We cannot tell depositors and banks: "You have lost your rights because the State and the Central Bank defaulted."

A plan must be developed that recognizes rights, speaks honestly to people about what is possible, allocates responsibility fairly, and at the same time preserves what remains of the banking sector's capacity to recover.

Deposits are not recovered through slogans.

They are recovered through a clear plan that defines responsibilities and requires each party to bear its share.

Note: This editorial is part of a series written by the Secretary General of the Association of Banks in Lebanon as part of his introductory articles to a number of periodicals published by ABL. It reflects his personal opinion and analysis of the developments and does not bind ABL.
