

The Package Deal:

Admissibility of Ancillary Claims along with the Principal Claim for Necessaries Supplies in Admiralty Jurisdiction

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Admiralty jurisdiction under section 20(2)(m) of the Senior Courts Act 1981, which covers claims "in respect of goods or materials supplied to a ship for her operation or maintenance," has been the subject of critical judicial interpretation. This article explores the recent decision in *Trans-Tec International v "Columbus" and "Vasco da Gama"* [2020] EWHC 3443 (Admlty). The case provides significant clarity, affirming that the words "*in respect of*" warrant a wide interpretation, extending beyond the principal claim for the goods and materials supplied. It confirms that ancillary claims—such as contractual interest, administrative fees, and collection costs—may as well be admissible under section 20(2)(m) when they are an integral part of the contractual bargain.

The Admiralty jurisdiction of the High Court includes a claim "*in respect of goods or materials supplied to a ship for her operation or maintenance*". This is provided for under section 20(2)(m) of the Senior Courts Act 1981 (the "Act").

The scope of this provision has been the subject argument in a number of cases. A narrow interpretation would restrict the provision to only cover claims for the goods and materials themselves. In contrast, a wider interpretation would also include ancillary claims, such as interest on the principal claim. The judicial approach has favored the wider interpretation, particularly due to the use of the words "in respect of" rather than the more restrictive word "for". The

key question, however, is how widely the provision should be interpreted and where the jurisdictional line should be drawn. This is a matter of degree, as demonstrated in the recent case of *Trans-Tec International srl and another v The Owners and/or Demise Charterers of the "Columbus" and "Vasco Da Gama"* [2020] EWHC 3443 (Admlty).

In that case, numerous claims were brought against two cruise ships, the "Columbus" and the "Vasco da Gama," or the proceeds from their judicial sale. The claims included those from two claimants, subsidiaries of World Fuel Services Corporation of the USA ("WFS Claimants"). The WFS Claimants sought payment for the supply of bunkers, in addition to several other contractual claims:

- Contractual **interest** at a rate of 1.5%-2% per month.
- **Administrative fees** of 5% for late payments.
- Contractual **collection costs** on an indemnity basis, which included both internal and external attorneys' fees.

The supply contract was subject to the law of the USA.

Since the proceeds from the judicial sale were insufficient to satisfy all claims against the ships, there were disputes among the various claimants. Two other claimants, Carnival plc ("Carnival") and P&O Princess Cruises International Ltd ("P&O"), contested the claims. While Carnival and P&O did not dispute that the principal claim for payment for the bunkers was within section 20(2)(m), they argued that the claims for interest, administrative fees, and collection costs fell outside the scope of the provision.

As for the proper construction of s 20(2)(m) of the Act, Admiralty Registrar Davison held that the words "in respect of" were wide and

should not be unduly restricted, a point also made in *The Kommunar* [1997] 1 Lloyd's Rep 1.

For the interest claim, Admiralty Registrar Davison held that it was an **"integral part of the package of contractual terms"** and an incident of the contract that resulted from non-payment of the price. This was because the interest was calculated as a percentage of the principal price, making it "closely and directly related to the price". Accordingly, he held that the interest claim fell within the scope of section 20(2)(m) of the Act. In reaching this conclusion, the Registrar found support in *The Kommunar* [1997] 1 Lloyd's Rep 1. In that case, a financier agreed to pay for the operation, servicing, and repair of vessels by providing a credit line up to US\$500,000. The agreement stipulated an interest rate of 1.4% per month. Clarke J held that the financier's claim, which included interest, fell within section 20(2)(m) of the Act.

The Registrar held that the administrative fee claim also fell within the scope of the section, for essentially the same reasons as the interest claim.

The collection costs claim was considered slightly more complex than the other three claims. The Registrar acknowledged that the collection costs were further removed from the price of the bunkers than the interest and the administration fee were. However, he emphasised that they were nonetheless **"a part of the contractual bargain"**. While the costs of an action are typically a matter of procedure governed by domestic law, the Registrar observed that the "collection costs" went beyond the costs of the action and were a contractual claim. Accordingly, he held that this claim was, like the other three claims, subject to the US law, which allows this.

In conclusion, the Registrar allowed all four claims of the WFS Claimants.



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