JUNE 2014

Newman & Partners
Licensed Insolvency Practitioners

FOCUS ON INSOLVENCY BULLETIN

Welcome to the latest issue of our Focus on Insolvency Bulletin, designed to keep you up-to-date on insolvency matters that may be of interest to you. If you have any feedback on this bulletin, or would like to know more about our services or how we can help you, please contact us on **020 8357 2727** or at **insolvency@newmanandpartners.co.uk**

Tax experts voice fears over HMRC 'bank raids'

Tax specialists have warned that HM Revenue & Customs (HMRC) could "steal a march on other creditors" as result of a new measure announced in the March 2014 Budget. The Budget document said that the government would "modernise and strengthen HMRC's debt collection powers to recover financial assets from the bank accounts of debtors who owe over £1,000 of tax or tax credit debts, have the financial means to pay, and have been contacted multiple times by HMRC to pay."

It added: "A minimum of £5,000 will be left across debtors' accounts. This brings the UK in line with many other tax authorities which already have the power to recover debts directly from an individual's account, such as France and the US."

But the Low Incomes Tax Reform Group (LITRG) – part of the Chartered Institute of Taxation – said it had "strong concerns" about what it described as an "unprecedented" power in the UK. LITRG chairman Anthony Thomas said: "HMRC say they will only use their new power where debtors 'have the financial means to pay' and have been asked for payment many times.

"It is unclear how HMRC will determine whether a debtor has the financial means to pay, or by what criteria this will be judged. People who owe HMRC £1,000 or just over may simply be people on low incomes or low wages who have got into difficulties and are in debt not only to HMRC but also to others, notably public utilities.

"To let HMRC raid their bank accounts without safeguards or recourse to the courts – or with inadequate safeguards – would be to flout the rule of law in a manner unworthy of a public service body. Besides, it would allow HMRC to steal a march on other creditors in the event of a bankruptcy, something which was abandoned long ago with the abolition of Crown preference in bankruptcy proceedings."

An HMRC spokesman said it would be consulting on a new measure with "appropriate safeguards to help level the playing field, and tackle those who have the means to pay but are choosing not to. This will only affect a tiny number of debtors whom we have contacted a minimum of four times to ask for payment."

He added that those affected would have the right to appeal against any move. This is a potentially significant development in insolvency law in the UK and it will be interesting to see the detail set out in the consultation and how it addresses the issues raised by the LITRG. As insolvency law continues to evolve, Newman and Partners can provide expert advice to support businesses and individuals affected by insolvency issues. For more information, please contact us.

Personal loans rise 'highest since before recession'

A new overview of the UK's financial situation has revealed the biggest increase in personal loans and overdrafts since before the recession. The Money Charity said in May that the surge in loans and overdrafts for individuals was the largest since February 2008, according to the latest figures from the Bank of England. Banks increased their non-credit card consumer lending by £1,087 billion in March this year, the largest monthly increase since before the recession.

The rise in total consumer credit, which includes credit cards, was also at its highest in March since September 2012, up by £1.13 billion month on month. Total consumer credit lending has now increased for 17 months in a row. The total amount of outstanding consumer credit in March was £159.765 billion, the highest level since finance deals, overdrafts and unsecured loans – per UK adult was £3,184.

Michelle Highman, chief executive of the Money Charity, said: "The fact that we are seeing the biggest increase in personal loans and overdrafts since before the recession could demonstrate a number of different changes in the industry, including an improved willingness to lend by the banks. Whatever the cause, it is important to ensure that whatever you are borrowing, you can afford to pay back.

"Borrowing money, when it's done in a carefully thought out, affordable way, can make things happen that would otherwise seem impossible or actually save you money in the long run. However if you don't have a plan to pay the money back, things can quickly spiral into more difficult, unmanageable debt."

Personal debt and the worry of not being able to meet financial obligations can create real emotional stresses and strains, affecting all aspects of someone's life. Professional advice can be a wise investment in helping people to resolve their debt and insolvency issues. Newman and Partners can explore the informal and formal options relevant to individual circumstances and help people make informed decisions about the way forward. For more information, please contact us.

Firms step up protection against bad debt risks

Demand is growing for trade credit insurance among businesses keen to protect themselves against financial difficulties in trading partners, according to experts in the field. Marsh, which specialises in insurance broking and risk management, said on 28 May that it was seeing growing demand for trade credit insurance, which gives protection against non-payment or extended default, as a result of fears that expected interest rate rises could result in more corporate insolvencies.

Tim Fisher, leader of Marsh's UK trade credit practice, said: "Many organisations are more risk averse as a result of the recession and are acutely aware that even a slight increase in bad debt and interest rates could derail their firm's recovery as the economic outlook improves.

"Companies are still concerned about the impact an interest rate rise might have on their trading partners. Trade credit insurance provides an added element of credit management discipline and customer insight, as well as protection against trade debt. In our experience, companies are more likely to experience difficulties during the recovery when sales are rising. Lenders remain broadly risk averse, which can lead to a working capital crunch. We expect more firms increasingly to use trade credit insurance as they look to grow further throughout 2014."

Putting in place trade credit insurance could prove to be a wise investment for businesses that want to take proactive steps to protect their financial position. In some cases, commercial debt litigation may be appropriate to recover money owed and Newman and Partners' experienced insolvency team can provide expert advice in deciding on the action most likely to result in recovery. For more information, please contact us.

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