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Newman & Partners
Licensed Insolvency Practitioners

RECOVERY & REVIVAL BULLETIN

Welcome to the latest issue of our Recovery and Revival 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**

The British Chambers of Commerce warns more than 60 per cent of businesses will run out of cash in three months

The British Chambers of Commerce (BCC) has conducted a survey amongst 600 of its members, that has revealed that they have no more than three months of cash left to cover running costs. The research was conducted in the final days of March, after the UK entered lockdown, and suggests that many businesses will struggle in the coming weeks if the situation doesn't improve.

A similar study, released days before, by an accountancy network also found that a fifth of British businesses have only a month before cash runs out, suggesting that a minority of companies may already be on the edge of insolvency unless they take urgent steps.

Responding to the study, the BCC said that companies throughout the UK were suffering from the sharp fall in domestic and overseas income as a result of the global lockdown, which could lead to widespread job losses. Even those that are solvent are struggling with suppliers who have shut down or gone under already.

Businesses are scrambling to secure emergency cash that is now available via a variety of Government grants and schemes, despite the Bank of England lowering interest rates to a historic low of just 0.1 per cent to provide cheap financing.

Adam Marshall, the Director General of the BCC, said the pandemic had taken a heavy toll on economic activity across the UK and has called on the Government to speed up its response to the crisis to deliver funding now to where it is needed most. He said: "While businesses have welcomed the unprecedented size and scope of the Government support packages, our findings highlight the urgent need for that support to reach businesses on the ground as soon as possible. The majority of firms cannot wait weeks or months for help to arrive."

The BCC survey also looked at some of the Government's measures and businesses' response to them. It found that a third of survey respondents planned to furlough between 75 per cent and 100 per cent of their workforce in the following weeks to take advantage of the Coronavirus Job Retention Scheme, which promises to cover 80 per cent of a furloughed worker's pay packet up to £2,500 a month.

The Chief Executive of the Resolution Foundation thinktank, Torsten Bell, said the scale of unemployment in Britain would be "unimaginable" if the Government had not agreed to subsidise wages. "This survey shows just how swift the impact of this economic crisis is being felt by firms and workers," he added.

This news is worrying, yet not surprising considering the current state of the world economy. It is important that those businesses who are concerned about their solvency speak with an insolvency practitioner or business recovery expert at the earliest opportunity. To find out how we can help, please contact us.

Government suspends director liability for wrongful trading

The Government has announced important changes to UK insolvency law that suspends director liability for wrongful trading. Seeking to provide reassurance to business directors in light of the ongoing COVID-19 pandemic, the Government has retrospectively suspended restrictions around wrongful trading from the 1 March 2020 for three months.

Under English law, where a company continues to trade, even in the face of unavoidable insolvency, the company's directors can be found personally liable for the losses suffered to creditors as a result, potentially leading to a court-ordered contribution to the assets of the insolvent company. By suspending the rules, directors of struggling business who continue to operate, in the full knowledge that they face the prospect of insolvency, will not be penalised for doing what they can to keep their business operational.

Business Secretary, Alok Sharma, announced the changes and said they would offer a 'breathing space' for companies undergoing a rescue or restructure process to help them avoid insolvency. On top of this suspension, the Government will also introduce new emergency legislation that will:

- Create new restructuring 'tools', including a moratorium, for companies giving them a holiday from creditors enforcing their debts for a period of time whilst they seek a rescue or restructure.
- Introduce a new restructuring plan, that binds creditors to that plan;
- Allow companies to buy essential supplies while attempting a rescue or restructure.

The Government hopes that by taking these measures they can reduce the number of contract cancellations, supply chain issues and a wide range of other issues that are affecting the UK economy.

These amendments to the rules mark a significant change in the law, which should help keep supply chains open for longer as part of a national effort to keep the economy functioning. We have helped lots of businesses with their insolvency procedures and can provide advice and support with business restructuring and rescue. If you would like advice on these changes or any aspect of insolvency, please speak to our team today.

HMRC clarify its position on insolvency proceedings

Where HMRC is a creditor of a business, it has released new guidance on its approach to insolvency procedures to those individuals, businesses and insolvency practitioners affected by the Coronavirus crisis. The new document contains information on ongoing voluntary arrangements (VA) and HMRC's current approach to enforcement activity.

HMRC recognises that businesses will already have been in a formal VA when the crisis began and that the impact of the economic slump is likely to affect their ability to trade and meet the obligations of the existing arrangement.

HMRC is calling on insolvency practitioners that are overseeing VAs to exercise 'maximum discretion' and consult with creditors only where absolutely required to do so to help individuals, companies and partnerships that are facing difficulties meeting their contributions. HMRC will support an automatic minimum three-month break from contributions from customers impacted by Coronavirus. The tax authority has also said that any deferral of tax that the business is entitled to under the Government's COVID-19 financial support package will not be deemed a breach of a VA.

HMRC has also said that it will relax its position concerning its powers to enforce the collection of outstanding tax liabilities as a petitioning creditor and has said that all insolvency activity, whether arising as a result of COVID-19 or not, will be paused. This means that HMRC will not petition for bankruptcy or winding up orders unless there are essential circumstances such as those involving fraud or other criminal activity.

If your client is already using a VA or believes that one could be useful to help their struggling business then they must seek expert help. To find out how our experienced team at Newman and Partners can help, please contact us.

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