

# 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](mailto:insolvency@newmanandpartners.co.uk)

### Dramatic increase in number of road freight firms filing for insolvency

Figures published towards the end of November recently revealed that the number of road freight firms filing for insolvency soared to a five-year high between July and September this year. According to the data, 59 firms in total were declared insolvent during the period – up from just 32 firms during the same three month period in 2016.

Following the worrying news, prominent industry body, the Freight Transport Association (FTA), has been lobbying the Government to extend extra support to the struggling sector. Ahead of the Autumn Budget announcements on 22 November 2017, the FTA urged the Chancellor, Philip Hammond, to consider a 3p cut in fuel duty, amid mounting fears that Mr Hammond would increase vehicle excise duty on diesel – the top fuel of choice for many hauliers.

Christopher Snelling, head of National Policy at the FTA, said: “Over the past six years, the number of operators declaring insolvency had been gradually falling. This sudden rise is extremely worrying and needs addressing as a matter of urgency.”

Ahead of 22 November, Campaigners from the FTA and FairFuelUK warned Mr Hammond that raising the VED on diesel would “hit the most vulnerable” road freight companies hard – which could result in further sector insolvencies.

Unfortunately, come Budget Day, campaigners worst fears were realised when the Chancellor stepped up to the despatch box and confirmed that VED for any new vehicles which do not meet the latest standards would increase from April 2018. Mr Hammond did, however, announce new measures to pump more money into electric vehicles (EVs) and EV charging infrastructure.



While this may be good news for those more fortunate road freight firms that can afford to purchase or upgrade to the latest EVs, fuel price campaigners FairFuelUK have warned that the majority of fleets, who “simply can’t afford to upgrade their vehicles to newer models,” will be hit particularly

hard by Mr Hammond’s disappointing decision on diesel.

Our team at Newman and Partners can provide help to you if your client is at risk of insolvency or struggling with debt issues. To find out more about our services, please contact us.

# One of UK's biggest care providers facing significant financial distress

In recent weeks, news has surfaced that one of Britain's biggest care providers is grappling with significant financial distress. Four Seasons Health Care, which is the second largest company of its kind in the UK, recently reported that it suffered losses of almost £30 million in the third quarter (Q3) of 2017.

According to reports, the organisation is currently exploring restructuring possibilities, after it managed to rack up losses of £27.5 million during a period of just three months, exacerbated by a toxic cocktail of council cuts, staff shortages and recent changes to minimum wage legislation.

Four Seasons' latest accounts suggest that the company actually managed to make an operating profit of £14 million in the most recent quarter. However, this sum was dwarfed by the amount owed by the company in debt interest payments – which is reportedly in excess of £28 million.

The prominent care provider – which currently helps some 17,000 elderly and vulnerable people all across the country – is not the first large care company to have publicly announced it is struggling with financial distress in recent months. Earlier this year, legislative changes were enforced requiring UK care providers to pay all employees working overnight 'sleep-in' shifts the National Minimum Wage (NMW) for all hours worked.

The move has left various care providers and similar organisations – including charities in the care sector – facing an

estimated back pay bill of up to £400 million. Mental health charity Mencap has voiced concerns that many care providers – including itself – are likely to find themselves facing bankruptcy any day soon as a direct result of the change.

Our team at Newman and Partners can provide help to you if your client is struggling with debt issues or facing insolvency.

Such concerns are always best explored at the earliest possible opportunity. To find out more about our debt management services, please contact us.

## Changes needed to counteract shock rise in corporate insolvencies

Numerous organisations – including insolvency trade body R3 – have been lobbying for legislative changes to the UK's existing corporate insolvency framework in recent weeks, amid concerns that an increasing number of British businesses are falling into financial distress. According to the most recent official data, cases of corporate insolvency across England and Wales have increased by 15 per cent over the past 12 months – and many organisations believe that Government intervention is needed.

Ahead of the Autumn Budget announcements on 22 November, R3 Midlands Chairman, Chris Radford, and R3 North East Chairman, Neil Harrold, wrote to the Chancellor, Philip Hammond. They said that the latest statistics highlighted a "pressing need" for changes to the UK's corporate insolvency framework to be considered in the Budget and to be implemented ahead of Brexit.

Mr Radford called on the Chancellor to reconsider previously mooted proposals such as introducing 'last chance' protection from creditors, while Mr Harrold added that reforms were needed to ensure that already-struggling companies can "receive vital continuity of supply from

utility providers while they try to resolve their financial difficulties."

"R3 would welcome such changes, with some alterations, as we believe they could make an incredibly valuable addition to the UK's business landscape by making company rescues more feasible and thus making it more likely that the jobs these firms support can be saved," he said.

Sadly, insolvency was somewhat overlooked when the Autumn Budget was delivered on 22 November, aside from the Government reiterating its intention to appoint an "independent chair" to review the regulations governing airline insolvencies – an investigation geared more

towards improving consumer protection than supporting struggling operators bogged down by financial distress. No notable changes or future intentions regarding the UK's corporate insolvency framework received a mention, but smaller businesses did get to breathe a small sigh of relief after the Chancellor confirmed that the UK's VAT threshold would not be lowered as previously expected.

Providing the right advice to your clients during a period of financial difficulty is crucial, and any concerns regarding insolvency are always best explored sooner rather than later. To find out more about our proactive services, please contact us.

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