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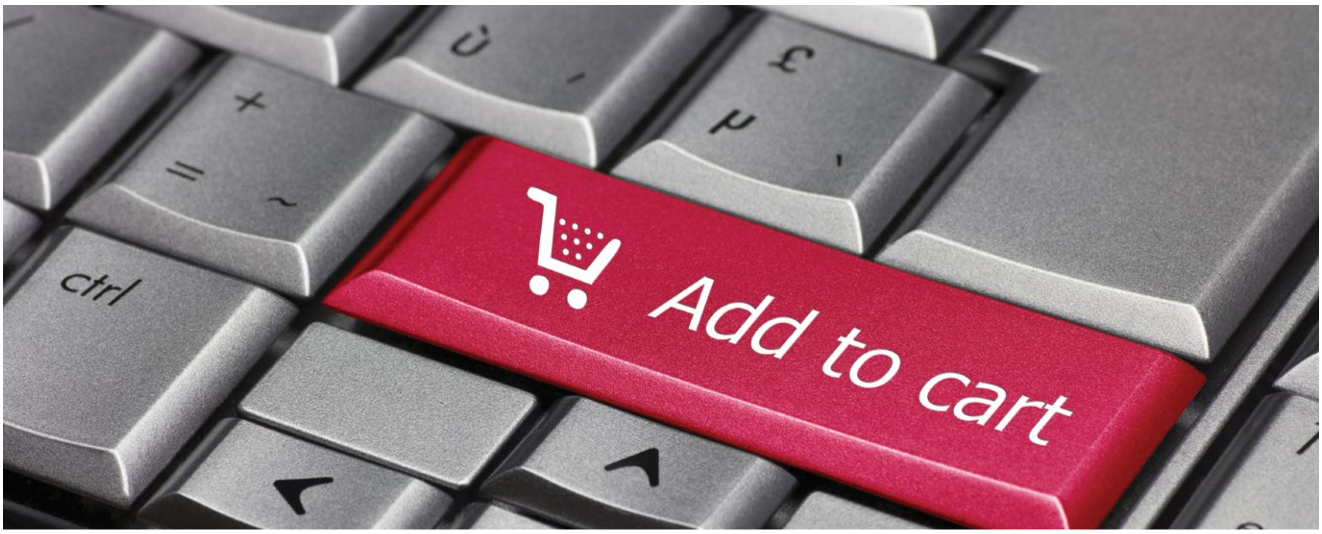
Newman & Partners
Licensed Insolvency Practitioners

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**

Online-only retailers expected to face the worst financial distress

New research has found that the number of online retailers facing "significant" financial problems is almost double that of all shopkeepers. Online retailing reached its highest ever levels in November, though the study found that the total number of retailers with financial problems rose by around 15 per cent to 15,792. There has been a rise in the number of online-only outlets struggling, from 1,421 to 1,861.



A total of 151 operators face "critical" financial problems, an increase of 8 per cent from the last quarter of 2012. These troubled businesses have more than £5,000 in outstanding county court judgments against them, or face winding–up petitions. The increase in the number of online start-ups may have had an impact on the problem, since they are generally more at risk of failure in the early stages of their business lifecycle. The dominance of larger on-line only retailers such as Amazon, has meant that smaller web-only operators are struggling and the recent survey illustrated a 28 per cent increase in their financial distress.

Although the outlook is improving generally for retailers, according to the latest figures from the Office for National Statistics published at the end of 2013, with December quarter rent day come potential cash flow problems for those who rely on sales through their bricks and mortar premises. Insolvency practitioners therefore expect to see more high profile retail failures going into 2014, particularly early in the year.

At Newman & Partners Insolvency, our insolvency and recovery specialists can provide expert advice on all effective routes for businesses in danger of becoming insolvent. They can also offer alternative solutions where the main aim is to preserve value and safeguard jobs. For more information, please contact us.

UK to see continued drop in insolvency rates

According to a report out at the end of 2013, the downward trend in corporate insolvencies in the UK is set to continue in 2014 as the economy improves, putting it at odds with the rest of the world, as the global rate is expected to rise by 2 per cent.

By volume, the total number of 2014 insolvencies is expected to be 24 per cent higher in comparison with the pre-crisis average between 2000 and 2007. With economic growth predicted to reach 2.1 per cent, driven by the recovery of investment, buoyant exports and public spending, it is expected that corporate insolvencies will fall by a further 5 per cent after a predicted 14 per cent fall in 2013.

According to the report, strong support from the monetary and fiscal authorities will help with an overall improvement in companies' health, while the construction sector, which accounted for 17 per cent of insolvencies in the first half of 2013, will benefit from rises in infrastructure spending and the support for the real estate market. Businesses are also expected to benefit from the future corporate tax cut to a rate of 20 per cent in April 2015, and the extension of the Funding for Lending Scheme (FLS) until 2015, that will ease credit conditions for small firms.

According to the report, the global rise in insolvencies masks two contrasting trends – the continued rise of insolvencies in Latin America, Central and Eastern Europe and Western Europe, where insolvencies are still on the rise in all countries except Germany and the UK, and the continued decline in insolvencies in the North American and Asia-Pacific regions, where intra-regional prospects have offered a cushion to the private sector.

Newman & Partners Insolvency can provide a range of tailored solutions for your clients and their businesses along with expert guidance if they are experiencing difficulties. For more information, please contact us.

Demand for taking out payday loans set to continue

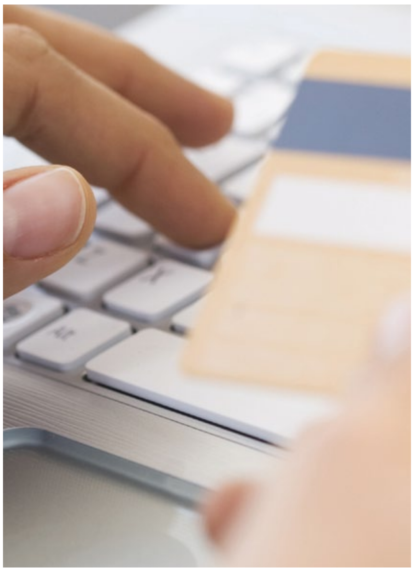
According to research carried out by R3, the insolvency trade body, there has been a fall in the number of British adults in the UK who are considering taking out a payday loan in the next six months. 6 per cent of British adults say that they are likely to take out a payday loan in the next six months, down from a peak of 11 per cent in October 2012 and 7 per cent in June 2013.

Liz Bingham, R3 president, says: "It's encouraging that demand for payday loans is falling. It may be that negative publicity and high profile interventions on the topic from politicians are starting to cut through. Personal insolvencies have been edging up over the past year, so you might have expected demand for payday loans to rise too, as those struggling financially look to cover any shortfalls in income. By comparison, concerns about bank loan debts and overdrafts have both increased since the last survey. People may be turning to more traditional sources of credit again."

13 per cent of those aged between 18 and 34 years are among the highest proportion of British adults who say that they are likely to take out a payday loan in the next six months. This is down from 17 per cent in June 2013 and 24 per cent in September 2013. By comparison, only 4 per cent of British adults aged 35 and over say they are likely to take out a payday loan in the next six months.

Liz Bingham says: "While payday or other high-interest loans are appropriate in some circumstances, they are not appropriate for all borrowers or in all circumstances. It's very important that the payday loan industry takes greater responsibility to explain to borrowers not only the initial cost of taking out a loan, but all potential costs too, including the costs of loan 'rollovers' or late payment charges."

For individuals or businesses who may be experiencing cash flow difficulties, it is always recommended that they seek professional advice in order for them to find the right solution for their particular circumstances. For more information, please contact us.



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