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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**

Insolvency post-Brexit

Now that the UK has decided to leave the EU some people may be wondering what the future holds for UK insolvency and the ramifications on cross-border issues. The first important point to make is that nothing is likely to suddenly change overnight. The UK is yet to trigger Article 50 of the Lisbon Treaty, which allows a member state to leave the EU.

Even after it is triggered, most likely in the autumn, the UK will have two years to negotiate its relationship with the rest of Europe – a period that may be extended if the other 27 member states agree. So in the short-term at least it will be business as usual for insolvency proceedings.

All member states of the EU, including the UK, are subject to the EC Regulation on Insolvency Proceedings 1346/2000, which includes rules on where insolvency proceedings can be opened, the laws applicable to matters arising in such proceedings, and the recognition of the proceedings in other member states. If the UK is unable to successfully negotiate an exit agreement with the EU then this set of regulations will no longer apply and UK insolvency proceedings will not benefit from automatic recognition across the EU and vice versa.

Following such a scenario, UK insolvency practitioners will most likely rely on UNCITRAL (United Nations Commission on International Trade Law) Model Law in the form of the Cross Border Insolvency Regulations 2006, which permits insolvency office holders from the EU to apply for recognition of their proceedings in the UK – in a similar fashion to the EC regulation.

However, the only member states that have signed up are Greece, Poland, Romania and Slovenia. Therefore, in most EU member states UK office holders would need to rely on getting recognition either under local law or would have to open territorial insolvency proceedings in each state where assets are held.

An extension of Insolvency Act 1985 Section 426 that would allow court orders made in EU member states, in relation to insolvency proceedings, to be recognised in the UK, may also be beneficial. However, this would only allow assets within the UK to be accessed by other EU member states and not vice versa.

Domestically, little is likely to change, as UK insolvency legislation in this area is unaffected by the EU. This means that insolvency proceedings involving a UK business and UK creditors will proceed as normal under the current rules.

Currently the one thing that is certain about the UK's future is that uncertain times are ahead. Providing the right advice to your clients at this time is critical, which is why it is important to seek advice early on if they are concerned about their solvency. At Newman and Partners we are carefully assessing the situation to ensure that we can act quickly when changes occur. To find out more about our proactive services, please contact us.

Report highlights the different factors between male and female bankruptcy

A new report from insolvency trade body, R3, has highlighted the different factors that cause men and women to enter bankruptcy. By utilising official statistics from the Insolvency Service, R3 has been able to show that while 'over-spending' is a common cause of bankruptcy amongst both men and women there are significant differences between the sexes when it comes to the reasons for declaring bankruptcy.

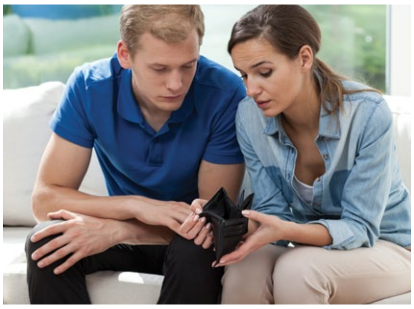
The most recent data from 2014 shows that the three most common causes of bankruptcy amongst men were loss of employment, loss of market by their business and living beyond their means, while for women the main reasons were the breakdown of a relationship, which was the primary cause, followed by living beyond their means, and a significant reduction in household income.

Neil Harrold, North East chair of R3, said: "Insolvency statistics are a window onto the wider economy, and the bankruptcy figures show that traditional differences between men's and women's roles in the economy persist. Although men are more likely than women to enter bankruptcy, certain groups of women are acutely affected, and in one way, these statistics make for depressing reading."

During the period that the study looked at, there were 20,336 bankruptcies, of which 12,119 involved men and 8,131 involved women, with the rest falling into a category where sex of the bankrupt wasn't provided to the Insolvency Service. Of the 12,119 male bankruptcies recorded during this period, approximately 1,275 where as a result of the loss of a job, whereas just 640 women cited this factor as their reason for bankruptcy.

Neil Harrold continues: "Bankruptcy is the least common type of formal insolvency. It is generally associated with people with higher levels of debts or assets and can be an appropriate tool for dealing with a drastic situation such as a large or sudden drop in income caused by job loss or business failure. Men are still more likely to be the main earner in a household or to own a business, and the bankruptcy statistics reflect this. Women are far more likely than men to enter a Debt Relief Order (DRO), which is designed for those with very low incomes, debts or assets."

The study also revealed that business failure-related bankruptcies accounted for around one-in-three men's bankruptcies



in 2014, but only one-in-seven women's bankruptcies. And while relationship breakdown was the number one cause of women's bankruptcies in 2014, it was only the eighth most common cause of bankruptcies among men.

If your client is concerned about the prospect of bankruptcy and you would like advice on the options available to them then our team at Newman and Partners can help. If you would like to know more about our range of insolvency services, please contact us.

UK borrowing rises at fastest rate in more than a decade

The value of credit cards, personal loans and overdrafts in the UK grew by nearly 9.9 per cent in the year to May 2016. This figure comes from a new report from StepChange Debt Charity, which found that average credit card debt in the UK (£8,400) was half of its clients' annual take-home pay.

The rate at which credit was offered to borrowers during this year-long period was the fastest in more than a decade and was up 9.6 per cent from April; representing around £1.5 billion of personal debt held by the public in the UK. One of the key contributors to this debt is credit cards, with outstanding debt on cards now £1.3 billion more than at the beginning of 2016; rising by £418 million in May 2016 alone.

Mike O'Connor, chief executive of StepChange Debt Charity, said: "Although credit cards can be a cost-effective way to borrow, for many people they have become very expensive, long-term debts."

He said the report also identified an increase in mortgage approvals in the run up to May this year with lenders approving 67,042 mortgages during the month; nearly 1,000 more approvals than the previous month.

However, economists have warned that this level of indebtedness is likely to fall as the uncertainty caused by Brexit continued to rock the confidence of financial markets, lenders and borrowers.

Howard Archer, chief UK economist at IHS Global Insight, said: "It is very possible that heightened uncertainty and concerns following the Brexit vote will markedly rein in consumers' willingness to borrow. Banks may also become more wary about unsecured lending to households."

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

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