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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**

Struggling firms that fall foul of auto-enrolment rules could have assets seized

In recent weeks, data has emerged indicating that the advent of auto-enrolment pensions has successfully encouraged some 85 per cent of Britons in employment to start saving for their retirement. However, at the same time, regulators are increasingly cracking down on businesses that fall foul of auto-enrolment rules – and the repercussions of businesses doing so are becoming increasingly extreme.

The news comes amid concerns that some employers are attempting to 'circumvent' the rules – which require most businesses to automatically enrol employees into a workplace pension scheme and make regular contributions to the scheme – by encouraging their staff to 'opt out'. In the first quarter (Q1) of 2018, regulators issued a total of 5,862 enforcement notices against employers caught doing this, or found to be in breach of other auto-enrolment rules.

More recently, The Pensions Regulator (TPR) has warned that, if businesses fail to pay auto-enrolment related penalties, they could see their businesses' assets seized. On top of this, the regulator will also move to secure court orders, it has said.

Where a court order is acquired and the business does not pay up, High Court Enforcement Officers (HCEOs) will be appointed to enforce the orders where these occur in England and Wales – while those in Scotland and Northern Ireland will face an equivalent level of enforcement, it has been confirmed.

Among the business assets that can be seized include vehicles, machinery and much more – the loss of which could undoubtedly prove catastrophic

for businesses that are already in financial distress and struggling to pay penalties and fines. In light of the news, businesses are being urged to tread very carefully when it comes to pensions auto-enrolment and to seek specialist advice sooner rather than later when experiencing financial distress.

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.

Businesses suffering from ‘domino effect’ insolvencies, warns R3

Struggling businesses across the UK are suffering from so-called ‘domino effect’ insolvencies, whereby the collapse of one firm inadvertently ‘pulls down’ other cash-strapped companies in the supply chain. The concerns come after new research carried out by insolvency trade body R3 found that 10 per cent of British businesses have found the financial impact of another closely-associated business ‘very negative’, while a further 16 per cent have found such a collapse ‘somewhat negative’.

According to R3’s research, the sector most likely to be affected by domino effect insolvencies is construction, where businesses often work very closely together and provide work for layer upon layer of contractors and subcontractors – who might also be affected. The recent collapse of construction giant Carillion is a perfect example of how the ‘domino effect’ works, but R3’s study reveals that the problem is not solely limited to the construction industry.

The group’s figures show that, while almost half of the construction companies polled admit that their organisation was affected by another firm’s insolvency, 35 per cent of wholesale retailers have run into similar experiences, as have 33 per cent of businesses in the transport sector.

As a spokesperson for R3 pointed out, no business ever truly exists in isolation and the collapse of one firm will always have an inevitable ripple effect further down the supply chain. In the very worst cases, this can result in one insolvency after another – particularly if businesses do not move to rectify financial woes early on.

Following the findings, businesses encountering the early warning signs of financial distress are being urged to seek specialist advice ASAP – particularly if they are working closely with other companies that are already experiencing financial distress. The so-called ‘domino effect’ is a vicious cycle, which can only be broken if businesses plan ahead as best they can.

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Business Minister warns of 200 per cent fines for NMW failures

Businesses that fail to keep on top of the National Minimum Wage (NMW) and National Living Wage (NLW) can potentially face hefty fines of up to 200 per cent of the wages owed. In recent years, HM Revenue & Customs (HMRC) has increasingly been trying to clamp down on non-compliance in this area, but recent research suggests that its efforts have somewhat failed to curb the problem.

According to the Revenue’s latest figures, UK employers were found to have failed to pay a collective £15.6 million to some 200,000 workers in 2017/18 as a result of NMW and NLW non-compliance. This was up from £10.9 million recorded in the previous financial year.

The spike in the number of businesses falling foul of the rules is thought to be attributed to an increase in the number of individual complaints received from workers who have contacted HMRC directly via its new online complaints service. First launched in January 2017, this service is thought to have resulted in a 132 per cent year-on-year increase in the number of complaints received – and an increasing number of businesses continue to face penalties and public ‘naming and shaming’ as a result of such revelations.

In recent weeks, the Government has kick-started a new advertising campaign calling on UK workers to take action in any instances where they suspect that they are being underpaid. This campaign is due to run until the end of the summer – and is sure to further increase the number of businesses that are caught.

Unveiling the campaign in June, Business Minister Andrew Griffiths, said: “Employers abusing the system and paying under the legal minimum wage are breaking the law. Short-changing workers is a red line for this Government and employers who cross the line will be identified by HMRC and forced to pay back every penny. They could even be hit with fines of up to 200 per cent of wages owed.”

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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