

# 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)

### Thousands of workers missing out on minimum wage as household debt piles up

Towards the end of April, the Department for Business, Energy and Industrial Strategy (BEIS) released a damning report 'naming and shaming' more than 350 UK employers that had failed to pay their staff either the National Living Wage (NLW) or the National Minimum Wage (NMW). According to the report, approximately 15,520 workers have lost out on almost £1m in pay – at a time when household debt is rapidly spiralling out of control.

According to the latest data from the Insolvency Service (IS), the number of individuals applying for insolvency hit the highest level in nearly three years during the first three months of 2017. Their data reveals that personal insolvencies totalled 24,531 between January and March – up more than 15 per cent year on year.

Since BEIS published its initial report, HM Revenue & Customs (HMRC) has intervened to collect the pay arrears owed to struggling individuals by employers who have failed to pay them correctly. The tax authority has issued penalties equating to around £800,000 to offending businesses such as high street retailer Debenhams. The move comes at a time when credit card companies have been called upon by the Financial Conduct Authority (FCA) to do more to assist consumers struggling with mounting household debt during a period of low wage growth and political and economic uncertainty.

Last month, the Bank of England's Financial Policy Committee went so far as to issue a warning that, against today's backdrop of spiralling consumer debt, the recent surge in consumer borrowing could pose a



real risk to the UK's existing financial framework. Between January to March this year, credit card debt rose as high as £2.65 billion, figures from Virgin Money have revealed.

Our team at Newman and Partners

can provide help to you if your client is struggling with debt issues or facing insolvency. We can also offer proactive advice on personal bankruptcy and corporate insolvency. To find out more about our debt management services, please contact us.

# Many businesses fear closure within less than a year, study reveals

**A new study suggests that a frightening number of British businesses fear that they would face closure within less than a year if their enterprise encountered a ‘critical event’ – such as the unexpected death of a key employee. The research, which was carried out by prominent insurance company Legal & General, also found that around 65 per cent of UK small and medium-sized enterprises (SMEs) are currently struggling with business debt – an increase of 33 per cent over figures recorded in 2011.**

Worryingly, Legal & General’s report, entitled State of the Nation’s SMEs, revealed that an increasing number of businesses are turning towards borrowing in order to get by. During the period studied, it found that the average SME borrowed around £176,000.

19 per cent of respondents told the insurer that they had borrowed £50,000 or more on a credit card to cover their costs, while a further 19 per cent of business owners said that they had been forced to take out a personal loan in order to prop up their business. Furthermore, 67 per cent of business owners said that they feared closure, should a ‘critical event’ hit their business – while 73 per cent added that

the death or illness of a key employee would push their enterprise over the edge within one year or less.

The news comes at a time when economic and political uncertainties are weighing heavily on the minds of many British business owners, as separate studies have previously revealed. Research carried out by the Federation of Small Businesses (FSB) in April recently found that eight per cent of SMEs would consider closing down if Brexit had a negative impact on their ability to access EU talent.

Providing the right advice to your clients during a period of economic uncertainty is crucial, and concerns regarding bankruptcy

or insolvency are always best explored sooner rather than later. To find out more about our proactive services, please contact us.



## Charities fear financial woes

**An increasing number of UK charities are facing financial distress, spurred on by so-called ‘cessation debts’ – which may require some charities to pay six-figure sums in defined-benefit pension schemes. The fears come alongside recent changes to Inheritance Tax (IHT) legislation, which experts have warned could deal a blow to charitable donations.**

At the end of last month, the Department for Work and Pensions (DWP) proposed an amendment to pension regulations following mounting fears that a number of charities are facing financial difficulties due to their onerous defined-benefit pension scheme arrangements – which many struggling charities believe have grown unsustainable and unaffordable.

The DWP’s move came after the Charity Finance Group (CFG) issued a warning that defined benefit pension schemes were leaving many charities in a “catch-22 [situation] where they can neither afford to exit a multi-employer scheme, nor to remain in the scheme”. The Government is currently consulting on the proposed changes to the legislation, which, in its

existing form, has been described by the CFG as a “ticking time-bomb” for already-struggling charities.

At the other end of the spectrum, not-for-profit bodies such as Remember a Charity have voiced concerns that charitable donations in the form of legacy giving will be hit hard by recent changes to Inheritance Tax.

The organisation claims that legacy giving has increased by 39 per cent in the last five years and that, on average, eight per cent of UK estates now leave behind donations of around £20,000 each. However, it estimates many estates will stray away from donations in favour of the new Residence Nil Rate Band (RNRB)

allowance. This allowance, introduced last month, enables people who leave their home to direct lineal descendants to tap into an additional tax-free IHT allowance of £100,000.

Remember a Charity warns that “fewer people will be aware of their charitable options” as solicitors push the new RNRB. As a result, many weary charities – already struggling with costly pension woes and other financial fears – could miss out on approximately £24m in incoming donations.

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

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