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Newman & Partners
Licensed Insolvency Practitioners

RECOVERY & REVIVAL BULLETIN

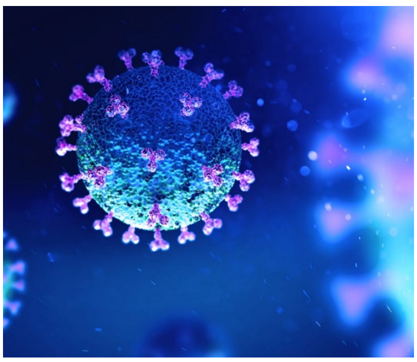
Welcome to the latest issue of our Recovery and Revival Bulletin, designed to keep you up-to-date on insolvency matters that may be of interest to you. If you have any feedback on this bulletin, or would like to know more about our services or how we can help you, please contact us on **020 8357 2727** or at **insolvency@newmanandpartners.co.uk**

Avoiding insolvency during uncertain times

The prospect of business insolvency has grown considerably as a result of the COVID-19 pandemic and, inevitably, even formerly viable businesses will now be facing financial distress. The various measures introduced by the Government, such as the Coronavirus Job Retention Scheme and the loans and grants on offer, are providing a much-needed cash injection, but there are other steps that businesses may need to take to survive this challenging period.

The first step that businesses should take is to check what financial support is available to them. The rules surrounding the various measures are constantly changing and evolving, so it doesn't hurt to review what support may be available to a business in distress – even if they have previously applied and been rejected. The Government has launched a dedicated tool to help businesses identify what support is on offer to them, which can be found on the dedicated COVID-19 guidance section of the GOV.UK website.

Businesses also need to look beyond these measures to see what they can do internally to improve their prospects for a successful return to trading. Businesses must begin to prepare these plans and measures now as the Government begins to relax its COVID-19 restrictions.



To begin with, businesses should examine potential cost-saving measures. To achieve the best results, firms should look to improve cash forecasting, cash preservation and to maximise their cash position as soon as they can. Many businesses will have already cut unnecessary services and subscriptions or reduced staff costs by furloughing staff members or reducing pay and working hours.

Of course, some businesses have been forced to take more drastic action. According to the Office of National Statistics, some 25 per cent of businesses have temporarily stopped trading altogether, while of those still operating, 41 per cent have temporarily reduced staff numbers. Businesses must now consider what additional steps they can take to reduce costs further.

As well as reducing costs, businesses also need to look at their indebtedness and see whether they can negotiate with creditors to minimise payments. Many firms may have already done this by reducing rent payments, deferring VAT and other taxes or cancelling existing supplier agreements to improve their liquidity and cash flow. Some businesses are also looking at 'switching off' bank interest, deferring bank interest payments or using 'payment in kind' arrangements.

The Government's decision to suspend wrongful trading, which we covered in our last bulletin, will also give directors the confidence to do whatever is required to save their company, without the fear of personal penalty. This is not likely to help a severely distressed businesses, but it may be useful in helping struggling firms to hold out until conditions improve, especially for those non-essential businesses that must remain closed under the current Government guidance.

By acting swiftly, the Government has offered a much-needed lifeline to businesses, but as the lockdown begins to ease, directors must take active steps to revive their business and trade, all the while looking at ways to keep their operations viable. The latest economic data from the UK and around the world suggests that the road to recovery may be long and hard so businesses must be prepared for anything, especially the whittling down of Government support in future.

We understand that the next few months and years are going to be tough for businesses of all sizes, but as we begin to see the easing of this lockdown period owners must have the advice they need, including support with recovery and restructuring.

To find out how our specialists can help, please contact us.

More than 500,000 businesses at ‘high risk’ of insolvency due to COVID-19

The latest Opinium-Cebr Business Distress Tracker has found that one in 10 British businesses is at a “high risk” of complete failure as a result of the current crisis. The new survey also found that an additional 250,000 businesses said they would not be able to survive if trading conditions remain as they are for another month.

Conducted amongst a representative group of more than 500 businesses, the tracker gives some indication of the level of financial distress in Britain as companies grapple with the uncertainty and new challenges posed by the pandemic. Of the businesses surveyed, around half said they believed they were at a “small risk” of becoming insolvent as a result of the pandemic.

The owners of the businesses surveyed said they would need, on average, a minimum of six months to return to pre-crisis production levels, with one in six saying that a full recovery could take more than a year to achieve.

James Endersby, Chief Executive at Opinium, said: “The damage inflicted on UK businesses by the pandemic and lockdown is colossal, and the figures make for very sombre reading. The business impact is felt in almost every region, sector, and business size and at almost every level of employment. It’s unavoidable.”

According to the same study, businesses have furloughed 35 per cent of employees, on average, with small businesses (fewer than 50 employees) having a higher proportion of staff on furlough. These businesses have also seen a cut in the number of hours worked. This gives some indication as to the reduction in trade at SMEs. Pablo Shah, Senior Economist at Cebr, said: “These figures dash hopes of an immediate bounce back once restrictions are lifted, and instead point to a prolonged period of subdued output that is set to last for years, rather than months.”

If you have clients that are facing the prospect of insolvency then they must seek specialist advice at the earliest opportunity.

To find out how our insolvency experts can help, please contact us.

Government introduces new rules to protect UK ‘high street’ from aggressive rent collection and closure

The Government has announced that it will introduce temporary new measures that are designed to prevent aggressive debt recovery actions during the coronavirus pandemic. The new measures will work alongside existing changes to the rules around commercial rents, which provide a three-month moratorium on evictions for those tenants unable to meet commercial rent payments due to the impact of COVID-19.

It is hoped that these new measures will protect high street shops and other companies experiencing difficulties from aggressive rent collection procedures. Under the new arrangements, the Government is temporarily banning the use of statutory demands (made between 1 March 2020 and 30 June 2020) and winding up petitions presented from Monday 27 April, through to 30 June, where a company cannot pay its bills due to coronavirus and it has a protected lease.

The Government hopes that it will help to ensure that companies, many of whom are unable to trade because of the effective lockdown, do not fall into deeper financial trouble. These new measures will be included within the Corporate Insolvency and Governance Bill, which the Business Secretary, Alok Sharma, set out in April.

Alongside this, the Government will also introduce legislation that will give tenants additional time to pay rents by preventing landlords using Commercial Rent Arrears Recovery (CRAR) unless they are owed 90 days of unpaid rent. In announcing these changes, the Government said that the majority of landlords and tenants were working together to agree on rent and debt obligations, but it recognised that some landlords had been putting tenants under “undue pressure”.

It is hoped that the new measures will address this, but the Government has also made it clear that tenants must pay rent where they can afford it or what they can “in recognition of the strains felt by commercial landlords”. This move by the Government makes it increasingly difficult for commercial landlords to recover rent using debt recovery procedures for tenants with a protected lease.

However, not all tenants may benefit from this protection and so those that are threatened with debt recovery procedures, such as statutory demands, must seek advice from a debt and insolvency specialist.

If you or your client has any queries regarding debt recovery procedures, please speak to our team.

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