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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**

Boris Becker guilty of charges under Insolvency Act – What can we learn from this case?

Former Wimbledon champion Boris Becker has been jailed, after being found guilty of four charges under the Insolvency Act following his bankruptcy in 2017. The grand slam tennis star was also acquitted of a further 20 counts during the hearing at Southwark Crown Court in London, after being accused of hiding millions of pounds worth of assets.

During the hearing, it was revealed that Becker had transferred hundreds of thousands of pounds from his business account to other accounts, including those of ex-wives, following his bankruptcy. He was also convicted of failing to declare property in Germany, bank loans and shares in a technology company.

Becker was declared bankrupt after he failed to repay a loan of almost £4 million relating to his estate in Mallorca and another loan of £1.2 million, with a 25 per cent interest rate, borrowed from the British businessman John Caudwell. During the proceeding, the court heard that the athlete had a previous conviction for tax evasion and attempted tax evasion in Germany in 2002 and had accumulated a “vast amount” of money during his career through prize money and sponsorship.

Despite his considerable wealth, Becker claimed his earnings had “reduced dramatically” following his retirement in 1999, leading to his need to borrow money and eventually claim bankruptcy. He claimed to have cooperated with the trustees tasked with securing his assets and had always relied heavily on expert advisers to manage his wealth and affairs.

His defence team claimed that he had been “too trusting and reliant” on the expert advice he received and was “burying his head in the sand” when it came to his finances. This, in part, was the reason why he ended up declaring bankruptcy in 2017, claiming his life was “chaotically” managed by his team of experts.

Despite these claims, the prosecution said that Becker had given the Insolvency Service the run-around when it came to his assets. Rebecca Chalkley, prosecuting said that the evidence given by Becker was not believable and that the tennis player had tried to “hide behind his advisers”.

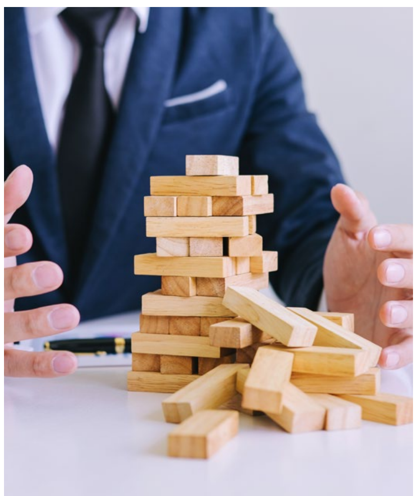
Ultimately, the prosecution argued, the responsibility and obligation to pay his creditors was his duty as a debtor. Telling officials that he wasn’t aware of where his trophies that “defined his career” were stored was “simply not credible”.

Having heard the defence and prosecution’s case, a jury found Becker guilty of the four charges under the Insolvency Act, which included the removal of property, two counts of failing to disclose his estate and concealing debt. At a later hearing, Judge Deborah Taylor sentenced Boris Becker to two and a half years in prison for these offences.

The decision by an insolvent person to transfer assets overseas or into hiding is a serious offence, as this case demonstrates. However, being found guilty in a criminal court of bankruptcy offences remains fairly rare, as most people choose to cooperate with the bankruptcy process to a large degree.

Taking very deliberate steps to conceal assets from the Insolvency Service and attempting to frustrate the process to avoid paying debts is quite exceptional. This case should send out a clear warning to others considering doing the same, especially given the forensic resources available to the Insolvency Service.

DO YOU OR A CLIENT NEED ADVICE ABOUT THE SALE OR TRANSFER OF ASSETS DURING INSOLVENCY PROCEEDINGS? PLEASE SPEAK TO OUR EXPERIENCED TEAM AT NEWMAN AND PARTNERS.



Insolvency Service continues clampdown on Bounce Back Loan abusers

A gym owner and roofer have been banned from running a company by the Insolvency Service in its latest action against those who have falsely applied for Bounce Back Loans. Junaid Dar, from Birmingham, and David Michael Godderidge, from Tamworth, each falsely applied for loans separately via the Bounce Back Loan scheme.

The loan, which was intended to support viable businesses during the COVID-19 pandemic had a strict set of criteria, which applicants had to meet. Now the Insolvency Service is acting against loan recipients it feels didn't meet the scheme's criteria or who made fraudulent claims.

In the case of Junaid Dar, the Insolvency Service began an investigation following the liquidation of his gym company, JDarPT Ltd, in July 2021. It found that Junaid Dar had legitimately applied for a Bounce Bank Loan of £13,000, after submitting accurate financial statements to a loan provider.

However, investigators also found that he made two additional loans by applying to separate financial institutions, allowing his company to receive an additional £32,500 in loans that it was not entitled to. As a result of his actions, Junaid Dar is now banned from running companies for 11 years.

Meanwhile, David Godderidge was brought to the attention of the Insolvency Service after the Official Receiver, while assessing assets to make payments to his creditors, discovered that he had provided incorrect information to obtain a Bounce Back Loan. By instructing a third party to make the loan application on his behalf using inflated turnover figures, the self-employed roofer was able to obtain a loan of £13,000 – far greater than the amount he was entitled to.

As a result of his actions, the Official Receiver sought to extend David Godderidge's bankruptcy restrictions, which will now remain in place for seven years. This limits the credit that he can access, and prevents him acting as a company director without the permission of the court.

Sue Macleod, speaking for the Insolvency Service, said: "Bounce Back Loans were made available for trading businesses adversely affected by the pandemic and were issued based on accurate financial statements. Both Junaid Dar and David Godderidge cynically applied for loans far greater than they were entitled to and clearly thought they could get away it. Thankfully our interventions uncovered their abuse, and their restrictions will prevent them from abusing their position in the future".

IF YOU OR ANY CLIENTS HAVE USED THE BOUNCE BACK LOAN SCHEME AND ARE CONCERNED THAT THEY MIGHT NOT HAVE MADE AN ACCURATE APPLICATION, PLEASE SPEAK TO US AT THE EARLIEST OPPORTUNITY.

Retail sales drop as the cost-of-living crisis bites

The Office for National Statistics (ONS) has published new data that shows UK retail sales dropped in March, as the rising cost of living hit consumer spending and confidence. Both high street and online sales fell sharply as people cut back on spending, with many consumers focusing solely on essential items.

Retail sales fell by an unexpected 1.4 per cent in March, and February's sales figures were also revised down in the ONS's latest report. It also found that fuel sales fell as people cut travel following sharp increases in petrol and diesel prices.

Darren Morgan, ONS director of economic statistics, said "Online sales were hit particularly hard due to lower levels of discretionary spending. Fuel sales also fell substantially, with evidence suggesting some people reduced non-essential journeys, following record-high petrol prices, while food sales continued to fall, dropping for the fifth consecutive month."

While sales were down in March, the data showed that overall, retail sales were still above pre-Covid levels. Looking ahead, the pressure of inflation is likely to force many consumers to tighten their belts further.

The current cost of living crisis is the result of surging increases in the price of fuel, energy and food, which have driven inflation above nine per cent – the highest rate in 30 years. With further inflation forecast for the months ahead, retailers selling non-essential goods may face a challenging time.

Looking at recent trends, Bethany Beckett, UK economist for Capital Economics, said inflation was set to keep rising. She added "There's a real risk of an outright fall in consumer spending in the coming quarters. The sharp decline in sales in March suggests that households are already paring back spending to cope with higher costs for food and fuel. That is only likely to worsen in the coming months as the cost-of-living crisis intensifies. After all, the March data predated April's huge 54 per cent rise in utility bills which will have hit household budgets hard."

The results of the ONS report are mirrored by a recent survey by market researchers, GfK, which suggested that UK consumer confidence in April dropped to its second-lowest level in 50 years. This was driven by people's weakening confidence in the economy and their personal finances. In fact, consumer confidence has only been lower during the worldwide economic crisis in 2008.

IF YOU OR ANY OF YOUR CLIENTS ARE CONCERNED ABOUT A FALL IN INCOME AS A RESULT OF LOWER CONSUMER CONFIDENCE AND SPENDING, PLEASE CONTACT US.

Newman & Partners Insolvency
Lynwood House
373/375 Station Road
Harrow
Middlesex HA1 2AW

T: 020 8357 2727
F: 020 8357 2027

E: insolvency@newmanandpartners.co.uk
W: www.newmanandpartners.co.uk

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