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

Number of businesses at risk of insolvency hit record high in September

The latest data from insolvency and restructuring trade body R3 suggests that corporate insolvency risk is nearing a new peak across the UK. According to the group's most recent figures, the number of businesses at risk of insolvency rose to its highest at any point during this year in September.

Regionally, R3's research found that businesses in the East of England were at a particularly high risk of insolvency, with almost one in three (30.3 per cent) of the region's businesses ranked in the group's 'elevated insolvency risk' band. South East England also fared badly in the survey, particularly in the manufacturing sector, where more than a quarter (25.6 per cent) of all firms were identified as being at high risk of insolvency.

Chris Radford, R3 Midlands Chairman, said that businesses in his region and further afield had experienced "some significant increases in fixed costs" over the past year, including the introduction of the National Living Wage (NLW), the burden of auto-enrolment responsibilities and unfavourable changes to business rates – the latter of which other commentators have noted has been particularly problematic for London firms.

Mark Upton, R3 Eastern Chairman warned that the last quarter of 2017 would be "an important challenge" for businesses – particularly those at the larger end of the scale.

"Many larger firms have been protected from the pound's recent falls by currency hedges or long-term fixed-price contracts, but these are now unwinding or have since unwound… Going forward, it's imperative for business owners to monitor their finances carefully and plan for all eventualities," he said.

Our team at Newman and Partners can provide help to you if your client is at risk of insolvency or struggling with debt issues.

To find out more about our services, please contact us.

How might the Bank of England's interest rate hike affect insolvencies?

On 2 November 2017, the Bank of England increased interest rates for the first time in a decade. The Bank's official base rate was lifted from its record-low of 0.25 per cent to 0.5 per cent in the first increase since July 2007 – a move which will no doubt have a considerable impact on businesses and individuals already grappling with financial distress.

On the personal insolvency front, ongoing reports suggest that an increasing number of Britons are already struggling with mounting consumer debt, with some 2.9 million UK adults already in 'severe financial difficulty' and the British Retail Consortium (BRC) voicing fears of 'binge spending' and sharp rises in consumer borrowing in recent months.

In the wake of this month's interest rate hike, such individuals are sure to see an even greater squeeze on their finances. Consumers who have borrowed money in the form of credit cards or loans will now see their interest payments rise – which could prove particularly problematic for those already struggling to repay loans.

Furthermore, homeowners with variable rate mortgages who have grown used to paying low rates in recent months will be in for a shock, as their monthly payments begin to rise. Concerns have already been raised that approximately two million British mortgage holders have never experienced an interest rate rise since taking out a mortgage – therefore many will be woefully unprepared for this change.

Meanwhile, any struggling businesses that are currently repaying loans will encounter the same problem. Higher rates will begin to put a strain on their cash flow, leaving them with less income to spend or pump into their businesses, as their payments to lenders increase. Likewise, firms could see a slump in customers, who will also have less money available to spend.

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.

GDPR data breach fines could push SMEs towards insolvency

A worrying new study has found that a significant chunk of Britain's small and medium-sized enterprises (SMEs) believe that they would be pushed towards insolvency if handed a maximum fine for a data breach under the upcoming General Data Protection Regulation (GDPR) rules.

Research from law firm Collyer Bristow suggests that as many as 18 per cent of SMEs fear that a hefty fine would force them to close their doors, while a further 55 per cent fear that they do not know enough about the new legislation to adjust their data systems accordingly and minimise the likelihood of any breaches.

Due to take effect from 25 May 2018, the GDPR will effectively replace the longstanding Data Protection Act 1998 once it becomes law. The new legislation has far-reaching implications for businesses and individuals, and many firms will need to invest considerably in new systems and software in order to be compliant.

Naturally, adapting in line with the new rules will itself cost many small businesses a lot of money. But the price of non-compliance, or of a serious data breach once the new rules are in force, could cost struggling businesses a woeful sum indeed.

Maximum fines for organisations found to have breached the new legislation are frighteningly high – in short, a business can be fined anywhere up to €20 million (£17.8 million) or four per cent of their global turnover, whichever is higher, for a serious 'tier 1' data breach. This is up from previous maximum fines of just £500,000 laid out by the old Data Protection Act.

As mentioned previously, 18 per cent of British SMEs fear that such a fine would push them towards insolvency. In many cases, this fear is exacerbated by the growing threat of cybercrime – with a rising number of hackers and cybercriminals now targeting smaller firms, whom they see as easier, more vulnerable targets when it comes to targeting or intercepting sensitive data.

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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