October 2014

Newman & Partners
Licensed Insolvency Practitioners

FOCUS ON INSOLVENCY BULLETIN

Welcome to the latest issue of our Focus on Insolvency 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**

The Dangers of Business Success

Insolvency trade body R3 has released new research this month that indicates that success maybe just as risky as failures within firms. The research revealed that the number of businesses just paying the interest on their debts has risen from 103,000 in November 2013 to 154,000 this month – the highest jump in 18 months.

To most it may seem these firms are failing due to poor business, but instead the study suggests that growth and success are causing new problems brought on by issues with late payments and over-trading, typically associated with economic recovery. In response to the findings Giles Frampton, president of R3, has said that the 'first flush of growth' opened up plenty cash for businesses and that they had been able to quickly expand and make use of low interest rates from lenders, but he added that increasingly firms were experiencing the 'side-effects of growth' too, which were placing unexpected pressures on cash flow.

"Over-trading and late payment can easily put businesses with bulging order books in a position where cash flow becomes a major headache," said Mr Frampton. "Businesses will get into trouble if they're trying to run before they can walk and don't get paid quickly enough for the work they're doing."

The study has led R3 to call upon companies to keep their cash flow healthy and said it was critical to a company's success to keep a tab on late payments and limit trade, rather than exposing themselves to problems further down the line. For many companies it may seem ironic to be facing financial struggles at a time when business is booming, but what the research shows is that companies need to be aware of what's going on in their market and have preparations in place, in the form of healthy cash flow and a well prepared budget, to meet any challenges they may face.

It is never a bad time to get professional advice on your company's affairs. Our experts at Newman and Partners can identify areas of weakness and provide advice to ensure all eventualities are covered.

For more information, please contact us.

The risks of Insolvency following future interest rate rises

The Bank of England's chief executive, Mark Carney, recently indicated that interest rates could rise in early 2015. This increase in the rate of interest may be welcomed by some in the financial industry, but for others it could leave them standing on the precipice of insolvency.

The historically low interest rates of the last half a decade have caused many people to live in an artificial bubble of financial limbo, with low mortgage repayments, cheap loans and credit cards increasing the amount of disposable income they have to spend.

Research from Visa Europe revealed that spending increased for the tenth month in a row in July, with consumers spending 2.4% more on their cards compared with the same month last year. This is a strong indication that as the economy continues to grow many people are continuing to indulge themselves using credit, rather than saving for the future. This is no more apparent than the new car market where purchases in the UK have risen by 10% in the last 12 months, with four out of five new car purchases being made using credit, according to the Society of Motor Manufacturers.

But this bubble could be about to burst for many having a much wider impact on the economy. According to research by Economics Help, raising interest rates by just 0.5 per cent will increase the cost of a £100,000 mortgage by £60 per month; this could have a significant effect on many peoples' disposable income and push those who are already struggling, or may not have planned for a rise in household expenditure, into an insolvency process.

Our team of experts at Newman and Partners can identify areas of risk and help you cover all eventualities. For more information, please contact us.

IT suppliers warned about insolvency changes

Firms undergoing insolvency procedures are to be given a helping hand, thanks to changes to the Insolvency Act 1986, that would force software providers and IT firms to stop extracting "ransom payments" or renegotiating on higher tariffs if their customer where facing financial difficulties.

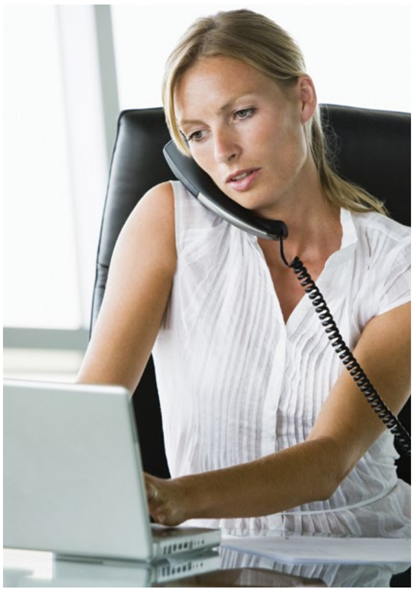
The amendment to section 223 of the Act is currently being considered by parliament and would provide a similar approach to rules imposed on utilities and telecoms companies who are not allowed to use outstanding charges as a condition of supply. At the moment slightly more than half of the IT supplier community continues to provide services for those firms that enter administration, but according to a survey from R3 last summer there were 46% that pulled the plug the minute the customer ran into difficulties.

The changes are designed to be introduced to help prevent more firms going out of business. With more companies dependent on IT to function and compete the government is looking into ways more business failures could be prevented. The head of R3 Giles Frampton said that banning so-called 'termination clauses' in supply contracts could help save over 2,000 businesses a year. The insolvency body has campaigned for a number of years to see the amendments suggested made and said they were pleased that reform was one step closer.

IT suppliers won't be completely without redress should their customers become insolvent and they can seek a personal guarantee from the insolvency office holder, but the days when IT suppliers were at the head of the queue for unsettled bills might be about to change under the proposed amendment.

Our team of insolvency specialists at Newman and Partners are here to guide you through the process of settling contracts with former suppliers.

For more information, 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

Newman & Partners
Licensed Insolvency Practitioners