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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**

Late and getting later – SMEs call for payment protections as cashflow tightens

Late payment has long been one of the quieter causes of business failure in the UK, but new research suggests the problem is getting worse rather than better. The latest SME Confidence Tracker from Bibby Financial Services, based on a survey of more than 1,000 SME owners and decision-makers, found that 60 per cent of small and mid-sized businesses said their customers are now taking longer to pay than they were a year ago.

The sums involved are significant and the average SME is now owed £72,000 in outstanding invoices – rising to £143,000 among mid-sized businesses. For a company operating on tight margins, that is money it has already spent but that it cannot use.

Squeezed from both directions

What makes the latest figures more concerning is that access to finance, the traditional cushion against slow payers appears to be tightening. Among businesses using or considering external finance, a quarter had a funding application declined, while 32 per cent had seen their credit lines reduced by lenders in the past six months.

The response has been for businesses to protect themselves by passing the pressure along. Four in ten SMEs said they have shortened the payment terms they offer their own customers. That is a sensible step for an individual business, but across a supply chain it can simply move the strain from one balance sheet to the next.

What the Government is doing

The research has been published ahead of the Autumn Budget on 28th October, while the Commercial Payments Bill continues its passage through Parliament.

The Bill, introduced in the House of Lords in May, would cap commercial payment terms at 60 days and prevent businesses from contracting out of statutory interest on late payments, set at eight per cent above base rate.

It would also give the Small Business Commissioner powers to adjudicate disputes and to fine persistent late payers up to one per cent of their annual UK turnover. The cap on payment terms is not expected to take effect before 2027. All of these measures may help, but we have heard and seen similar measures in the past and yet late payments continue to be an issue.

Why this matters for insolvency

Late payment rarely appears as the official cause of a business failure, but it is often what turns a manageable problem into an unmanageable one. A business that is profitable on paper can still run out of cash if its customers are paying in 90 days while its own suppliers and HMRC expect to be paid in 30 days.

The risk works both ways. A customer who is slowing payments is often a customer under pressure itself and an unpaid invoice owed by a business that later enters insolvency may return only a fraction of its value, if anything at all.

What it means for advisers

For clients with a growing debtor book, now is a good time to tighten credit control and check the financial health of their largest customers.

Terms and conditions should also be reviewed to make sure they preserve the right to charge statutory interest. Where a single customer accounts for a large share of receivables, that concentration risk deserves particular attention.

If you have clients struggling with slow paying customers or who are owed money by a business that appears to be in difficulty, please get in touch and we can talk through the options for protecting their position.

House of dominoes – What the diesel crisis exposes about business finances

At the start of October, the average price of a litre of diesel in the UK passed £2 for the first time, according to RAC data, up from around 142p at the end of February. The rise has been driven by disruption to Middle Eastern supply and by Russian restrictions on diesel exports. It has landed on a UK market that imports around 55 per cent of its road diesel and has lost almost a quarter of its refining capacity since the closure of the Grangemouth and Lindsey refineries.

For motorists, the effect has been painful at the pump. For businesses, it has exposed something more fundamental about how finely balanced many balance sheets have become.

Haulage at the sharp end

Road haulage has felt the impact first and hardest. According to the Road Haulage Association (RHA), operators are paying around £350 more per week for each lorry than they were in February, in a sector where profit margins typically sit at about two per cent. One haulier running 22 vehicles has reported its monthly fuel bill rising from around £50,000 to £65,000.

Richard Smith, Managing Director of the RHA, has said that hundreds of transport businesses have gone bust this year, describing the current position as "completely unsustainable".

The difficulty is often less about the price of fuel itself than about timing. Hauliers pay for diesel upfront, often weeks before their customers settle invoices and many are tied into fixed-price contracts that do not allow rising costs to be passed on until terms are renegotiated. A business can be fully booked and still run out of cash.

Why it spreads

This is where the dominoes start to fall. Almost everything on a supermarket shelf or a building site has travelled by lorry at some point, so higher freight costs quickly work their way into food prices and the cost of materials. Farmers face the same pressure on fuel for machinery, while businesses serving rural areas carry a disproportionate share of the cost.

When a key haulier or supplier fails, the problem moves along the chain. Its customers lose capacity at short notice, while its own creditors, including fuel card providers and subcontractors, are left with unpaid invoices. Combined with the slower payment patterns covered earlier in this bulletin, a cost shock that starts in one sector can quickly become a cashflow problem for many.

What the crisis has exposed

The diesel spike has acted as a stress test and has revealed weaknesses that were present long before fuel prices started climbing. Many businesses are running on very thin cash reserves after several years of rising costs. Others have contracts with no mechanism for passing on sudden increases or depend heavily on a single customer or supplier with little visibility of that party's financial health.

Relief is not guaranteed either. Analysts expect diesel markets to remain tight into 2027 and the temporary 5p cut in fuel duty is due to be unwound in two stages, with duty rising by 3p in January and a further 2p in March. The RHA has written to ministers ahead of the Budget asking for 15p per litre of targeted support for haulage, coach and van operators, but whether that materialises remains to be seen.

What it means for advisers

For clients in transport, agriculture, construction and distribution, this is a good time to look closely at short-term cashflow forecasts and to check whether contracts include fuel surcharge or indexation clauses that allow cost increases to be passed on.

Businesses that are further along the chain should also be asking how dependent they are on suppliers that may be under strain and what impact that may have on supplier costs and, as a result, on their own pricing strategy.

Directors should be reminded that once insolvency becomes a real possibility, their duties shift towards protecting the interests of creditors. Taking advice early keeps more options open and reduces the personal risk to the directors themselves.

If you have clients whose margins are being eroded by fuel costs or who rely heavily on hauliers and suppliers that may be struggling, please get in touch and we can help them assess their position before the next domino falls.



The Insolvency Service unveils new strategy to tackle fraud and phoenixes

The Insolvency Service has published a new five-year strategy, "Our vision: Moving forward, faster", which it describes as a significant shift in the way it works. Launched on 29th September, the strategy centres on encouraging people and businesses to seek help before their problems escalate and getting money and assets back into the economy more quickly.

Alongside that sits a noticeably tougher stance on those who abuse the system, with phoenix companies singled out for particular attention. Duncan Beach, Chief Executive of the Insolvency Service, acknowledged that the agency is "often seen as the organisation that steps in when things have already gone wrong" and said the new approach is about acting earlier and working more closely with partners across the system.

A larger taskforce for phoenix cases

Readers may recall the case study on Premier Group Recruitment, featured in our previous newswire, where the assets of a business owing £2.9 million were bought by a company controlled by its own majority shareholder within days of administration. The new strategy makes clear that the Insolvency Service sees phoenixism, where directors leave debts behind in a failed company and carry on the same trade through a new one, as a priority.

By 2028, a dedicated phoenix taskforce will number 50 people. It will use better data to identify high-risk cases earlier and to recover assets where wrongdoing is proven.

This ties into a wider commitment to work more closely with HMRC and Companies House, sharing intelligence so that misconduct can be spotted sooner and cases built faster. Organised economic crime is a stated area of focus.

Earlier help and faster recovery

The other side of the strategy is about speed. The Insolvency Service wants people and businesses to receive trusted guidance sooner, so they understand their options and obligations before problems become entrenched. For viable businesses in distress, that should mean earlier access to support while there is still something to rescue.

Changes are already under way. The £90 fee for a Debt Relief Order has been removed and a new digital connection with debt advisers is cutting application times. The Redundancy Payments Service now makes first payments within 11 days for around 70,000 people a year and an improved Director Information Hub offers practical guidance for directors of struggling companies.

A review of the support available to smaller businesses is also in progress and the strategy includes a commitment to remove avoidable burdens on insolvency practitioners while maintaining high standards.

What it means for advisers

For directors, the message is that conduct in the run-up to an insolvency will be examined more closely and with better data than before. Connected party sales remain a legitimate tool when handled properly, but transactions that look designed to shed debt rather than rescue a business are more likely to be identified and challenged.

For advisers, the emphasis on earlier intervention is a useful reminder that the best outcomes usually come from conversations held months before a formal process rather than weeks.

If you have clients who are worried about their position or are considering a sale of assets to a connected party, please get in touch and we can help make sure any steps they take will stand up to scrutiny.



CAREFUL CONSIDERATION IS NEEDED BEFORE TAKING OUT ANY FORM OF FINANCE AND SPECIALIST ADVICE SHOULD BE SOUGHT. IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT US.

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The content of this bulletin should not be considered by any reader to comprise full proper legal advice and should not be relied upon.