

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

New fee hike could affect creditor's appetite to recover debts

New proposals from the Ministry of Justice (MoJ) could see the maximum court fee for money claims increase from £10,000 to £20,000.

In order to ensure that the court system continues to be sufficiently funded, the MoJ has proposed to double the maximum fee for high value claims, worth £200,000 or more. Currently, fees are payable on five per cent of the value of a claim up to a maximum fee of £10,000.

The proposed changes are expected to affect around 0.4 per cent of the 1.2 million money claims made each year, which equates to around 5,000 claims per year, or one in every 240 claims made. This measure is part of a wide-reaching reform of the UK's court system and is contained within two new proposal papers that are currently with the public for consultation.

Another measure that has been confirmed will see fees for issuing a possession claim in the county court rise from £280 to £355, while fees for general applications in civil proceedings will increase from £50 to £100 for an application by consent, and from £155 to £255 for a contested application.

Announcing the proposals, Parliamentary under Secretary of State at the Ministry of Justice, Shailesh Vara, said: "Many of the claims brought for higher values will involve large multi-national organisations or wealthy individuals, and we believe it is right to ask them to contribute more.

"This government was elected to continue to fix the economy, by reducing public



spending, eliminating the deficit and reducing national debt. The courts and tribunals must continue to play their part in this national effort.

"There is, however, only so much that can be delivered through efficiency measures alone. That's why we have to look again at court fees."

These changes follow on from additional increases in court fees introduced in March this year, which saw the maximum court fee for a claimant rise to £10,000, despite protests from businesses and

the legal profession. If approved this new change will double this rate again.

These changes are expected to have a significant impact on creditor's ability to pursue debts through the courts and it is likely that many creditors will simply abandon claims due to the additional cost involved.

If your clients are concerned about pursuing a claim due to the increase in court fees and would like to discuss alternatives to legal action, please contact us.

Businesses struggling with late payments will get help from new commissioner

Late payments continue to be a massive issue for small businesses and one that can significantly affect their solvency.

In fact, it is estimated that small firms are owed approximately £26bn through late payments and that chasing their debts costs them millions of pounds each year – affecting the growth and stability of their business.

In order to tackle this issue the Government are launching a number of new initiatives under new legislation incorporated in the upcoming Enterprise Bill. One of these measures will be the introduction of a Small Business Commissioner, who will help firms tackle the issue of late payments for goods and services.

The Commissioner will form part of the new Small Business Conciliation Service, announced in the Queen's Speech earlier this year, which will be created to help settle disputes between suppliers and customers. The Service aims to handle problems without the need for court action and deal with outstanding payments and supply-chain bullying.

The Government has said the Commissioner would be a point of first contact for small businesses and provide advice and support on how to avoid disputes or easily resolve them. They would also offer access to mediation services to sort out issues, "at

a fraction of the cost of going to court", and investigate complaints over unfair business practices.

Many small businesses believe that this is a step in the right direction, but the impact of late payments continues to be felt across the UK. A lack of cash-flow within a business can have a detrimental effect and is one of the leading causes of business distress.

Our team at Newman and Partners can help your clients forecast and manage cashflow and deal with their outstanding debtors. For more information, please contact us.

Insolvency Service statistics show UK insolvency in decline, but thousands still affected

The latest data from the Insolvency Service (IS) has shown that UK insolvency is in decline, but also highlights the tens of thousands of insolvencies that took place during the last three months.

The latest quarterly figures from IS show that between April and June this year 18,886 individual insolvencies took place in the UK; down 29.3 per cent on the previous year's figures. Of these 3,944 were bankruptcies, 5,832 were Debt Relief Orders (DROs) and 9,090 were Individual Voluntary Agreements (IVAs).

In comparison, there were 3,235 company liquidations during the last quarter, which is 3.8 per cent lower than the previous quarter and 7.8 per cent lower than last year's figures. Of these, Creditors Voluntary Liquidations were the most common form of company insolvency, having seen an increase of 0.5 per cent on the previous quarter. Receiverships also increased by 12 per cent from the previous quarter to 159.

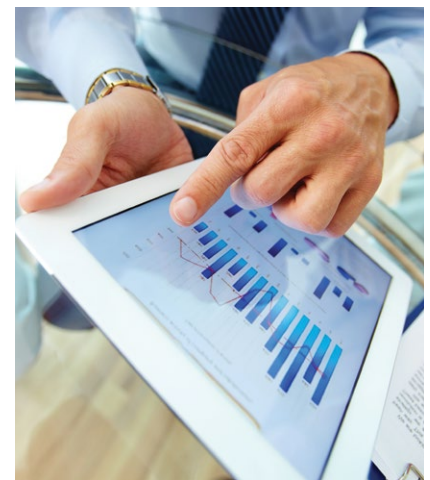
Phillip Sykes, President of R3, the insolvency trade body, said: "This data fails to take into account the tens of thousands of people, possibly more, in

informal debt management plans. Such plans are now under the oversight of the Financial Conduct Authority."

He added: "Debt Relief Orders will become easier to enter from October, while an expected rise in interest rates could put pressure on household finances. Also from October, it will be harder for creditors to make a debtor bankrupt: this could mean more creditor petitions for bankruptcies in the next quarter as creditors hurry to beat the rule change."

Phillip Sykes also pointed to the potential increase in interest rates on the horizon, which could have a significant effect on the solvency of companies and individuals who have taken on loans due to the favourable rates available over the last few years.

If your clients are one of the thousands of businesses currently experiencing distress then our team at Newman and Partners can help. We have years of experience helping



businesses and individuals find the right insolvency solution for their needs and can in some cases avoid the process altogether with careful planning. 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