

# 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](mailto:insolvency@newmanandpartners.co.uk)

### Rogue Directors must pay back creditors under new rules

**As of 1 October 2015 a new compensation process has come into force that ensures better financial redress for the loss creditors suffer due to the conduct of disqualified directors.**

Under the scheme, outlined in the Small Business, Enterprise and Employment Act 2015 (SBEEA), a disqualified director could now be required by the court to pay compensation to creditors who have lost out financially due to unfit conduct.

The Act has also introduced other measures to strengthen the company director disqualification process. The law states that the Secretary of State can seek to have directors of a limited company disqualified if they have been previously convicted of a company-related offence abroad; influenced or instructed another director in a way that caused them to be disqualified; breached laws and regulations or have a proven track record of operating or being involved in the running of other failing companies. The Secretary of State can also use information from other regulators in future disqualification proceedings.

The SBEEA also states that the nature and extent of any harm and loss caused must also now be considered during a court case to decide if disqualification is appropriate and whether any creditors have suffered financially and deserve compensation.

In another move to tackle irresponsible directors, the maximum period of time elapsing between a company being declared insolvent and the Secretary of State seeking disqualification proceedings will also increase from two to three years.



The introduction of these measures will be welcomed by most creditors who have struggled to chase compensation once a business is dissolved and means that they will be able to get redress for their loss if a business's director is found to have acted in an unfit manner.

If you have a client that has suffered a bad debt as a result of a failed business, and who would like advice on pursuing compensation, then our team at Newman and Partners can help. For more information about our services, please contact us.

# Offshore insolvency growing, according to research

The number of cross-border insolvencies handled by insolvency practitioners (IPs) is expected to significantly increase, according to research commissioned by Grant Thornton and barristers chambers, South Square.

They found that around two thirds of insolvency practitioners expected the number of insolvencies involving offshore jurisdictions to increase over the next three years, as a result of increased activity in the global financial services sector.

In response to this, IPs want to see greater collaboration between offshore jurisdictions rise further up the agenda, with three quarters suggesting that courts in different jurisdictions should collaborate more to make multi-jurisdictional insolvencies fairer and more efficient.

Steve Akers, recovery and reorganisation partner at Grant Thornton, said: "With

an anticipated uptick in cross-border insolvencies on the horizon, jurisdictions need to ensure their basic legal process and infrastructure is fit for purpose.

"Clearly, no single jurisdiction has got everything absolutely right, so we should be encouraging a wider debate about how all those involved in the legislative and judicial process might learn from each other and work more closely together to help ensure consistent and reliable standards are in place around the world."

Most IPs pinpointed the Cayman Islands as a preferred offshore jurisdiction for having the most effective insolvency laws,

followed by the British Virgin Islands and Hong Kong. Singapore emerged as an effective location for cross-border insolvency for those with direct experience of multi-jurisdictional insolvency in the territory but those who lacked direct experience there.

Cross-border insolvencies are becoming an increasingly important issue in the recovery sector and is likely to affect more IPs in the future. Ensuring your clients' needs are met in multiple jurisdictions is important and our team at Newmans and Partners can help find you the resources and advice you require. If you would like to know more about our services, please contact us.

## Young generation faces debt crisis

A new study has found that an increasing number of young people in the UK could have significant debts, with the average amount of unsecured debt among those aged between 17-24 standing at £12,215.

The figures published by Citizens Advice Bureau (CAB) showed that 102,296 people aged 17-24 reported debt issues in the last year, a rise of 21 per cent from the previous year and a record high.

The data also showed that the average amount owed had more than tripled between 2006 and 2012. CAB say that their research shows that the increase in debt is sparked by a torrent of unsecured borrowing by young people, which could trap young people in problem debt for years to come.

The research also showed that the types of loans taken out by young people had also changed and that around 45 per cent of the debt rise could now be attributed to student loans, while much of the increase was due to formal loans and borrowing from friends and family.

The average formal loan for a young person prior to 2006 stood at £969, but has now increased to £4,577, while loans from family and friends also rose over this period from an average of £30 to more than £1,000. In contrast, the younger

generation has seen a decrease in credit card debt, from an average of £332 to £234, meaning that other age groups are more than twice as likely to report credit card debt.

As a result of this unsecured debt a much higher proportion of young people now apply for Debt Relief Orders (DRO), which allow indebted borrowers on low incomes to file for bankruptcy. This is likely to increase even further with the changes to the Bankruptcy and DRO thresholds, which come into force this month.

Under the new rules, a creditor will only be able to apply to the courts for a bankruptcy order against a person for debts over £5,000, rather than the previous limit of £750. For those seeking to manage their finances, DROs will now be available for debts up to £20,000, while the asset level rises from £300 to £1,000.

Gillian Guy, Chief Executive of Citizens Advice, said: "Our research shows that student loans account for less than half of the debt rise amongst young people so it is crucial we understand why so many



are turning to other forms of unsecured borrowing. Many young people already face challenges getting on the career and housing ladders – doing this while saddled with huge unsecured debts make it an uphill struggle."

If you have a young client struggling with debt and would like advice, 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](mailto:insolvency@newmanandpartners.co.uk)  
W: [www.newmanandpartners.co.uk](http://www.newmanandpartners.co.uk)

**Newman & Partners**  
Licensed Insolvency Practitioners