

# Newman & Partners

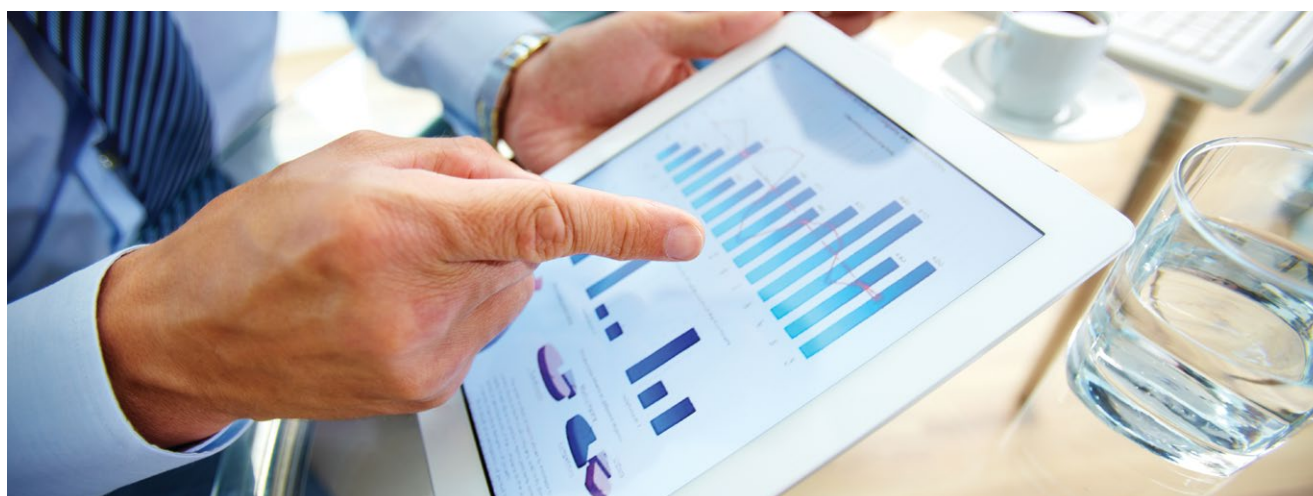
Licensed Insolvency Practitioners

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

### Personal insolvency down but corporate liquidations up

The number of individuals declared insolvent in England and Wales fell by 6.1 per cent in the second quarter of 2013 on a year-on-year basis, although there was a slight rise from Q1, and corporate insolvencies increased by 10.5 per cent in Q2 against the first three months of the year.



Insolvency Service figures showed that the second quarter results continued the downward trend in personal insolvencies, which have dropped in recent times mainly because lenders appear to have shown more understanding with people struggling with debt. In addition, the courts have ensured that insolvency has been the last resort for individuals and have instead urged people to seek debt advice instead of going bankrupt.

There were 25,717 individual insolvencies in the second quarter of the year. However, not everyone went about the process in the same way. For example, bankruptcy, which used to be the traditional way of cancelling unmanageable debts, fell by 20.1 per cent

in the second quarter compared with the same three months a year ago.

Debt Relief Orders, for those with relatively small debts, also dropped, by 10.4 per cent, but Individual Voluntary Arrangements, which are formal deals between individuals and their creditors, seem to have become a more popular choice and were up by 6.8 per cent.

Meanwhile, as far as corporate liquidations were concerned, the total was made up of 961 compulsory liquidations, which were down 6.6 per cent on the previous quarter, and 3,017 creditors' voluntary liquidations, which were up 17.3 per cent on the first quarter of 2013.

There were 974 other corporate insolvencies during the second quarter of 2013, comprising 192 receiverships, 622 administrations and 160 company voluntary arrangements.

Time is always of the essence where insolvency is concerned. It is crucial to seek professional advice at the first sign of financial distress. Whatever your circumstances, Newman & Partners Insolvency can provide timely advice on the best way forward. Remember, the earlier you seek help, the more we will be able to help you.

For further information, please contact us.

# Red tape to be cut in insolvency proceedings

The Insolvency Service is currently consulting on proposals to cut down on “needless processes” during insolvency proceedings.

The proposed measures, outlined in the consultation document, ‘Red Tape Challenge – changes to insolvency law to reduce unnecessary regulation and simplify procedures’, include reducing the number of physical meetings creditors must attend and using more electronic communication. Unfortunately, the long-winded title of the consultation document fails to inspire confidence that the Red Tape Challenge will succeed.

Other changes include abolishing unnecessary insolvency practitioner record-keeping requirements.

Currently, creditors are encouraged to attend meetings, which can be miles away and poorly attended, so one of the proposals is to cut down the number of meetings so that they only take place when at least 10 per cent of creditors ask for one. This could also be achieved by using more electronic correspondence and including links to website information

when communicating with creditors. It is also being proposed to cut down on the amount of paperwork required, such as allowing office holders to rely on the insolvent’s records when paying small claims, thereby reducing the need for creditors to complete claim forms.

Costs could also be cut by providing that where the cost of making a very small dividend payment exceeds a minimum amount it should not be made but instead should be used for the wider benefit of creditors.

According to Michael Fallon, Minister of State for Business and Enterprise, many of the proposals outlined in the consultation document have been put forward by creditors and others affected by the law, so this consultation should cut down on red tape even further.

The consultation closes on October 11.



At Newman & Partners Insolvency, our aim is to make the insolvency process as clear as possible, ensuring that all parties are kept fully up to date with developments and understand exactly what is happening at each stage. For further information on the way we work, please contact us.

## Maximum BRO handed out

News that a former businessman has been handed a 15-year Bankruptcy Restrictions Order (BRO), the maximum possible, is a timely reminder of the potential severity of the laws surrounding insolvency.

The Order states that, for the period of the BRO, the bankrupt must disclose it when applying for credit worth more than £500, and the name by which he was made bankrupt if seeking to do business in a different name. He may also not act as the director of a company or take part in its promotion, formation or management without the express permission of the court.

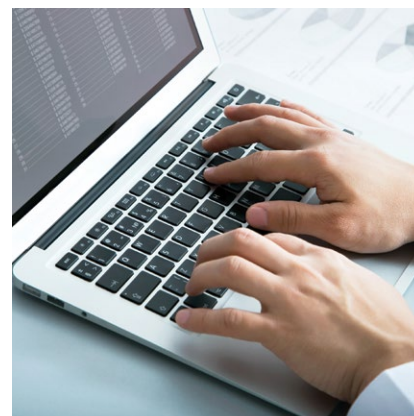
The former businessman is currently serving a four-year sentence after being convicted of nine counts of fraud, seven counts of unfair commercial practice contrary to the Consumer Protections from Unfair Trading Regulations 2008, and six counts of transferring criminal property contrary to Section 327 of the Act.

A BRO is a court order imposing certain restrictions on a bankrupt for a set

period of between two and 15 years. A Bankruptcy Restrictions Undertaking (BRU) has the same effect as a BRO but does not involve going to court.

These restrictions have been introduced to ensure that the small minority of business owners who are reckless or dishonest are subject to a ban for an appropriate number of years. A breach of a BRO or BRU is a criminal offence and may lead to a criminal penalty such as imprisonment or a fine.

If a BRO or BRU is imposed, the person may not be an MP in England and Wales, may not act as a local councillor or be a school governor. A further consequence of a BRO or BRU is that a notification goes automatically to the Bankruptcy Restrictions Register, which is part of



the Individual Insolvency Register. This is a register that can be searched by the public in the same way as they can search for details of bankruptcy orders.

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