

# 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)

### Debt Relief Orders (DRO) review ordered

**A review of Debt Relief Orders (DROs) which are a low cost form of debt relief, and the bankruptcy petition limit, have been demanded by the Government. Both have been unchanged for around five years.**

Introduced in April 2009, DROs help vulnerable people with low levels of debt and little means of paying it off. The Government now wants to know how they have performed and how they could be improved, particularly since recent figures showed that use of them has fallen over recent months. Meanwhile the creditor petition limit in bankruptcy has been set at £750 since 1986, so the Government would like to determine whether this figure should be increased.

Business Minister Jo Swinson said there is a strong argument that bankrupting someone for a debt of £750 is no longer fair or reasonable, especially when there are often alternative cheaper ways for those owed money to seek repayment. She added that she is also keen to ensure that debt relief orders continue to meet the objective of helping the most financially vulnerable with a low-cost way out of problem debt of less than £15,000.

The Insolvency Service would like the views of interested parties on whether the minimum level of unpaid debt owed before a bankruptcy petition can be presented to court is set too low at £750. It also asks whether access for vulnerable debtors to DROs can be improved, including the various monetary limits that restrict access, and whether the design and integrity of the system including whether the competent authority system of delivery for the DRO solution is working well. The final question is whether DROs are actually helping individuals to break away from the cycle of problem debt in the long-term.



The consultation closes on 9 October 2014.

Our experts at Newman and Partners can provide expert advice to support

businesses and individuals affected by insolvency issues including DROs.

For more information, please contact us.

# What Rent Quarter Day statistics can reveal

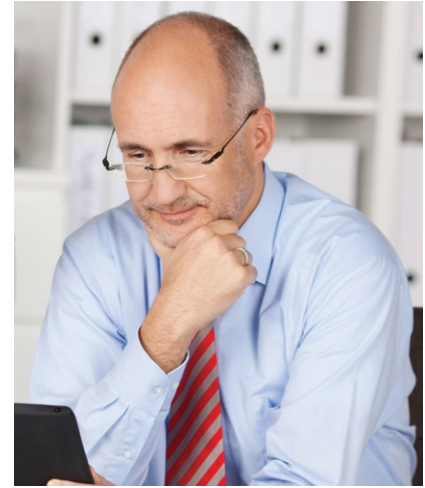
Commenting on the recent announcement that three retailers have filed a notice to appoint administrators after the latest Rent Quarter Day, vice-president at R3 insolvency body, Giles Frampton, has said: “Retail administrations have spiked after every Rent Quarter Day over the last year. This is hardly surprising given the prevailing case law on administration expenses.

“The current rules on these are a bad deal for businesses and a bad deal for landlords. If rent falls due in an administration it qualifies as an administration expense, (along with any other trading expenses incurred by the administrator), which must be paid in full before pre-appointment creditors’ claims are dealt with. Administration appointments may therefore be delayed until the quarter day has passed. Furthermore, even if an administrator only uses a small part of the business property for a short time during the administration, full rent may still be payable.

“The rules on administration have developed haphazardly over time, and

seem to have lost sight of a reasonable ‘pay for what you use’ principle. This has pushed the administration expenses bill higher and higher. The potential size of administration expenses has pushed Insolvency Practitioners towards liquidations or pre-pack administrations where a trading administration might otherwise have been appropriate. The current rules put jobs at risk and reduce returns to creditors – including landlords.”

Our specialist team at Newman and Partners Insolvency can advise your clients on all aspects of debt and insolvency, providing workable solutions which can often help your clients reduce the risk of insolvency. For more information, please contact us.



## Late payments add up to billions

Research from payment services specialist Bacs has revealed that UK businesses are finding it hard to cope under a £46.1 billion debt burden. Findings published recently from a Bacs survey of 350 small and medium-sized enterprises (SMEs) and large companies indicate that across the UK SMEs are carrying a £39.4 billion debt and large corporates, £6.7 billion.

A total of 60% of SMEs were experiencing late payments, with the average SME waiting for £38,186 in overdue payments. In contrast, the average large corporate was owed almost £1m. One in four SMEs said that if the amount they were owed grew to £50,000 it would be enough to send them into bankruptcy. Almost a third (30%) of businesses said they were spending around £500 a month as a consequence of money owed to them and the research found the figure could climb as high as £10,000 a month as a result of costs associated with bad debts, including overdraft fees and admin costs.

More than three quarters (76%) of companies surveyed said settlement was being delayed by a minimum of a month beyond their agreed payment terms. Bad debts are not good news for any business, so where debtors are

causing problems, seeking expert legal advice can be a sensible investment in securing money owed.

At Newman and Partners Insolvency, our services include assisting clients in issuing statutory demands, which can be used to claim payment of a debt from an individual or company. If the debt is not paid, or there is no agreement to pay, within 21 days, whoever issues the statutory demand can then initiate the winding up of a limited company if the amount owed is more than £750. We can also advise on issues such as updating terms and conditions of business to include charging interest on debts or amending them to take advantage of the Late Payment of Commercial Debts Act 1998.

The Act enables interest to be claimed on debts owed by other businesses and public sector organisations, for up



to six years after a late payment has been received. If business terms and conditions do include an interest rate chargeable on late payments, this will take precedence over the interest rate set out in the Act, so we can update these to take advantage of the rate in the Act, if this is better. For more information, please contact us.

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