

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

One in ten SMEs are worried about business failure

A new study has revealed that in the last three months, the number of small and medium-sized enterprises (SMEs) predicting that they might be forced to close their doors has doubled from five per cent to 10 per cent.

Published by Hitachi Capital Business Finance towards the end of August, the report makes for worrying reading, as the proportion of small business owners reporting their concerns about business failure has remained consistent – at around four to five per cent – for the past seven quarters.

The study reveals that the retail sector is currently the ‘most fearful’ of insolvency, with 17 per cent of firms in this industry claiming that they were afraid of going under in the third quarter (Q3). However, across all business sectors, SMEs’ growth predictions have fallen substantially – hitting the lowest level for more than a decade – suggesting that business confidence is waning all round. Meanwhile, eight of the industry sectors tracked by Hitachi Capital saw a quarterly rise in the proportion of businesses fearing for their livelihoods.

Regionally speaking, SMEs in the North East believe themselves to be the most at risk, the study reveals, with a worrying 20 per cent concerned about their survival. This is up dramatically from just two per cent of North East businesses that voiced similar concerns in the previous quarter (Q2). Businesses in this region were followed closely by firms in Wales, where 14 per cent said they too feared closure.



A spokesperson on behalf of Hitachi Capital, said: “For the past year, our research has shown that the small business community has seen political and economic change as an opportunity.

“Our latest findings, though, suggest the

protracted nature of Brexit negotiations may now be taking its toll.”

Our team at Newman and Partners can provide help to you if your client is struggling with debt issues. To find out more, please contact us.

Government unveils new powers to “improve the opportunities” of financially distressed businesses

The Government has announced a range of new measures which the Insolvency Service believes will “improve the opportunities” of financially-distressed companies. In a new report, the group said that the new tools will help to protect creditors, employees and other stakeholders in companies teetering on the edge of insolvency.

Among the tools on offer, the Government will offer “viable” companies more time to restructure or seek new investment to rescue their business. This includes firms which may be facing creditor action.

Reports suggest that businesses will also have access to a new restructuring plan procedure that will provide an “alternative option” for businesses to rearrange how they will pay their debts. Under these measures, the Insolvency Service said companies will be supported through a rescue process to prevent terminating supplier contracts “solely by virtue of a company entering an insolvency process.”

“These proposals include new powers for the Insolvency Service to investigate directors of dissolved companies, enhancements to existing antecedent recovery powers and the ability to disqualify directors of holding companies who unreasonably sell insolvent subsidiaries,” the report says.

“The proposed reforms will help strengthen the UK’s business environment, which is a key part of the UK’s Industrial Strategy – the Government’s long-term plan to build a Britain fit for the future – ensuring the UK remains one of the best places to start and grow a business and is an attractive place to invest.”

Our team at Newman and Partners can provide help to you if your client is struggling with debt issues or facing insolvency. Such concerns are always best explored at the earliest possible opportunity. To find out more about our debt management services, please contact us.



Insolvency Service to crack down on ‘phoenix firms’

Company directors who allow businesses to go insolvent in a bid to avoid mounting debts could face harsh sanctions, it has been warned. The move comes as part of new measures to crack down on so-called ‘phoenix firms’ recently unveiled by the Insolvency Service.

Towards the end of August, the regulator said that directors who dissolve companies to avoid paying workers or pensions could be landed with fines – or even be disqualified from running a business altogether. These new sanctions, which are the first of their kind, are designed to safeguard workers, pensions and small suppliers when a company goes bust, it said.

The measures follow new evidence suggesting that some directors deliberately “dodge debts” by dissolving companies and then starting up a near identical business with a new name. The fines are being introduced as part of a new packet of measures designed to help companies

repay their debts and restructure their business into a viable venture.

These measures include giving companies more time either to restructure, or to seek new investment to restructure their business. They also enable companies in financial distress to continue trading throughout the restructuring process – ensuring that small suppliers and workers continue to be paid.

Commenting on the announcement, Business Minister Kelly Tolhurst, said: “While the vast majority of UK companies are run responsibly, some recent large-scale business failures have shown that a minority of directors are recklessly profiting from

dissolved companies. This can’t continue.

“That is why we are upgrading our corporate governance to give new powers to authorities to investigate and hold responsible directors who attempt to shy away from their responsibilities, help protect workers and small suppliers and ensure the UK remains a great place to work, invest and do business.”

Providing the right advice to your clients during a period of financial difficulty is crucial, and any concerns regarding insolvency are always best explored sooner rather than later. To find out more about our proactive services, please contact us.

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