

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

Average SME is now owed £25,000 in late payments

A new study published by cloud software provider Xero towards the end of November reveals that the average small British business is owed almost £25,000 in late payments. The research found that more than three quarters (78 per cent) of UK small and medium-sized enterprises (SMEs) were owed money outside of their pre-agreed payment terms – demonstrating the seriousness of the UK's worsening late payments crisis.

As a result of business' late payment woes, Xero estimated that the SME economy is effectively being forced to deal with an average deficit of £141 billion. In its research, the software group discovered that on average, small businesses were being forced to wait 39.67 days for invoices to be paid, with the average SME owed approximately £24,841. In some cases, businesses were being forced to wait as long as 64 days to receive payment.

It also found that certain small business sectors were more likely to encounter problems with unpaid invoices than others. Specifically, figures indicated that firms in the wholesale sector were typically owed the most, at £42,989. This was followed closely by administration and support businesses (£40,662), transport, postal and warehouse firms (£31,555) and public sector and safety businesses (£31,541).

Following the publication of the report, Xero said that much more needs to be done to address the problem. Elsewhere, commentators have pointed out that separate research estimates that approximately 50,000 businesses in the UK fail every single year due to cash flow issues spurred on by late payments.



Providing the right advice to your clients when they are struggling with unpaid invoices is crucial, and any concerns

regarding insolvency are always best explored sooner rather than later. To find out more, please contact us.

South East England is a hotspot for insolvency risk, study reveals

Of all of the regions in the UK, South East England has the highest percentage of businesses considered to be at a 'high risk' of insolvency, a new study has revealed. The research, which has been published by insolvency trade body R3 in recent weeks, comes at a time when concerns are mounting that small and medium-sized enterprises (SMEs) are grappling with an increasing number of challenges, from high business rates and late payments to uncertainties surrounding Britain's future relationship with the European Union (EU).

The research found that while South East England was an 'insolvency risk hotspot', regions such as Scotland and Northern Ireland have actually seen a decrease in the number of firms facing an elevated risk of insolvency in recent months. Nevertheless, these regions have seen only marginal changes in the number of businesses at risk of financial distress, while separate research published by the Insolvency Service last month indicates that on average, the number of total company insolvencies in the UK has increased by a shocking 19.3 per cent in recent months.

According to R3, almost half (47 per cent) of South East businesses are currently

facing a 'greater than usual' risk of insolvency. A spokesperson on behalf of the trade body said that uncertainty surrounding Brexit was having a knock-on effect on both business and consumer confidence. They added that this was affecting a number of key business sectors – ranging from "retail and hospitality" to the restaurant sector.

Commentators have warned that businesses in all regions are likely to be expecting things to improve over the Christmas period due to the "festive rush." However, R3 and other organisations advise that businesses should proceed with caution and seek urgent advice if they are facing financial difficulties.

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



Company insolvencies in London on the rise

More companies in London entered into insolvency last year than anywhere else in England and Wales, new research has found, indicating that insolvencies in the capital are on the rise. However, while London topped the board as the city where the most businesses entered into an insolvency procedure, actual insolvency rates were highest in the Yorkshire and Humberside region, the report reveals.

There were 129 insolvencies per 10,000 enterprises in 2017 in Yorkshire and around the Humber, which is far higher than the overall insolvency rate in England and Wales of 81 per 10,000, it found. Interestingly, across the whole of



the UK, businesses with a turnover of between £0.5 million and £1 million, or with 20-49 employees, were found to be facing the highest risk of insolvency. The report said that while these kinds of companies are usually reasonably well established, this can often be the point when things come unstuck.

This is because businesses of this size do not always benefit from the economies of scale enjoyed by very large companies. Conversely, these firms may not always be as agile as their smaller counterparts and fixed costs may be much harder to deal with. Moreover, access to funding could be an issue and working capital might

not always be available to businesses in this position.

The report notes that those most at risk are generally between four and nine years old and are often start-ups that have burned through cash very quickly, which may have had a knock-on effect on investor or lender patience. Alternatively, businesses could have made unsuccessful – and costly – attempts at expanding without properly planning ahead.

Regardless of the circumstances, 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.

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