

# 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)

### Businesses and economy aren't prepared for Brexit

A group of business leaders have warned the Government that the UK's economy is not yet ready for Brexit and companies aren't properly prepared for the severe disruption predicted in the months ahead. Not only are many businesses having to make important decisions about future trade with the uncertainty of having no deal, but they are also still facing a tough period due to the ongoing COVID-19 pandemic.

Despite talks of a deal being just around the corner, business groups are calling for urgent guidance and support after the Prime Minister announced that the UK could still face trading terms "that are more like Australia's", which would effectively mean leaving without a deal and relying on World Trade Organization terms and costly tariffs.

Among those reaching out to the Government is Carolyn Fairbairn, the Director-General of the CBI. She said: "After four years of negotiations and so many hurdles crossed, this is no time to give up. Neither side can afford to fall at the final fence. A deal is the only outcome that protects Covid-hit livelihoods at a time when every job in every country counts."

She has been joined by Mike Cherry, the Chairman of the Federation of Small Businesses (FSB), who said firms are not ready to cope with a no-deal Brexit once the transition period ends on 31 December 2020. "They're being told to both prepare and simultaneously manage a fresh set of Covid restrictions. Many simply don't have the time or money to make adjustments, even if they want and need to," Mr Berry added. His comments were recently backed up by research, which showed that around a quarter of UK businesses did not think they would be ready for new trade arrangements by the start of 2021.



Neil Wilson, Chief Market Analyst at the financial trading platform Markets.com, has said an agreement can still be made at the eleventh hour if both sides are willing to make concessions. Looking at the Government's approach, he added: "It's not entirely bluff – the UK would through gritted teeth accept no deal because politically Johnson is taking so much flak over the pandemic that he has no room to 'let the country down' over Brexit."

Ian Wright, the Chief Executive of the Food and Drink Federation, has also shared his thoughts on a no-deal Brexit, warning that it would cause severe disruption to businesses. He added: "The Prime Minister's statement signals that we are heading into very dangerous territory. The perils of a no-deal exit for

GB food and drink manufacturing remain as real as ever."

The Organisation for Economic Co-operation and Development has already warned that a disruptive end to the Brexit transition period could threaten the country's recovery from the Coronavirus pandemic. It has indicated that a no-deal scenario could leave the economy 6.5 per cent smaller in the next few years than would have been the case if existing arrangements with the EU had been maintained.

**THE NEXT FEW MONTHS ARE GOING TO BE A CRITICAL AND DIFFICULT TIME FOR MANY BUSINESSES. IF YOU HAVE A CLIENT THAT IS STRUGGLING DUE TO THE CURRENT UNCERTAINTY, PLEASE CONTACT US.**

# UK faces a flood of insolvencies in months to come, according to ONS

New official figures from the Office for National Statistics (ONS) has revealed that as many as two-thirds of UK businesses may be at risk of insolvency. In the latest Business Impact of Coronavirus Survey (Bics) from the ONS, 64 per cent of businesses across all industries said they were at risk of insolvency.

It found that around 43 per cent revealed that they had less than six months' cash reserves to survive on. The survey, conducted before the new national lockdown, paints a picture of potential insolvencies in the months to come across the UK.

Looking in further detail at the most recent Bics report, accommodation and food service industries and the administrative and business support industries had the highest percentages of businesses at severe risk of insolvency (17 per cent and nine per cent respectively).

Certain sectors are particularly at risk and more recent research from the ONS

shows that a quarter of businesses in the food and accommodation industries report turnover as more than 50 per cent down on the previous year. A national average across all industries shows that 9.1 per cent of firms are reporting a similar decline in turnover. On top of this, 28 per cent of businesses in the food and accommodation sector across the UK have reported their profits down by 50 per cent or more this year.

The official figures mirror other recent research, including the Red Alert report, which found 557,000 businesses were under severe strain after government restrictions hit sales. It also showed

that across all sectors there has been a nine per cent jump in the number of companies in significant distress since March, equivalent to around 63,000 firms.

It is hoped that the extension of the Government's financial support measures, such as the furlough scheme, will help to limit the number of insolvencies again in the months to come.

**IF YOU KNOW A BUSINESS THAT IS IN DISTRESS DUE TO THE FINANCIAL IMPACT OF COVID-19, WHY NOT FIND OUT HOW OUR EXPERIENCED TEAM OF BUSINESS RECOVERY AND INSOLVENCY SPECIALISTS CAN HELP BY CONTACTING US.**

## Why do businesses fail?

A new white paper from a business consultancy has revealed why many businesses fail and, in most cases, it may not be down to poor financial management. The new study from salesXchange Limited has found that most business closures are the result of poor marketing.

It is well known that around 72 per cent of all new businesses fail within the first three years. However, the report shows that of businesses that receive investment, 40 per cent fail completely and 45 per cent fail to make any money for their investors.



Although technology and innovation are often seen as a key to improving efficiencies and services in businesses, the report highlights a growing reliance on marketing software as a growing issue. It says that technology can never replace "a personal connection or an offering of informative, desirable content" and can mask real issues in a business's attempt to grow its client base.

This is made worse by an ongoing issue between sales and marketing teams, who often lay the blame at the door of the other department. Founder and Managing Director of salesXchange, Nigel Maine said: "Unfortunately, due to 'silo-working', the real causes for poor performance have been hidden from view and allowed both sales and marketing to blame each other."

Instead of investing heavily in technology to reach new audiences, the white paper is calling on businesses to connect with their audience via engaging content. This, Maine says, is a key way to maintain and grow a business's client base during these difficult times and avoid failure.

He adds that while marketing technology may be costly, improvements to the content produced by a business can be done at little to no extra cost.

**IF YOU KNOW OF A BUSINESS THAT IS FAILING, WHETHER IT BE THEIR APPROACH TO FINDING NEW CUSTOMERS OR THE MISHANDLING OF FINANCES, WE CAN SUPPORT THEM WITH A WIDE RANGE OF BUSINESS RECOVERY AND INSOLVENCY PROCEDURES. TO FIND OUT MORE, PLEASE CONTACT US.**

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