

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

Insolvency service warns investors about fraudulent approaches to recover lost funds

The Insolvency Service has been made aware that fraudsters have been contacting investors dishonestly claiming to be working on behalf of the Official Receiver or the Insolvency Service. During these scams, investors are given a false promise of recovering lost funds for an up-front fee.

These types of fraud, known as recovery room schemes, are always fraudulent and often impersonate a legitimate UK corporate entity to claim they are entitled to funds that do not exist. The Insolvency Service has said that to legitimise their contact, recovery room scammers will send fake letters with the Insolvency Service logo, say they are calling on behalf of the Insolvency Service, impersonate a legitimate employee of the Insolvency Service and/or refer investors to social media accounts of Insolvency Service employees.

The Insolvency Service said that scammers increasingly use a technique known as 'spoofing' where the caller ID and telephone number seen by an investor is not the scammer's details but are legitimate phone numbers used by Insolvency Service or other organisations. Be aware that Official Receivers or any agent legitimately instructed to act on their behalf will never ask you to pay an up-front fee to get some or all of your investment back.

The Official Receiver can only make a return to you as a creditor in failed schemes if assets are realised in the liquidation of the company you bought your investment from. If there is a distribution to be made, the Official Receiver will write to creditors letting them know and inviting them to submit a proof of debt.

Despite claims by some scammers, paying an up-front fee will not make you a priority creditor, as this is determined by legislation.



If you are asked to pay an up-front fee to get your money back by an organisation purporting to be the Insolvency Service or acting on behalf of the Insolvency Service, someone is more than likely attempting to scam you.

Where it becomes aware of recovery room schemes, the Insolvency Service will look to warn investors. The Financial Conduct Authority also publishes a list of known fraudulent claims management companies, you can check online if a warning has been posted about the company that approaches you. Just because the company that has contacted you is not

on this list does not mean that they are not attempting to scam you.

If you or a client has been contacted by a company claiming to be from the Insolvency Service or an Official Receiver, as per the advice above, do not pay any up-front fees. Instead, you should seek advice at the earliest opportunity to check whether the person is legitimate or not.

IF YOU WOULD LIKE ADVICE ON RECOVERY ROOM SCHEMES OR THINK YOU MAY HAVE BEEN CONTACTED BY ONE, PLEASE CONTACT US.

Over half of the UK's listed companies at risk of insolvency rely on Government support

New data from accounting giants EY has revealed that a third of the UK's listed companies most at risk of insolvency claimed two or more Government support measures as a result of COVID-19. This has sparked fears of future company failures as support is withdrawn, especially among FTSE companies in the hardest-hit travel and leisure, retail and industrial support services sectors.

The warning is based on the latest analysis of profit warnings from some of the UK's biggest firms, who are now at heightened risk of insolvency. The study found that between March 2020 and March 2021, 63 UK listed companies issued at least their third profit warning within a 12-month period – almost double the 2019 total of 32. The research suggests that statistically, up to one in five of these companies may enter Administration within 12 months of their third profit warning.

The failure of the very largest businesses often has a trickle-down effect on smaller suppliers, customers and contractors. This was most evident in recent years following the collapse of construction giant Carillion,

which saw many smaller firms suffer from its collapse.

More than half of the companies at risk of insolvency in this study claimed furlough support from the Government in December, and one third are also claiming at least one other form of Government support, such as a Coronavirus Business Interruption Loan and/or the deferral of business rates and VAT. While companies with three profit warnings are statistically most at risk of failure, a further 174 UK listed companies issued at least their second profit warning within the 12-month March 2020-2021 period, with 42 per cent of them claiming furlough support in December 2020 as well.

Of the sectors worst affected by the pandemic and most likely to claim support, the FTSE travel and leisure sector featured in this group more than any other sector, followed by FTSE retailers and FTSE industrial support services. In the worst-hit sector, travel and leisure, 40 per cent of listed firms claimed for furlough in December 2020, with 12 of these companies claiming more than £1 million to pay their staff.

IF YOU ARE CONCERNED ABOUT THE INSOLVENCY OF A CLIENT OR A BUSINESS THAT YOU KNOW, OUR TEAM AT NEWMAN AND PARTNERS CAN HELP. TO FIND OUT MORE ABOUT OUR SERVICES AND EXPERTISE, PLEASE CONTACT US.

Coronavirus insolvency measures extended until the end of June

To help businesses with the ongoing impact of the pandemic the Government has decided to extend measures in the Corporate Insolvency and Governance Act (the Act) to protect struggling companies. The extension to the measures introduced in the Act includes an extension of the suspension of liability for wrongful trading from 30 April 2021 to 30 June 2021, as well as respite for those facing winding up petitions during the same period.

Struggling businesses and their owners will welcome the extension to the removal of the threat of personal liability arising from wrongful trading, as it may give those facing the prospect of insolvency time to turn their fortunes around without a personal penalty if the company fails. Businesses will also still be able to take advantage of the COVID-19 moratorium until the end of June, which provides a company with breathing space from creditor enforcement to enable it to enact a rescue plan.

A company may enter into a moratorium if it has been subject to an insolvency procedure in the previous 12 months. The moratorium also covers waiving the requirement that a company subject to a winding up petition

must obtain a court order and allows certain companies carrying on regulated financial activities, who would usually be ineligible, to seek the same support.

The extension to the Act also means that termination clauses continue to be prohibited. This will prevent suppliers from ceasing their supply or asking for additional payments, while a company is going through a rescue process. Small suppliers remain exempted from the obligation to supply until 30 June 2021. In response to the extension, R3, the Insolvency and restructuring trade body, is calling on directors of COVID-hit businesses to make the most of the time granted by the Government's extension to restructure and rebuild.

It says that business owners should use this additional time to put plans in place for when the Government support ends with the help of a professional adviser, such as their accountant, to consider the options open to them to address their financial issues.

This extension of the insolvency measures may give you or your clients the additional breathing space required to make a recovery as the COVID-19 restrictions are eased.

IF YOU NEED ADVICE ON INSOLVENCY MEASURES OR HAVE A QUERY ABOUT A PARTICULAR MEASURE, PLEASE SPEAK TO OUR EXPERIENCED TEAM.

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