

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 cracks down on businesses abusing Coronavirus financial support

In a warning to others, the Insolvency Service has disqualified Raashid Khan as a director for 12 years after fraudulently claiming £50,000 through the Bounce Back Loan Scheme (BBLs). With much of the Government's COVID-19 financial support drawing to a close, the Insolvency Service and its partners, such as HM Revenue & Customs, are taking action against those individuals perceived to have abused the system.

Khan, 26 from Birmingham, held a position as a director of Ikandy Wholesale Ltd that sold goods, such as fireworks and fresh meat in bulk. He was found guilty of fraudulently claiming £50,000 through the Back Loan Scheme (BBLs) before transferring the full amount out of the company's account to himself just days before his business went into administration.

Khan is one of several directors to face action for abusing the financial support provided to the nation, with the Insolvency Service petitioning the Courts to wind up five limited companies that have been involved in abusing Government loans since February this year. These have included a furniture retailer in Manchester, and two Glasgow-based companies, for which no legitimate business activity was identified since at least January 2020.

The Insolvency Service has been given the power to investigate company directors who deliberately wind-up firms to avoid repaying their emergency COVID-19 debt. Directors found guilty of abusing insolvency procedures in this way could be banned from acting as a director for up to 15 years, face civil action to recover any sums paid to them and potentially undergo a criminal prosecution.

The Insolvency Service will also soon have extra powers to investigate BBLs fraud in cases where the company has already



been dissolved. If the Ratings (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill passes through Parliament, the Insolvency Service will be able to retrospectively investigate companies that have already been wound up.

Given this change in approach, directors who are considering winding up their company will need to consider whether the loans or support taken out during the pandemic was put to effective use. The case

of Khan was fairly straightforward, however, experts are encouraging directors to retain evidence that demonstrates their actions were honestly intended and not fraudulent.

IF YOU OR A CLIENT ARE CONCERNED ABOUT THE PROSPECT OF INSOLVENCY AND HOW THIS MAY INTERACT WITH SUPPORT TAKEN OUT DURING THE PANDEMIC, PLEASE CONTACT OUR EXPERIENCED TEAM AT NEWMAN & PARTNERS.

HMRC to take a 'cautious approach' to enforcing tax debt repayments

Business Secretary Kwasi Kwarteng has written to industry bodies advising that HM Revenue & Customs (HMRC) will take a "cautious approach" to enforcement of debt owed to the Government accrued during the Coronavirus pandemic. In a letter to the Institute of Directors and restructuring body R3, Mr Kwarteng said that enforcement by the taxman will be based on whether a business has been engaging regularly with HMRC rather than due to its inability to pay. He added that HMRC would take a "flexible approach" with businesses who engage with them, to bring their debt into a managed arrangement.

Many business groups have been concerned that the ending in September of the moratorium preventing small firms from being wound up through insolvency could herald Government action. They have warned that HMRC's aggressive approach to tax collection could exacerbate the problem of bad debt. However, while Mr Kwarteng has said that HMRC would consider the number of loans and support schemes given during the pandemic, he insisted that, where possible, HMRC would attempt to bring a business' debts into order.

A spokesperson for HMRC has also said that pursuing insolvency action would only be a "last resort after considering all alternative routes to the recovery of a debt" and that the taxman would only take action "if a customer does not respond or engage with us". However, Mr Kwarteng also stated that Government assistance will not last indefinitely, saying that the necessary restrictions, coupled with a cross-Government approach to its sustained backing and enforcement, will be critical to a return to a healthy and functional economy.

IF YOU ARE STRUGGLING WITH ANY FORM OF DEBT, WHETHER IT IS TAX THAT YOU OWE OR RELATED TO OTHER BUSINESSES, IT IS IMPORTANT THAT YOU SEEK INDEPENDENT PROFESSIONAL ADVICE. AT NEWMAN & PARTNERS, WE CAN HELP CLIENTS TO RESTRUCTURE AND RESOLVE THEIR DEBTS THROUGH A VARIETY OF INSOLVENCY MEASURES. TO FIND OUT HOW WE CAN HELP YOU AND YOUR CLIENTS, PLEASE CONTACT US.

End of COVID support could lead to greater business distress

A new study conducted within the business restructuring industry has revealed concerns that many businesses that relied on Coronavirus financial support in 2020 are likely to be in distress again this year, as UK Government measures are withdrawn. More than 500 of the world's top restructuring companies and specialists took part in the research, which revealed the dangers many businesses face.

Over half of the restructuring experts from across the US and Europe that took part in the study said clients had performed better during the COVID-19 pandemic than during the previous financial crisis in 2008. However, they put this down to businesses having better access to financial support during the last year.

Those who were surveyed also said that debt had been more manageable than before due to the already historically low rates of interest. This is a situation that is likely to continue as more than two-thirds of restructuring experts across Europe and almost half of those surveyed in the US are expecting interest rates to remain low in the short term.

However, while many businesses are in better shape than previous crises, thanks in large part to Government support,

the majority of the restructuring experts believed the pandemic would cause further distress this year, particularly in the hardest-hit sectors, such as travel and aviation. In the UK, much of the support on offer to businesses, such as the generous furlough scheme, is now being withdrawn, while many businesses are also having to begin repaying Bounce Back Loans and VAT deferrals.

On top of this, around £6 billion of rental debt is owed to commercial landlords in the UK due to the ban on commercial evictions that was introduced last year and which continues to be extended. This has ensured that many of the worst-performing sectors, such as hospitality and retail, have been able to reopen and continue to trading as lockdown measures are eased without having to immediately repay rent arrears.

IF A CLIENT IS STRUGGLING DUE TO THE WITHDRAWAL OF GOVERNMENT FINANCIAL SUPPORT IN THE MONTHS AHEAD OR THEY ARE FACING THE REPAYMENT OF LOANS THEN IT IS IMPORTANT THAT THEY SEEK ADVICE AT THE EARLIEST OPPORTUNITY. TO FIND OUT HOW WE CAN HELP YOU RESOLVE CHALLENGING FINANCIAL ISSUES, PLEASE CONTACT US.



Newman & Partners Insolvency
Lynwood House
373/375 Station Road
Harrow
Middlesex HA1 2AW

T: 020 8357 2727
F: 020 8357 2027

E: insolvency@newmanandpartners.co.uk
W: www.newmanandpartners.co.uk

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