

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

Fresh calls for Government to tackle late payments

A new call to Government has been launched after a study revealed the significant cash flow struggles that many small businesses face. According to the research, conducted by Xero Small Business Insights and Accenture, the average UK small business experienced a “cash flow crunch” for more than four months every year. This is when monthly income does not sufficiently cover a business’s expenditure.

This issue often comes hand in hand with late payments, which have worsened since the Covid-19 pandemic. Late payments are cited as one of the main reasons for a stunt in business growth.

Alex von Schirmeister, Xero’s Managing Director for Europe, the Middle East and Africa, said: “We are seeing big businesses purposely withholding cash from their small customers. We must move away from calling it ‘late payments’, which legitimises poor practice and lacks urgency. It is time we labelled this ‘unapproved debt’. Given the steady post-pandemic resurgence in cash flow issues that we are seeing in the UK, we urge the Government to help.”

According to the research, 23 per cent of small businesses experienced a cash flow crunch for over six months each year, with 94 per cent doing so no less than once during 2021.

Firms impacted most negatively were those in the hospitality sector, struggling to keep their heads above water with the introduction of Covid-19 restrictions. As a result, most companies in the industry with negative cash flow peaked at 54 per cent in July 2020.

This follows similar research conducted earlier this year by Xero’s Small Business Index, which showed that around 400,000 small firms were impacted by the poor payment practices of larger firms. Despite previous attempts to try and improve



the late payment situation for smaller businesses, it remains a persistent and particularly harmful issue, which continues to affect the cash flow of many companies.

A cash flow crisis is one of the most common reasons behind the failure of a business and so it is essential that it is kept under control. Given the current situation that many businesses face, they are being advised to strengthen their credit control processes and review their existing terms and conditions.

IF YOU OR A CLIENT HAS BEEN AFFECTED BY THE SURGE IN OVERDUE PAYMENTS AND ARE SUFFERING FROM A ‘CASH FLOW CRUNCH’ IT IS IMPORTANT THAT YOU ACT NOW. OUR TEAM AT NEWMAN AND PARTNERS CAN HELP YOU TO REVIEW YOUR CURRENT FINANCIAL HEALTH AND FIND WAYS TO RESTRUCTURE AND RECOVER YOUR BUSINESS. TO FIND OUT MORE, PLEASE SPEAK TO US.

Government extends Recovery Loan Scheme

One of the key schemes that helped businesses manage the financial pressures of the pandemic has been extended for an additional two years. Launched on 6 April 2021, the Recovery Loan Scheme (RLS) was one of several finance schemes available to struggling businesses. It provided financial support to businesses across the UK as they recovered and grew following the Coronavirus pandemic.

Nearly £80 billion was lent to SMEs through these schemes, but only £1 billion of borrowing was made via the RLS. The RLS has supported almost 19,000 businesses with an average of £202,000 in support. It could be used to finance any legitimate business purpose – including managing cash flow, investment and growth. However, you had to be able to afford to take out additional debt finance for these purposes.

It was thought the scheme would be replaced with a version called RLS2, but now the Government has decided to extend the original scheme with the addition of a personal guarantee from borrowers. Businesses will be able to

apply for the latest version of the scheme from August. The £2 million maximum loan amount remains the same and the Government will underwrite 70 per cent of lender liabilities, at the individual borrower level, in return for a lender fee.

Business Secretary, Kwasi Kwarteng, said: “The extension of the recovery loan scheme will help ensure we continue to provide much-needed finance to thousands of small businesses across the country, while stimulating local communities, creating jobs and driving economic growth in the UK.”

Shevaun Haviland, director general of the British Chambers of Commerce,

added: “The two-year extension to the recovery loan scheme will be a lifeline for many businesses facing a rising tide of costs. It is now essential that businesses in need of this extra support can access the scheme as quickly as possible.”

ARE YOU IN NEED OF ADDITIONAL FINANCING FOR YOUR BUSINESS OR ARE YOU AFFECTED BY ONGOING DEBTS? WHATEVER IS CAUSING YOU CONCERN ABOUT YOUR FINANCES, OUR TEAM ARE HERE TO HELP AND GUIDE YOU ON THE ROAD TO RECOVERY. PLEASE CONTACT US TODAY FOR ADVICE.

Directors banned in Insolvency Service Covid-loan crackdown

In the last few months, the Insolvency Service has begun to use its new powers to ban company directors who have dissolved their business to avoid repaying Government-backed Covid loans. Introduced in December last year, these new powers have already been used to ban three former company directors.

In these cases, these limited company directors had closed their companies with the main purpose of avoiding loan repayments after they borrowed money through the Bounce Back loan scheme, which offered small and medium-sized businesses loans of up to £50,000. This was possible thanks to the new powers given to the Insolvency Service, which allows it to ban individuals from acting as

company directors for up to 15 years where they are found to have acted improperly.

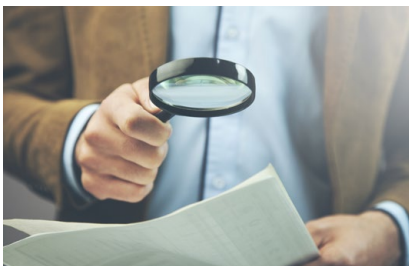
“We have been clear that we will not tolerate those who seek to defraud the taxpayer, which is why we introduced tough new powers which have allowed the Insolvency Service to disqualify three directors for dissolving their companies, to avoid repaying their bounce back loans,” said Business Minister, Lord Callanan. “The Government provided unprecedented support to businesses to help them through the pandemic, but unfortunately a minority of people abused this support for personal gain.”

These latest penalties are part of a more significant campaign taken against businesses and individuals who abused the UK pandemic support packages, which includes those who claimed false furlough

payments and defrauded the Government by obtaining Covid support loans they were ineligible for. So far, the Insolvency Service has issued almost 180 bans on individuals for defrauding the Government’s Covid support packages.

According to HM Revenue & Customs, Fraudulent Covid support claims cost the British taxpayer at least £5 billion. However, it has pledged that £1 of every £4 in taxpayer cash stolen will eventually be recovered through the Government’s crackdown on fraud.

HAVE YOU BEEN AFFECTED BY FRAUD OR ARE YOU CONCERNED ABOUT A POTENTIAL INVESTIGATION OF YOUR BUSINESS OVER ITS USE OF SUPPORT FUNDING? GET IN TOUCH WITH OUR TEAM TODAY FOR ADVICE.



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