Insolvency Bulletin

FLS FUNDING DOWN
Scheme deemed a failure

Latest figures for the Bank of England's Funding for Lending Sheme (FLS) show that net lending to SMEs dropped by £435m in the three months to June.

However, the contraction in lending to SMEs was not as great as the £723m fall of the previous quarter (January-March 2014).

The Bank's figures also show that net lending to all businesses under the FLS shrank by £3.9bn.

COMPANIES HOUSE DATA TO BECOME COST-FREE
Government giveaway

Companies House has announced that as of Q2 2015 it will make of all its digital data available free of charge. The change comes as part of an agreement by G8 leaders last year to improve corporate transparency and combat tax evasion.

During 2013/2014 users spent an estimated £8.7m on information from Companies House. It currently costs users £1 to access a stored document or image.

New proposals set to aid struggling firms

END COULD BE NIGH FOR TERMINATION CLAUSES

IT and utility companies that provide "essential" supplies would be prevented from enforcing termination clauses in contracts with companies that fall into financial difficulties under Government plans put forward for consultation.

The consultation, which closes on 8 October, includes a number of safeguards to ensure that those suppliers that are required to continue supplying insolvent businesses are adequately protected.

These include the ability to request a personal guarantee from the insolvency practitioner (IP) leading the insolvency process in respect of any post-insolvency supply, and the right to terminate supply if those post-insolvency supplies remain unpaid for more than 28 days or with the permission of the court or IP.

Trade body R3 estimates that banning so-called 'termination clauses' in supply contracts could help save over 2,000 businesses a year.

John Travers welcomes the proposals which he says are good news for employees of insolvent businesses and creditors as well as insolvency practitioners trying to rescue ailing companies.

"Termination clauses relating to essential supplies which take effect on insolvency are one of the biggest obstacles to business rescue met by insolvency practitioners," he comments.

"Businesses are currently closing down because we are unable to secure the essential supplies they need to continue trading while we are restructuring the business or seeking to find a buyer."

Economic stability or slacker lending?

CORPORATE INSOLVENCY NUMBERS REMAIN STATIC

The continued flattening of the number of business failures in the UK over the past five years has defied the many pundits predicting an economic Armageddon in the wake of the 2008 financial crisis.

Administrations and voluntary arrangements have remained at a fairly constant level and liquidations have fallen gradually.

John Travers comments: "Although there has been the occasional quarterly spike, levels have mostly fallen back again the next quarter.

"However, some sectors, such as the legal profession, have encountered specific regulatory challenges which has led to higher insolvency numbers.

"For most, low interest rates and lenient lenders have combined to keep afloat even those on the brink of collapse."

Osborne seeks new ways to fund growth

Banks forced to refer rejected SMEs to alternative lenders

Britain's high-street banks, when refusing loans to small and medium-sized firms, will be forced to help them find alternative sources of finance, according to George Osborne.

In a speech to the Innovate Finance conference in London, the Chancellor said the government would encourage the growth of 'alternative finance providers', a major part of the financial and technology sector to which Osborne pledged £100m of additional investment.

Under the new rules, banks that turn down SMEs for finance will have to refer them to other sources of funding, such as challenger banks, direct lenders or asset finance.

Call for moves to speed up late payment

Code needs teeth

Recent figures released by BACS Payment Schemes show that the late payment problem is growing despite Government measures such as the Prompt Payment Code.

The research found that small and medium-sized companies are owed nearly £40bn as a result of late payments which is ultimately threatening their solvency.

Figures released from the Asset Based Financial Association (ABFA) support this, finding that small businesses are paid 23 days later than bigger businesses.

John Travers comments: "The problems is that, at the moment, signing up to the Prompt Payment Code is voluntary. It is now becoming critical for the Government to make it statutory and to introduce penalties for those who do not adhere to the rules."

Insolvent firms face extra holiday pay

EU judge changes rules

Insolvent businesses which are still trading could be hit by backdated claims for employees' extra holiday pay, following a ruling by a European Court.

John Travers comments that the changes in the way holiday pay must now be calculated will not only affect cash flow, but could also have an impact on the overall value of a business.

Call for stakeholder evidence

Bankruptcy debt level looks set for a hike

The Government has launched a new consultation with a view to increasing the minimum level of debt before creditors can trigger bankruptcy proceedings.

Currently, the threshold is £750, a level which was set almost 30 years ago.

According to research by the Insolvency Service, if the bankruptcy threshold had risen annually in line with inflation it would now be £1,700.

It is also seeking views on how debt relief orders (DROs), introduced five years ago for those trapped with debts of less than £15,000 and no means of paying it off, could be improved.

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LICENSED INSOLVENCY PRACTITIONERS

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IP complaints on the up

The Insolvency Service has revealed a sharp rise in complaints against insolvency practitioners since its new gateway was created in June 2013.

More than 900 complaints were received in the first year of a new scheme to make the process simpler.