Update from John D Travers & Company

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John D Travers & Co: Innovative Insolvency Solutions for Business

Our services include:

- Corporate Recovery
- Members' Voluntary Liquidations
- Creditors' Voluntary Liquidations
- Compulsory Liquidations
- Administrations
- Company Voluntary Arrangements
- Administrative Receiverships
- Law of Property Act Receiverships
- Partnership Voluntary Arrangements
- Business Advice
- Advice to directors
- Bankruptcy

HMRC gets tough on dodgy directors

The number of directors of insolvent firms facing disqualification proceedings for not paying business tax has jumped 24 per cent in the year to March, according to figures from independent finance provider Syscap.

"These figures are a wake-up call for directors of companies encountering financial difficulties," warns John Travers.

"On the one hand, HMRC is allowing companies to defer tax, but on the other it is taking an increasingly aggressive stance towards individual directors who fail to meet their obligations to the taxman."

"Continuing to trade while neglecting HMRC liabilities is a risky strategy and could backfire if the company subsequently becomes insolvent."

Disqualification orders ban individuals from being directors of a limited company or from being involved in the promotion, formation or management of a company for up to 15 years.

Directors who have been disqualified have unlimited liability for the losses of any company that they have been involved with in contravention of the disqualification order and may also be criminally liable.

Rules change - but for how long?

Changes to the provisions governing the conduct of insolvency proceedings came into effect on 6 April 2010.

The latest amendments complete the implementation of the Government's modernisation proposals for insolvency law, which began with the advertising amendment changes which came into effect in April 2009.

It is expected that the present version of the rules, as amended, will be superseded by a restructured and re-ordered version that will come into effect in April 2011.
Watch this space!

Insolvencies down on year-on-year index

The latest insolvency index from Experian has revealed a year-on-year fall in business insolvencies in the UK during April.

The total number of insolvencies fell by 15.1% during April, compared to the same month last year.

There were 4,082 compulsory liquidations and creditors' voluntary liquidations in the first three months of the year. This total is up 8.4% on the previous quarter, but down 17.8% on the same period a year ago.

Mid-sized businesses suffered most; that is those with between 25 and 500 employees.

Stealth 'tax' hits failing firms

Whilst the costs of insolvency processes are being examined by the OFT, the government has raised its "tax" on insolvency.

From 6 April, a creditor wishing to wind up a company has to pay a deposit of £1,000 to the court towards the Official Receiver's fees, which represents an increase of nearly 40%.

To petition for the bankruptcy of an individual, the deposit has risen from £430 to £600 (39.5%) and for a debtor to present his own bankruptcy petition, the deposit has gone up from £360 to £450 (25%).

For bankruptcies, the government levy is now 0% for the first £2,000; 100% for the next £1,700; 75% for the next £1,500; 15% for the next £396,000 and 1% of the remainder, subject to a maximum of £80,000. Fees for winding up by the Court are similar.

In addition, the government raises a levy on all funds paid into the estates of companies wound up by the Court and bankruptcies.

John Travers comments: "These fees are in addition to the costs incurred in realising assets, agreeing claims and paying distributions, and are hitting the smaller cases hardest, thus reducing already limited dividend prospects for creditors."

Corporate undertakers? Think again...

World Bank data shows there are only six countries in the world where the amount recovered for creditors in insolvency is higher, extracted over a shorter time and at a lower cost than the UK (Japan, Singapore, Norway, Canada, Finland & Belgium).

The UK's insolvency industry helped save nearly two million jobs in companies going through insolvency and rescued around six thousand businesses last year, according to professional body, R3.

Further, insolvency practitioners who work on corporate insolvencies spend nearly a quarter of their time on preventing insolvencies, work which cannot be made public for fear of damaging the value of the businesses concerned.

"Part of our role is helping businesses to avoid insolvency in the first place," says John Travers.

"The earlier that company directors face up to their financial problems, the better the prognosis is going to be. If an IP can get in early enough, often the business, or parts of it, can be saved by insolvency procedures such as administration or a CVA," he adds.

Lending to UK firms remains tight

The most recent Bank of England data covering lending by all UK-resident banks and building societies indicated that the stock of lending to businesses contracted by £3.2 billion in March, close to the average net monthly reduction seen in 2009.

Net lending by the major UK lenders remained subdued in April, though was stronger than in recent months.

Finally, a thought to conjure with...

The number of highly educated, wealthy individuals becoming insolvent rocketed by 43% over the past year, according to recent research. Experian says there was a 36% increase in the number of financially successful directors of companies, so-called 'Serious Money' types, becoming insolvent during 2009.

While the total number of County Court Judgments (CCJs) was down in 2009, the biggest increase was in the 'Serious Money' consumer type, which saw its count increase by 12%. Highly educated, high-earning middle-aged professionals saw CCJs increase by 6% and well-off individuals (typically lawyers, board directors, accountants and tax consultants) saw an increase of 5%.

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