

Insolvency Bulletin



MOVES COULD HELP CURB LEGAL TOURISM

The UK's Supreme Court heard argument recently in a case that will decide the extent to which English Courts have the power to assist foreign courts and liquidators in global bankruptcy cases such as Lehman Brothers.

The outcome of the landmark case could signal a move towards a 'universal' approach to cross-border insolvency.

Previously, US bankruptcy judgments were not enforceable in the UK unless a separate UK action had been started on the same grounds.

John Travers explains: "At the moment, we have a situation where, if a company trades across borders and if that company goes into insolvency, the process is very haphazard with creditors uncertain how they will be dealt with.

"International insolvency practitioners have long held that there should, in practice, be one pool of assets in which all creditors share equally, regardless of country or continent of residence. That is the principle of 'universality'.

"It is important in cases such as Lehman and Madoff that courts and practitioners, as far as possible, put aside their jurisdictional differences and work together to recover as much as possible for victims of such financial catastrophes," he adds.

Is UK plc in the grips of a double dip - or is it a long term correction?

RECESSION OR NO?

Shortly after the Treasury announced the UK's official dip into recession, latest national figures reveal only a modest increase in corporate insolvencies and fewer businesses in the West Midlands being declared insolvent in April compared with a year ago.

Data released by information services company, Experian, found that 144 companies in the region collapsed in April- down 8.3 per cent on April 2011.

This means the percentage of the business population in the region

failing decreased from 0.1 per cent to 0.09 per cent on the previous quarter and 4.3 per cent on the same period last year.

John Travers believes that the country is not in a recession as we have known them in the past which is why we are not witnessing the usual rise in the number of business failures.

He explains: "Part of the function of recession in the economic cycle may be to weed out the weaker parts of the economy that develop during the good times.

"Clearly this is not happening currently, as evidenced by the continued comparatively low level of corporate failures.

"I believe that

what we are now experiencing is a prolonged period of correction in response to the boom period we enjoyed over the last ten years."



Statistics continue to be contradictory

THERE MAY BE TROUBLE AHEAD...

R3s latest Business Distress Index found that 37 per cent of businesses say they have seen a reduction in sales volumes and 36 per cent say they are experiencing decreased profits, both up on the previous quarter.

Experian's figures show that, since January 2009, when the average financial strength score of UK firms had fallen to its lowest level recorded, there has been a definite and positive upward trend.

John Travers comments: "Combined, these two indicators reveal the anomalies when gathering and interpreting statistics.

"The realities for owners and managers vary enormously, with some sectors and some regions being hit hard while others find and exploit new opportunities.

"In my experience, good management judgement continues to play a major role in the survival and success of any business."

New lending scheme welcomed **BOOST IN CENTRAL LENDING TO BANKS - IS IT WORKABLE?**

Latest Government moves to stimulate a sluggish economy by providing incentives for the banks to increase their lending should be applauded, says John Travers.

Under the recently announced Bank of England's 'Funding for Lending' scheme the banks can access Treasury bills, or very short term loans, as long as they can demonstrate that they are passing funds on to borrowers rather than stoking their reserves.

Full details of how the scheme will operate will be announced over the next few weeks. However it is likely to leave the banks facing a quandary, John Travers comments.

He says the main risk to the scheme is that, at this difficult time, it is probably the most creditworthy who are reluctant to increase their debts, and that the pressure will be on to lend to those who are desperate to borrow where the risk to banks is greater.

He explains: "The Treasury and the Bank of England want the risk of lending to stay with the banks; but I ask the question: are the banks holding back on lending, as perceived by government and the public at large, or are they trying to lend, but being prudent by applying stricter criteria?"

"It is possible, therefore, that this new initiative will only have a limited effect as the additional credit may not get to those who most need it."

He adds: "A further risk is that the public may not feel happy underwriting the additional treasury bills and it is also unclear how the Bank will monitor or police the banks as they take advantage of the additional funding."

Fall in level of complaints **IP'S IMPROVE RATINGS**

The 2011 Annual Review of IP regulation revealed a 16 per cent drop in the number of complaints against Insolvency Practitioners (IPs).

And, out of the total, according to the Insolvency Service, a number of complaints will be directed at the



outcome of the insolvency procedure rather than the standards of practice of insolvency practitioners and thus fall outside the regulatory regime.

John Travers says: "Our profession is striving for the highest professional standards, often in difficult circumstances.

"I would like to see us going still further in terms of bringing greater transparency and consistency to the complaints handling processes."

OUR SERVICES

- 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

For further information:

John D Travers & Company,
First Floor, 58 Hagley Road,
Stourbridge DY8 1QD

T 01384 374 000

F 01384 375 300

W johndtravers.co.uk

E john@johndtravers.co.uk

JOHN D TRAVERS & COMPANY

LICENSED INSOLVENCY
PRACTITIONERS
BUSINESS ADVISERS

NEARLY A THIRD OF BUSINESSES MAX-OUT ON THEIR OVERDRAFT

According to research by insolvency trade body R3, 30 per cent of businesses admit to regularly using their maximum overdraft facility, a steep rise from 17 per cent last quarter and the highest figure recorded in the last 12 months.

In addition, 37 per cent of businesses say they are experiencing reduced sales volumes, up nine points on the quarter.

