

expert, professional, friendly...

October 2009

Twin blow of late payments and lending squeeze

A survey has shown that small and medium sized businesses are still finding it difficult to get credit despite reassurances from banks that they have eased the squeeze on lending.

8 out of 10 financial advisers surveyed by Strand Financial said they had clients who had been refused overdrafts or had overdraft facilities withdrawn during the first half of this year.

7 out of 10 said that some or even all of their clients had experienced a reduction in the level of finance being made available to them. The research, sponsored by SME Invoice Finance, also

showed that businesses are being hit from every direction.

More than 8 out of 10 advisers said the problem of late payments for their clients had worsened throughout the year. More than half of their clients had suffered reduced profitability and just under half had experienced reduced turnover.

Of the businesses facing financial problems, 6 out of 10 blamed a lack of cash and declining sales. A quarter of them had also been hit by bad debts.

The advisers were pessimistic about the economic outlook. Only 4% believed

the downturn would end this year. Some 56% expected recovery to start next year while 31% believed we would have to wait until 2011.

The twin problems of reduced availability of credit and the increase in late payments emphasises the need for firms to keep a tight watch on their cash flow. It's important to identify and deal with potential debt problems as quickly as possible to avoid any risk to your business.



Sharp rise in company and personal insolvencies

The latest year on year figures show a sharp rise in both company and personal insolvencies.

There were 5,055 compulsory liquidations and creditors' voluntary liquidations in England and Wales in the second quarter of this year. That was only 2.9% up on the previous quarter but a worrying 39.1% increase on the same period last year.

A breakdown of the figures shows there were 1,457 compulsory liquidations and 3,598 creditors' voluntary liquidations. In the 12 months to June this year, 1 in 120 active companies went into liquidation.

There was also a total of 1,529 other corporate insolvencies in the second quarter of this year. This figure was made up of 345 receiverships, 1,027 administrations and 157 company voluntary arrangements.



The figures represent a general increase of 22.7% on the same period last year.

There were similar increases in the personal insolvency figures which reached 33,073 in the second quarter of this year. That was a rise of 27.4% on the same period in 2008 but an increase of only 2.9% on the previous quarter – the same percentage increase as that for company insolvencies.

The personal insolvency figures comprised of 18,870 bankruptcies, 12,225 individual voluntary arrangements and 1,978 debt relief orders (DRO).

It's thought that the introduction of DROs may have contributed to the increase. DROs were introduced in April this year as a cheaper insolvency procedure for non-home owners with debts of less than £15,000, assets of less than £300 and a surplus income of less than £50 per month.

Judge & Priestley receives the Lexcel Practice Management Standard

Judge & Priestley is delighted to announce that we have been accredited with the highly prized Lexcel Practice Management Standard.

The award follows in-depth assessments carried out over several months by external bodies to ensure the firm meets the high standards expected by the Law Society's Practice Management Standard.

Lexcel is a scheme for any type of practice to certify that specific criteria have been met following independent assessment and is only awarded to solicitors who meet the highest management and customer care standards.

As a pro-active firm of solicitors Judge & Priestley

constantly examines ways to develop the services we provide and work hard to ensure that we offer the best possible service.

This Lexcel accreditation is recognition of the commitment and efforts we make in order to provide high quality legal advice and customer care to our clients.

For further information regarding Lexcel, please visit www.lawsociety.org.uk



More than a third of pre-packs are non-compliant

More than 200 pre-pack administrations issued in the first half of this year failed to comply with regulations, according to a new report.

Pre-packs have to comply with standards laid down in the Statement of Insolvency Practice (SIP) 16.

The Insolvency Service reviewed 572 companies in pre-pack administration. It found that only 370 of them provided information that was compliant with the disclosure requirements of SIP 16. A total of 202 had shortcomings of some kind – usually a failure to supply sufficient detail.

In several cases, the non-compliance was caused by failure to follow the

guidelines properly. However, in 17 cases, “the insolvency practitioners’ conduct was such as to warrant it being referred to their authorising bodies so that it may be considered from a regulatory and disciplinary perspective”.

The report calls for improvements in the way information is provided and points out that all relevant details should be sent to creditors on completion of the sale. There were also concerns about valuations and marketing.

“Failure to provide full details of a valuation or marketing exercise is a common weakness in the SIP 16 information. Without details of the value placed on assets, it would usually be very difficult for creditors to determine

whether the pre-pack sale was in their interests.”

The other main area of concern highlighted by the report is the need to disclose any connection between the insolvent company and the purchaser of its business.

“Failure to do so may give rise to the perception that the directors and insolvency practitioner have colluded to withhold this information from creditors, with a consequent loss of confidence in the integrity of the sale and the insolvency regime as a whole.”

The report concludes that the Insolvency Service is satisfied that SIP 16 improves transparency for creditors and that, when properly applied, it ensures that creditors receive all the information they need to decide whether a pre-pack is in their best interests.

It is clear that pre-packs can have a role to play in some insolvency cases. However, creditors need to protect their interests by ensuring that all the necessary procedures and safeguards are being carried out correctly by fully qualified practitioners.



Trains, planes and automobiles

More businesses are choosing to lease rather than buy because of the pressures caused by the economic downturn.

That’s one of the findings of new research by the Finance and Leasing Association (FLA). Its figures for the second quarter of this year show that asset finance fell by 39% to £4.7bn compared with the same period last year. At the same time, the use of operating leasing (excluding cars) rose 9%.

The FLA says that businesses used



leasing arrangements to acquire £1bn worth of equipment ranging from commercial vehicles, aircraft, ships, machinery, IT and other business supplies between April and June.

More homeowners seeking IVAs

The number of homeowners seeking individual voluntary arrangements over the last year has risen by 12% and they now make up half the total number of applicants, according to research by the TDX Group.

The group’s IVA index also shows that there has been a continuing shift towards older applicants. Some 56% of applicants are now aged between 35 and 55 – that’s a 5% increase on last year. A further 12% of applicants are aged over 55.

Some 65% of applicants earn over £20,000 a year and 7% earn more than £40,000.

The TDX research shows a 7% increase in the amount of unsecured debt accumulated by IVA applicants in the second quarter of this year compared with the same period last year.

The average unsecured debt was £54,586 compared with £50,734 in the second quarter of 2008.

Where next



For all enquiries please contact
Steve Griva
Director of Operations for Debt Recovery
0208 290 7301
sgriva@judge-priestley.co.uk

Lexcel
Practice Management Standard
Law Society Accredited



INVESTOR IN PEOPLE

Judge & Priestley LLP
Justin House
6 West Street
Bromley
Kent BR1 1JN

DX. 117600 BROMLEY 7
T. 020 8290 0333
F. 020 8464 3332
E. info@judge-priestley.co.uk
www.judge-priestley.co.uk

j&p