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UK firms are paying earlier – but they're still very slow

UK firms have improved their payment performance, according to the latest research by Experian.

However, they are still very slow, especially in Greater London.

Experian's Late Payment Index shows that, on average, UK businesses were paying their bills 21.54 days beyond terms in September compared with 23.6 days in August – an improvement of 2.06 days.

On a year-on-year basis, there was an improvement of 1.28 days in September this year compared with September 2008, with the figure falling from 22.82 to 21.54 days.

The situation also improved in Greater London but it still had the second highest late payment record at 24.47



days beyond terms. Larger businesses employing more than 501 employees produced the biggest monthly improvement, down 13.5% to 24.63 days beyond terms. This still leaves them a long way behind the September 2008 level of 15.44 days. Businesses employing 26 to 50 employees also

made improvements and are now paying 18.52 days late.

The improvements are certainly welcome but have to be put in the context that we were starting from a very low base and the late payment problem is still far worse than it was only a year ago.

It remains a major issue for many businesses, despite the slight improvements of a day or two here and there. A recent survey carried out by the Forum of Private Business found that late payments continue to cause small businesses the most headaches, even more so than lack of sales and the decline in bank lending.

Businesses still need to keep a close watch on cash flow and late payments and take action to protect themselves as quickly as possible.

Number of business failures starts to decline

There was a fall of 13.5% in the number of business failures in the third quarter of this year compared with the second quarter, according to research by the business information provider Equifax.

Its Business Failures Report shows that there were 7,674 failures in the three months to the end of September compared with 8,874 in the previous three months. The

wholesale sector performed best with a fall of 19.4% in the number of firms going out of business. There were also encouraging double digit falls in Construction, Manufacturing, Services, Retail, and Transport and Communications.

However, the overall year-on-year figures show a 12.9% increase in business failures compared with the third quarter in 2008, which suggests that although the economy may be starting to turn the corner, there is still a long way to go and we shouldn't place too much reliance on this year's third quarter figures.



The External Affairs Director for Equifax, Neil Munroe, said: "We must remember this is just one quarter and we need to see consistent improvements over a number of quarters before we can be fully confident that we are out of the recession. And, as has already been stated by a number of economic commentators, it is crucial that these early signs of recovery are not over-stated."

"The worst thing that could happen now is that organisations take their eye off the ball in terms of good risk management and find themselves in trouble simply because they didn't do all the right checks on new and existing customers to make sure they don't suddenly find themselves with bad debts on their books."

"By operating best practice and harnessing the power of the latest risk management solutions, firms can minimise the threat of bad debt and secure the future of their business."

CAB backs move to reduce time limit for debt recovery

The Citizens Advice Bureau (CAB) says it supports proposals to reduce the time limit for pursuing debts from six years to three years.

The proposal was put forward by the Law Commission and the Government then carried out a public consultation on the issue.

The CAB submission states: "Three years is ample time for creditors to trace debtors these days, and it is also a reasonable amount of time for debtors to expect their creditors to start pursuit of the debt."

Not surprisingly perhaps, the proposal has not met with the same approval among businesses and the credit industry. One criticism is that the proposal would encourage more early litigation with creditors being forced to take court action sooner to protect themselves against debtors who might abscond.

We shall keep clients informed of developments.

Small businesses more optimistic – but finance still a problem

A survey carried out by the Forum of Private Business (FPB) found that 47% of its members expect to see an increase in trade over the coming year.

The FPB, a business support and lobby group, said 13% of the firms surveyed are already seeing an increase in their order books and a further 15% are expecting to see an increase over the next few months.

The findings are contained in the FPB's quarterly survey, Preparing for Growth. It showed that 45% of respondents expect to expand their business over the coming year and 37% expect to take on more staff by next September.



Micro businesses, those employing fewer than nine people, were the ones most confident about growing over the next

six months, with most of them planning to carry out a concerted sales and marketing campaign.

However, small businesses are still concerned about access to finance from the banks and other major lenders. A total of 77% said they had seen the terms and conditions for loans worsen over the last year and many had to provide more security to cover their current lending levels.

The Chief Executive of the FPB, Phil Orford, said that taken overall, the survey reflected a mood of cautious optimism among small businesses. "These figures show that, while things are certainly still very tough for many small businesses, there is a feeling that we are perhaps through the worst of it and things should soon start to improve.

"However, a lot of our members are still reporting crippling problems in accessing finance and there is a fair amount of animosity towards the banks over the issue. Ironically, as the economy picks up, this situation could actually get worse as smaller firms find they are unable to get the credit they need to keep up with their order books."

Insurers back proposals to extend use of company voluntary arrangements

Plans to change the insolvency laws to provide more help for large and medium sized companies have been welcomed by the Association of British Insurers (ABI).

Proposals put forward by the Insolvency Service would give larger businesses more breathing space to enable them to seek legally binding Company Voluntary Arrangements (CVA) with their creditors without first having to go into administration.

At the moment, only small companies are able to obtain a moratorium on creditor action while seeking an agreement with their creditors. This would be extended to large and medium sized businesses.

Responding to the Insolvency Service's public consultation on the issue, the ABI said it backed the proposal to extend the use of CVAs. In its statement it said these measures would reduce the

number of companies that are attracted to 'pre-pack' administrations, which it believes have caused problems.

"It is essential that any new regime for CVAs is appropriately supervised and the process is both transparent and fair to all creditors."

"Our main concern with pre-pack administrations is that often suppliers are trading blindly with a company that knows it's about to enter into a pre-pack right up until when the deal is done.

"Suppliers with trade credit insurance will be covered for their losses, but the lack of transparency leaves insurers facing an uneven playing field and uninsured suppliers out in the cold."

If the Insolvency Service's proposals do go ahead they will help to keep struggling companies afloat and may help their creditors recover their money eventually. However, creditors can also protect themselves by monitoring their customers' payments records closely and taking prompt legal action to recover debts before the situation gets out of hand.

Where next



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