

### Utility supply for insolvent businesses secured



It has been announced this week by Business Minister Jo Swinson that the Government will ensure the continued supply of utilities, telecoms and IT services to businesses undergoing rescue during the process.

Proposals laid out in parliament on Monday (9 Feb) following a consultation will ensure the services deemed "essential" to a business cannot be cut off or be charged at a premium rate while an insolvency practitioner seeks a viable rescue solution.

Suppliers will be guaranteed payment as a priority above other creditors for services provided during the rescue process and will also be able to ask for personal guarantees of payment from Insolvency Practitioners.

Business Minister Jo Swinson commented, "These changes will help struggling businesses during rescue while providing confidence for the suppliers that they will be paid for the essential services they provide."

Guidance is to be issued to Insolvency Practitioners to make contact with suppliers of "essential" services to a business at the earliest opportunity following appointment to discuss expected power usage. Suppliers will also be able to apply to court to terminate their contract on grounds of 'hardship'.

The changes will be subject to Parliamentary scrutiny before coming into effect in October 2015.

Giles Frampton, president of insolvency trade body R3, also commented,

"These proposals will make it easier for the insolvency profession to save businesses, save jobs, and get creditors as much of their money back as possible. This is great news for UK plc. The UK insolvency profession is already world leading; these changes will cement that position."

"Changes to the terms of supply for insolvent businesses place unnecessary hurdles in the way of business rescue. Without reliable and affordable IT and energy supply, attempts to save a business can be stymied quickly."

"The changes are a good example of the adaptability of the UK insolvency regime. Some have called for the wholesale introduction of a US Chapter 11-style regime, but the truth is we can incorporate the best parts of Chapter 11, like these proposals, into existing legislation."

"Over time, we would like to see more types of suppliers added to the list of those prevented from trying to steal a march on other creditors and take advantage of their importance to struggling businesses. It will also be important to review the impact of the requirement for Office Holders to give a personal guarantee to suppliers."

### The Latest UK Personal Debt Statistics

- The average total debt per household including mortgages was £54,915 in December
- Total credit card debt in December 2014 was £61.1bn
- Outstanding consumer credit lending was £168.8bn at the end of December 2014
- Every 5 minutes 20 seconds someone is declared insolvent or bankrupt
- Every 26 min 30 seconds a property is repossessed
- 1,132 people became redundant every day between September and November
- 2,083 Consumer County Court Judgements (CCJs) are issued every day, with an average value of £2,158.
- On average, a UK household spends £3.17 a day on water, electricity and gas.

Stats from The Money Charity

## Personal Insolvencies at nine year low despite IVA increase



Recent statistics released by the Insolvency Services show there were fewer personal insolvencies in 2014 than any other year since 2005.

There were a total of 99,196 personal insolvencies in 2014, the fourth successive year to show an annual decrease.

Bankruptcies in particular saw their lowest level since 1998 with 20,318, down 17.3% year on year.

While the introduction of the Debt Relief Order (DRO) in 2009 will certainly have had an impact on bankruptcy numbers it is worth noting that DRO numbers have also seen a decrease for the second year in a row.

Despite the improving outlook for bankruptcies and DROs however, Individual Voluntary Arrangements (IVA) have seen the highest level since they were introduced in 1987.

There were a total of 52,190 IVAs in 2014 up 6.8% year on year and making up 53% of all insolvencies during the year compared to just 30% in 2005.

Louise Brittain, Council Member of R3, the insolvency trade body, commented,

"This year has seen the continuation of the trend of falling bankruptcies and Debt Relief Orders. Individual Voluntary Arrangements are now firmly the dominant form of personal insolvency."

"Personal insolvencies will probably hover around the 100,000 a year mark, although it should be remembered that this is only part of the picture as this figure does not include debt management plans. The explosion of personal debt before the financial crisis means that this 'new normal' level of insolvencies is far higher than it was at the turn of the century."

### Cameron vows to plug £1bn 'finance gap' to help firm grow

David Cameron has said a future Tory government will help 500 of the UK's fastest-growing companies to expand, by guaranteeing business loans.

The Prime Minister said this would prevent successful companies that are trying to grow from falling into the financial "valley of death".

The Help to Grow scheme would see the government use its balance sheet to underwrite private loans or co-invest.

Labour said the government had failed to get banks lending to small business.

The Conservatives, Labour and the Lib Dems have been setting out their plans for enterprise and industry, at the annual conference of the British Chambers of Commerce.

## Contact Focus Insolvency Group

If any of your clients have been affected by the stories in our newsletter or need advice on any other matters, please feel free to contact us on 01257 257030 or email [a.fisher@focusinsolvencygroup.co.uk](mailto:a.fisher@focusinsolvencygroup.co.uk)

**"We pride ourselves on being the experts of choice for anyone struggling in business or with debt."**

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