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Focus Insolvency News

Issue 14: February 2013



Hello

Hello and welcome to the February issue of Focus Insolvency News. We begin this month with the news that households are now falling victim to 'zombie' status that has been claiming so many businesses in recent years. We also bring you the news of what SMEs consider to be the biggest obstacle they are currently facing.

March will also see us begin our first fundraising event of the year for our charity of 2013, Joining Jack! Please see below for details of the event and how you can help us support this most worthy cause. Don't forget to keep an eye on our twitter page for updates and other ways you can get involved too.

Remember if you have any suggestions, ideas or comments on the stories and information we feature then please do get in touch, we'd love to know what you think, drop me an email, or you can contact us on our [twitter](#) or [Google+](#) pages.



Anthony Fisher MIPA, FABRP
*Licensed Insolvency Practitioner
Managing Director*

Zombie status affecting households and businesses alike



Previously the term 'zombie' has been used to mainly describe businesses that are only managing to pay back the interest to their creditors and are unable to clear any of the debt itself, the business is unable to thrive and grow and also unable to 'die' as creditors are reluctant to spend the money required to close the company down. Increasingly this term is now being used to describe many households.

The number of zombie households is on the increase with a worryingly high amount of people only managing to cover the interest on their debts and the minimum payments on their credit cards, causing their obligations to become

unrealistic and making the debt itself almost impossible to clear.

Low interest rates and 'forbearance' by mortgage lenders and other secured loan providers are often the only things that are keeping these households alive. Those on very low incomes, borrowing money to cover everyday expenses or paying off short term loans over extended periods, as well as those on interest only mortgages are becoming the worst affected by this epidemic. Any increase in interest rates could be enough to tip the scale for many of these households.

Experts agree that the 'zombie' situation in households and businesses must be addressed, however the opinion of a solution seems to fall into two categories. Those that believe 'zombie' companies are helping the economy by keeping down the amount of business failures and unemployment figures with a belief that these companies can recover and be productive again in the future. There are then those on the opposite side who believe that 'zombies' are hindering an economic recovery, believing that capital tied up in struggling companies could be better reinvested in those that are thriving already.

Although the prospect of closing down large numbers of businesses is not an attractive one, neither is the prospect of letting them shamble forwards, unable to live and unable to die.

The Institute for Turnaround has proposed that the solution lies somewhere between the two extremes. Some of these 'zombies' will need to be culled as they will never be viable going forward but others that have potential could be saved with the help of the banks. Currently banks are helping to keep businesses alive by renegotiating repayment deals; however this provides no room for future growth, with an increasing likelihood that the debt will never be paid. If these renegotiations were geared towards creating a future for the business then many may be able to be rescued instead of falling by the wayside.

Late payment the biggest hindrance to UK economy



Companies failing to meet invoice payments to their suppliers on time could be the biggest thing currently holding back the UK economy according to research among UK businesses.

Late payments are causing increasingly poor cash flow for small to medium sized businesses meaning that in turn they may struggle to meet their own commitments causing poor trading conditions.

A study of over 1,000 businesses showed that a third said they always had a minimum of 20-30% of their sales ledger overdue resulting in difficulties in the day to day running of the company. One in five of these (20.9%) said they had to wait a further month past the due date of the invoice before receiving the amount owed. This not only causes increased stress for businesses owners and managers but also lost man hours spent chasing payments, often up to four days a month, resulting in reduced productivity, performance and growth.

David Cameron has suggested that up to £20 billion in funding could be made available to small businesses if more of the UK's leading firms signed up to the Governments new Supply Chain Finance Scheme.

The scheme enables larger organisations to notify the bank when they have approved an invoice for goods from a smaller company. The bank then furnished with the security that the invoice will be paid, can immediately make available an advance in funds to the supplying company with a lower interest rate. Companies such as Rolls Royce and Vodafone have already signed up and it's hoped that more companies will follow suite.

A third (37%) of the businesses surveyed said that late payments were the biggest hurdle currently facing their business. It has been suggested that larger companies need

to look to ways of better supporting smaller suppliers by adhering to the Governments Prompt Payment Code for example.

It has also been suggested that businesses should rely less on banks for finance and look to alternative means for funding such as invoice discounting to ease the pressures of late payments.

FIG Blog: Is it time for your clients to have a business health check?



A health check can help to establish not only where the problems lie within a business but ways to try and solve them before they get out of control and unmanageable. It will allow your client to assess both the strengths and weaknesses of their company and identify areas for change or improvement so that they can create a clear plan of action on how to move forward.

You can read the [full article](#) and all our past articles and press releases on the [Focus Insolvency Group blog](#).

The Latest UK Personal Debt Statistics

- **£53,947** was the average household debt (including mortgages) in December
- **£165m** was the daily amount of interest paid on personal debt in December
- **8,308** new debt problems were dealt with by the CAB each working day over the year to September
- **1,727 people** were made redundant every day between September and November
- **892,000 people** had been unemployed for over a year between September and November
- **£11.38m** of loans are written-off daily by UK Banks and Building Societies
- Every **16 minutes 4 seconds** a property is repossessed
- Every **5 minutes 12 seconds** someone will be declared insolvent or bankrupt
- **£1.389 billion** was the daily value of all plastic card purchases made in November

statistics from Credit Action



Focus 400 Charity Challenge!

As promised last month we are announcing our first charity event of the year for [Joining Jack](#) .

During March, together with celebrating the acquisition of Phil Stone Consultancy, we are going to attempt to run, jog or walk the equivalent distance between our two offices in Wigan and Newhaven. That's just over 400km!

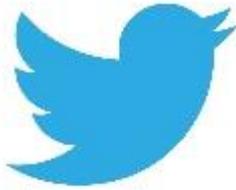
Everyone in the office is doing their bit and we hope to average around 13km a day to reach our goal.

We'll be tweeting regular updates with the hash tag [#Focus400](#) about our progress on the 'road' from [Wigan to Newhaven](#) on [our twitter page](#), and accepting donations for this amazing charity on our [Just Giving page](#) . The charity appreciates every single penny towards its goal to find a treatment and cure for [Duchenne Muscular Dystrophy](#) so dig deep and show your support!

Follow us on twitter or google+



Fundraising Followers on Twitter



Yesterday we began our 'fundraising followers' campaign on [Twitter](#).

During set announced blocks of 1 hour, for every new follower we receive on [Twitter](#) we will donate £1 to Joining Jack, our charity of the year!

We'll tweet a message letting you know when the hour begins and then try to reach as many people as we possibly can, so if you spot it don't forget to retweet us!

Digital Company Brochure Available

We would like to draw your attention to our digital company brochure. It can be viewed on our [website](#) or be downloaded as a PDF by clicking the icon on the right. We hope you find it a useful source of information about the services Focus Insolvency Group can offer to you and your clients.



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 251319 or email a.fisher@focusinsolvencygroup.co.uk

Focus Insolvency Group deals with corporate matters, whilst Debtfocus helps struggling businesses and consumers and Moneyfocus raises finance on the general market. Our restructuring arm, Phil Stone Consultancy, can help businesses internally to restructure the company with or without formal insolvency proceedings.

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

Headshot by [Eye of Rae Photography](#) ~ Other Images from [freedigitalphotos.net](#)

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