YOUR LOGO

DEBT AND CREDIT CONTROL

SPRING 2022

WE'LL PUT THIS NEWSLETTER IN YOUR FIRM'S COLOURS

LATE PAYMENTS THREATEN THOUSANDS OF SMALL FIRMS

The late payment problem is getting worse and is now threatening to destroy thousands of small businesses, according to a survey carried out by the Federation of Small Businesses (FSB).

The study of more than 1,200 business owners found that one in three businesses (30%) have seen late payment of invoices increase over the last three months, with a further 8% experiencing other forms of poor payment practice.

As a result, nearly one in ten (8%) say late payment is now threatening the viability of their business.

Latest government statistics show that there are an estimated 5.5 million small businesses in the UK – a figure which fell by 400,000 over last year's lockdowns. The new FSB study suggests that a similar number of firms (440,000) could be forced to close again this year due to late payment alone.

Most small businesses (78%) say costs are rising. The figure is at a seven-year high. FSB National Chairman Mike Cherry said: "Small firms are facing flashpoint after flashpoint. On top of that, operating costs are surging – many will soon be trying to strike energy deals without the clout of big corporates or the protections afforded to consumers. Late Payment was destroying thousands of small businesses even before the pandemic hit – the pandemic has made matters worse.

"Every big UK corporation should have a non-executive director on its board with direct responsibility for payment culture. And every big business and government organisation should be abiding by the prompt payment code: 30-day payment terms are not a 'nice to have', they're the norm for those who are committed to environmental, social and governance best practice."

Please contact us if you would like help with debt collection and credit control.

NEW MOVE TO RESOLVE COVID COMMERCIAL RENT DEBT

The government is introducing new laws and a Code of Practice to resolve commercial rent debts accrued because of the pandemic.

Commercial tenants are protected from eviction until 25 March 2022. It's hoped this will provide time for landlords and tenants to negotiate how to share the cost of rent debts.

The Bill will apply to commercial rent debts related to the mandated closure of certain businesses such as pubs, gyms and restaurants during the pandemic. Debts accrued at other times will not be included.

The result of the arbitration process will be a binding agreement the landlord and tenant must adhere to, resolving rent arrears disputes and helping the market return to normal as quickly as possible.

These negotiations will be underpinned by a new Code of Practice, which sets out that, in the first instance, tenants unable to pay in full should negotiate with their landlord in the expectation that the landlord waives some or all rent arrears where they are able to do so.

From 25 March 2022, new laws introduced in the Commercial Rent (Coronavirus) Bill will establish a legally binding arbitration process for commercial landlords and tenants who have not already reached an agreement, following the principles in the Code of Practice.

The government is also protecting commercial tenants from debt claims, including County Court Judgements (CCJs), High Court Judgements (HCJs) and bankruptcy petitions, issued against them in relation to rent arrears accrued during the pandemic.

Please contact us for more information about the issues raised in this article or any aspect of commercial property law.

MORE THAN 1,400 FIRMS CLOSE AS INSOLVENCIES SOAR

More than 1,400 firms ceased trading in September as insolvency figures reached their highest level since March 2020.

Finance experts fear there is worse to come as the furlough scheme and other government support for businesses have come to an end.

Overall, the number of insolvencies was up 56% compared with the September 2020 figure of 928.

A report by the Bank of England says that a third of the UK's small businesses were classified as highly indebted with debt levels of more than 10 times their cash balances, compared with 14% before Covid-19.

Garry Lee, chair of the insolvency and restructuring trade body R3 in the south, said: "The dramatic increase in corporate insolvencies illustrates just how crucial the government's support has been in keeping businesses afloat and suggests that there may be a rocky road ahead for the business community now it has ended.

"The monthly increase in corporate insolvencies was driven by a rise in Creditors' Voluntary Liquidations, which increased for the third consecutive month.

"This suggests that directors are choosing to close their businesses after deeming their financial survival unlikely after 18 months of trading through a pandemic.

"Consumers are now increasingly cautious about the state of the economy, their personal finances and the increased cost of living and are more wary about spending their money.

"And with widespread supply chain disruption and significant wholesale energy price increases building up between September and October, there is likely to be little slack in the system for businesses and individuals who have yet to get back on their feet following the impact of Covid."

The gloomy outlook emphasises the need for businesses to keep a tight rein on cash flow and to take prompt action ensure invoices are paid on time.

Please contact us if you would like help with credit control and debt collection.

NEW POWERS AGAINST DIRECTORS AVOIDING LIABILITIES

The government is introducing new powers to clamp down on directors who dissolve companies to avoid paying their liabilities. Rogue directors may be required to pay compensation to creditors.

The new legislation extends the Insolvency Service's powers to investigate and disqualify company directors who abuse the company dissolution process.

The Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Act will also help tackle directors dissolving companies to avoid repaying Government backed loans put in place to support businesses during the Coronavirus pandemic.

Business Secretary Kwasi Kwarteng said: "These new powers will curb those rogue directors who seek to avoid paying back their debts, including government loans provided to support businesses and save jobs."

The Insolvency Service already has powers to investigate directors of companies that enter a form of insolvency, including administration and liquidation. It may also be instructed to investigate live companies where there is evidence of wrongdoing.

This Act extends those investigatory powers to directors of dissolved companies and if misconduct is found, directors can face sanctions including being disqualified as a company director for up to 15 years or, in the most serious of cases, prosecution.

The Business Secretary will also be able to apply to the court for an order to require a former director of a dissolved company, who has been disqualified, to pay compensation to creditors who have lost out due to their fraudulent behaviour.

Please contact us for more information about the issues raised in this article or any aspect of company law.

YOUR LOGO

YOUR SERVICES

MEET THE TEAM

Address, Your Road, Your Town, County AB12 3CD
T: 01234 756789 F: 01234 756780

www.yourwebsite.co.uk
E: info@yourfirm.co.uk