

The Insolvency Company

GUIDE FOR ACCOUNTANTS

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Introducing The Insolvency Company

About us

We are a family run Insolvency Practice based in Taunton, Somerset. Our Insolvency Practitioner is heavily involved in all of the cases that we work on and is always willing to meet with you and your clients face to face.

We focus entirely on Insolvency work and do not perform any general accountancy work. This means that you can retain the client and your future relationship with them won't be affected.

Gareth is licensed by The Insolvency Practitioners Association (IPA) and is a fellow member of the AAT. The IPA is the second largest Professional Body for the purposes of authorising and regulating insolvency practitioners in the UK.

Additionally, Gareth is a member of the Association of Business Recovery Professionals who are active in raising awareness with individuals and businesses on the key benefits in obtaining financial advice.

THERE WILL INEVITABLY COME A TIME WHEN YOU ARE FACED WITH A
CLIENT WHOSE BUSINESS IS STRUGGLING UNDER FINANCIAL PRESSURE

We can help

THE INSOLVENCY COMPANY

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Our Insolvency Team

Gareth Buckley



Gareth is a Licensed Insolvency Practitioner and has helped many clients to resolve their debt worries. He has worked in the Insolvency Industry for over 15 years and in the finance industry in general for 20 years. Gareth was Operations Director for a large Insolvency Practice and has a strong IT and systems background. He is a data analyst and self-taught spreadsheet whiz.

Stephanie Buckley



Stephanie has worked as a Business Adviser for several government funded business support organisations and in Economic Development for Taunton Deane Borough Council. She has also taught Business Studies, both in Manchester and here in Taunton at Queen's College. She is an NLP Trainer and is particularly effective in the coaching side of the business, supporting businesses to help them get back on their feet.

Both Stephanie and Gareth have volunteered over the years for projects including Young Enterprise, The Business Initiative for Schools (BIZ), Oldham Enterprise Fund and the Oldham Business Awards. They both believe passionately about supporting Young Entrepreneurs and giving them the tools to succeed no matter their background. In particular, going forward The Insolvency Company will be supporting a not for profit organisation supporting families who have faced adversity.

Gareth and Stephanie returned to live in Taunton in 2017, they are married with 3 daughters. Gareth enjoys watching and playing sport and is hoping that at least one of the girls will share his passion. In their free time they enjoy walking and getting out to support local events, particularly if there's some green space for the children to run around, and cold cider.

The benefits of working with us

When a business becomes insolvent, there is a risk that they will no longer be able to continue trading. By referring to an insolvency practice at an early stage you will be giving your client the best chance of recovery. Thus, enabling you to keep them as a client going forward.

We go beyond what other general insolvency practices offer because we passionately believe in supporting businesses through recovery or (if closure is unavoidable) to start again. Through working with us, this service will set us apart from the competition and leave your client with an ultimately positive experience.

Business recovery is always our primary aim and there are often a variety of options available to company directors in distress.

Liquidation is not the only answer

Generate income and receive referrals

If you refer cases to us, we will be able to pay you a fee for your assistance in establishing the client's current financial circumstances.

If we require accountancy work to be performed on a case that you referred, we will always offer that work to you.

Also, if we come across a client who needs an accountant we will always look to refer.



Why we are different

OUR AIM IS TO PASS YOUR CLIENT BACK TO YOU, RE-INVIGORATED AND READY TO MAKE A SUCCESS OF THEIR NEW VENTURE.

Sometimes, despite the recovery options available, your client may have no alternative other than to liquidate. In these circumstances some IPs are viewed as the undertakers of the business world. They focus on closing the company and give no thought to anything else.

Wouldn't it be fantastic if your client is able to stay with you or return with a new business. This time though they would be wiser and more prepared with a business plan that would work in the long-term.

At The Insolvency Company we think differently. We understand that a failed business is a learning experience and that many successful business owners failed, sometimes many times, before they succeeded. This is why we encourage any business owners who wish to get back on their feet again to work with our partners who offer business coaching and advice.

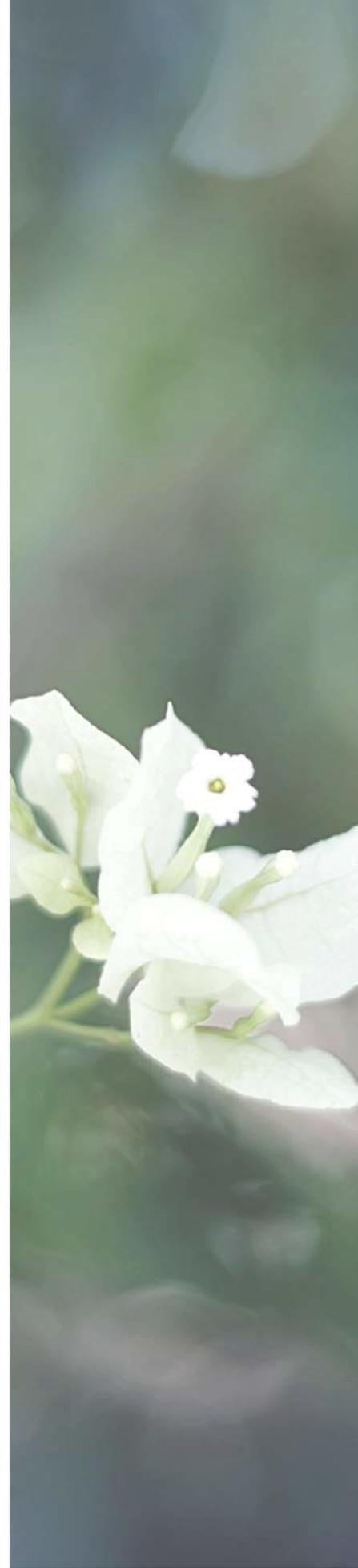


No competition - guaranteed!

As a specialist insolvency practice we don't do any general accountancy work so your client relationship will not be affected.

If we spot any non-insolvency opportunities that may be of benefit to your client, we will always let you be the one to make the suggestion.

We will never cross sell to your client. That way you stay in full control of your client relationship.



Free initial consultation

We offer a free initial meeting with you and your client during which we can discuss their current problems, examine the overall financial position of the business, and take the first steps towards an agreeable outcome.

FREE

Advice for you, whenever you need it

If you ever have any Insolvency related questions, require general advice or have a specific technical query we are always available to help. As an Introducer to The Insolvency Company we will give you the contact details of our in-house IP, Gareth Buckley, so that you have a direct line when you really need it.



IF YOU HAVEN'T GOT ANY QUESTIONS, THAT'S FINE TOO. WE ARE ALWAYS HAPPY TO MEET UP FOR A CHAT OVER A COFFEE.

How to spot a client in financial distress

Sometimes the signs of a client in difficulty are obvious. Other times they are subtler. You are in an excellent position to spot these signs at an early stage. The earlier your client acts, the better the chances of success.

Early warning signs

Early action increases the number of available options. You will be privy to information that gives you a unique insight into your client's business. Keep an eye out for the following – This is not an exhaustive list, but it gives you a good idea:

Cash-flow problems

- Extending payment terms with suppliers
- Increasing overdraft
- Looking for additional funding
- Signing Personal Guarantees
- Can't pay VAT, PAYE and/or Corporation Tax
- Time to Pay arrangement with HMRC
- Inability to pay staff on time

Other key indicators

- Lucrative contracts ending without replacement
- A key customer becomes insolvent (e.g. Carillion)
- Reduction in turnover
- Submitting accounts late
- Avoiding calls and letters
- Overtrading
- Suppliers withdraw supply
- Large overdrawn directors' loan

Legal action by creditors

- Threats of legal action
- Intense creditor pressure
- Bank calling in overdraft
- County Court Judgments (CCJs)
- Final demands
- Notice before action
- Statutory demand received

External indicators

- Industry downturns (e.g. steel, construction)
- Economic effects – Exchange rates
- Political or environmental effects (e.g. Brexit, business rates rise)
- Changes in regulation

THE MOST IMPORTANT POINT TO REMEMBER IS THAT IF YOU ARE UNSURE IF A CLIENT IS IN DIFFICULTY IT IS ALWAYS WORTH HAVING A CONVERSATION WITH THEM TO FIND OUT MORE.

Your clients' options

So, you have established your client is struggling financially. What kind of options are available?

Rescue options

Business Restructuring

Sometimes a business does not need a formal insolvency option, it may just need to make changes to how the business is run.

These changes can be simple and small improvements that can have a significant impact on cash flow, increased turnover and overall profitability. For example:

- Cost cutting – e.g. reduce staff, lower rent etc
- Improving sales
- Sell unneeded assets
- Consolidate debts
- Negotiate with creditors for longer payment terms
- Look at finance to improve cashflow – Invoice factoring etc

Time To Pay (TTP)

If the problems of the company are related to an outstanding HMRC debt, they may be able to come to an arrangement with HMRC that enables them to pay their tax in instalments over a longer period. This is called a Time to Pay (TTP) arrangement.

Time to Pay arrangements are suitable for business that are having short-term cashflow difficulties. If the business has wider, ongoing HMRC tax problems or difficulties with other creditors then this is not the best solution to resolve them.

HMRC will want to be certain that the business cannot afford to pay its tax obligations on time and that the problem is only likely to be short term. HMRC prefers debts to be repaid quickly, so most agreements are for periods of less than a year, and most under 6 months. It is possible to negotiate longer repayment periods, but the business will need to have a strong case for them to agree to this. All future tax liabilities would need to be paid on time.

We can help negotiate with HMRC on your client's behalf.



...Rescue options continued

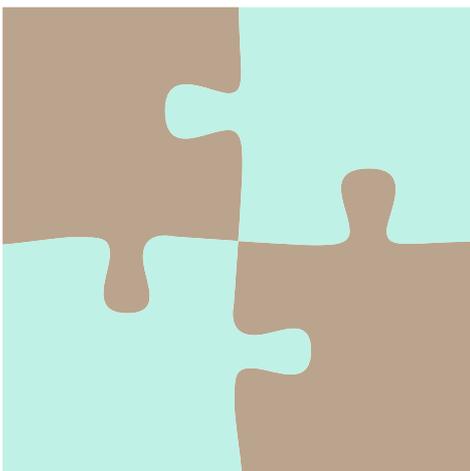
Company Voluntary Arrangement (CVA)

A CVA is essentially a formal payment plan between an insolvent company and its creditors. This option gives a struggling business the breathing space to repay its debts and allows them to trade their way out of difficulty.

A proposal is submitted to creditors by the company and a meeting is held to ask creditors to approve the arrangement. If 75% or more (by value) of creditors who vote at the meeting agree then the arrangement is accepted and becomes legally binding. As long as the company sticks to the terms of the agreement, the creditors are bound by its terms and cannot take legal action.

A CVA can be an attractive option as the Directors remain in full control of the company, but it is important to gauge the likely reaction from creditors to ensure that the CVA has a good chance of acceptance. Before a CVA can be proposed, both the company director and the Insolvency Practitioner must be confident that the company, while currently in an insolvent state, has a good chance of having a profitable future.

Administration



Administration is a formal procedure that is designed to protect the company from creditors and allow the business to either trade out of financial difficulties; or alternatively allow the company to be sold as a going concern in order to obtain the maximum value.

A Pre-Pack Administration is a procedure where the sale of the company and its assets to either a third party or to the existing directors (via a New Co) is arranged prior to entering administration. This means that Directors can purchase the assets of the company, leaving the company debt behind.

When closure is inevitable

Company Voluntary Liquidation (CVL)

While a CVL is entered into on a voluntary basis, creditor pressure usually means the director has no alternative other than to close the company. This is the most common form of liquidation. The company's operations are brought to an end and any assets held in the business are used to repay as much as possible to the creditors in the CVL.

It is important that the Director acts early to prevent any risk of wrongful trading which can lead to personal liability for company debts from the time they ought to have realised the company was insolvent.

Director redundancy: In the event of company liquidation, a benefit for directors can be in the form of redundancy pay. We can help directors understand their statutory entitlements when their company enters liquidation.

For Solvent Companies

Members' Voluntary Liquidation (MVL)

A MVL is suitable where the business owner has decided to stop trading the company and there are sufficient assets to repay all creditors. They could take any remaining profits as a dividend; however, this can create a substantial tax bill.

If the business owner has more than £25,000 after all creditors have been paid, this can be distributed to all shareholders via an MVL. The benefit of an MVL is that it enables capital gains tax rather than income tax to apply, which allows significant tax savings, especially if the shareholders are higher rate tax payers.

A declaration of solvency detailing the company's assets and liabilities must be signed by the director(s). If a false declaration of solvency is made when entering into a MVL then the director could face fines and penalties, and even imprisonment in serious cases. This is why we work alongside clients to ensure that the company is considered legally solvent, and whether a MVL is appropriate to their situation.

The importance of using a licensed Insolvency Practitioner

Referring your client at the earliest opportunity will help ensure the financial problems plaguing the company are dealt with in the best way possible, while also ensuring the director is adhering to their legal duties and responsibilities.

It is vital that this advice is given by a licensed Insolvency Practitioner. Unqualified advice is rife in the insolvency industry. Anyone can call themselves an insolvency adviser; it is only those who have undergone a stringent training programme and passed the relevant exams who can call themselves a licensed Insolvency Practitioner.

A common problem is that unregulated advisers will tell a director what they want to hear, not necessarily what is best for them or their company. While this may give peace of mind in the short term, not adequately dealing with the problems of the company is not a long-term solution. Our Insolvency Practitioner is fully licensed and regulated, so you can rest assured that you are referring your client to an experienced insolvency professional whose advice they can rely on.

BUSINESS ADVICE YOU CAN DEPEND ON

The Insolvency Company is a fully licensed Insolvency Practice and can advise on business closure. Our in-house Insolvency Practitioner is a member of the IPA, R3 and a fellow member of the AAT.

The Association of Business Recovery Professionals (R3) is active in raising awareness with individuals and businesses on the key benefits in obtaining financial advice and providing greater information to wider audiences.



The Insolvency Practitioners Association (IPA) are a membership body recognised for the purposes of authorising (licensing) Insolvency Practitioners (IPs) under the Insolvency Act 1986. They are the only one of the recognised bodies that focus solely on insolvency.



The Association of Accounting Technicians (AAT) are the UK's leading qualification and membership body for vocational accountants.



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THE INSOLVENCY COMPANY

SOUTH WEST

Contact us

If at any point you have a question, please pick up the phone or send us an email.

We're here to help



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Gareth Buckley MABRP MIPA FMAAT is licensed to act as an Insolvency Practitioner by The Insolvency Practitioners Association.

The Insolvency Company is a trading style of The Insolvency Company SW Ltd, registered in England and Wales at 2 The Crescent, Taunton, Somerset. TA1 4EA

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