Accountants guide to insolvency and business rescue

GRIFFIN & KING

www.griffinandking.co.uk

Introducing insolvency and Griffin & King

Insolvency is complex at the best of times, especially when it is not dealt with on a daily basis. You and your firm may have little to no experience of dealing with a client that needs insolvency advice and a formal procedure being undertaken.

If you have a client in financial distress and needs specialist help, Griffin & King can work alongside your firm providing that specialist support, knowledge, and experience. Griffin & King have been in the insolvency industry since 1983 and have offices throughout the West Midlands, Herefordshire, Shropshire, Staffordshire & Dorset manned by our senior managers and insolvency practitioner, Tim Corfield. We help accountancy practices extend their scope by working with them and their clients to provide vital support when required.

It will be inevitable that at some point a client will require some form of insolvency or restructuring advice and you may be at risk of losing them as a customer going forward. We are here to work closely together with you, as a trusted insolvency practice, in trying to save your client's business and help you retain their custom for the future.

Recovery is always the main objective and there are a variety of ways we can attempt to achieve this, but it will be very specific to the circumstances and an early meeting with the Directors is always the best way to achieve a rescue.

Why Griffin & King?

- Free initial confidential consultations in person or remotely
- We are not accountants or auditors and are no commercial threat to your business
- Nationwide coverage
- 40+ years of experience in business
- Owned and managed by Tim Corfield since 1988
- Boutique firm meaning your clients are always talking to the decision maker/IP
- Succession plan in place to be continued to run as a family business

Signs of distress

Insolvency can happen as a gradual process or overnight, it really is that specific to circumstances. But by being aware of the warning signs and red flags action can be taken to get the right advice quickly so procedures can be identified to rescue the company.

Here are some of our red flags to watch out for;

- Threats of legal action
- Creditor pressure
- County Court Judgments (CCJs)
- Suppliers withdraw/withhold supply
- Overdrawn Director's Loan Account
- Final demands
- Notice before action
- Cannot pay HMRC as it falls due
- Significant turnover decline
- Cannot pay staff
- Directors avoiding calls or not answering correspondence
- Directors using personal funds to fund cash flow

Some creditor actions can have a far greater and immediate impact;

- Statutory demands
- Winding Up Petitions
- High Court Enforcement Agent visits

Director Concerns

There can be almost countless reasons why a company is facing financial difficulties and not always the Directors' fault but there are certainly more common issues we see. Griffin & King have an extensive experience in helping directors and companies overcome these issues through recovery and restructure. These are some of the most common issues we deal with.

HMRC Arrears

Most companies experiencing financial distress will owe some money to HMRC. It is the most common creditor that we see across all of our clients. In some circumstances HMRC will agree that a company can use a Time To Pay (TTP) arrangement allowing repayment over a number of months, in turn giving the company sufficient breathing space to restructure their debts. We can help to advise on this scenario should this be the best course of action. However, if it is unlikely that HRMC would agree we can advise on alternatives that your client may wish to consider.

Personal Guarantees (PG)

It is not uncommon for directors to sign personal guarantees in order to take out capital loans, hire purchase agreements or to lease assets. But it is one of the most common requests that we take a look at an agreement to check whether there is, in fact, a PG when a company is threatened by insolvency.

A valid PG can have a real threat to your client's personal finances and could mean that the debt survives any corporate insolvency appointment. Griffin & King can help navigate the best advice for your client and find the correct approach for their circumstances and can attempt to find alternative finance options which may not require such guarantees being given.

Overdrawn Director's Loan Accounts (ODLA)

If left outstanding an ODLA is considered an asset to a company. When insolvency is also thrown into the mix an ODLA can be a complex and worrying matter to deal with for a director. It leads to questions surrounding personal liability, tax implications and whether it is sufficient to get a disqualification order from The Insolvency Service. We can advise on how to deal with repayments and what implications may arise if there are monies due to the company when entering a formal insolvency process.

Government Borrowing

Since the Covid pandemic, when many businesses had to rely on Government borrowing to survive, there has been a surge of Government lending under different schemes. The largest of which being Bounce Back Loans where a business could borrow up to £50,000 based on their turnover.

There now remains a lot of questions surrounding how to deal with these loans when facing insolvency. Broadly speaking each of these Bounce Back Loans will be an unsecured debt against the company, meaning there is no personal liability for the director. However, it is always best to speak to us so we can be aware of specific details and advise accordingly.

Dealing with insolvent clients

To rescue and turnaround a business is always our main objective and saving your client's company is what we will set out to accomplish while providing the best help and support we can.

There are several ways in which this can be achieved, and we will always carefully and meticulously ensure that your client is aware of all the viable options available.

Company Voluntary Arrangement

A Company Voluntary Arrangement (CVA) is a procedure designed to allow financially troubled companies to reach an agreement with their creditors to repay a proportion of debt over (normally) several years, thereby avoiding a more drastic insolvency procedure like liquidation or administration.
Typically, a CVA is utilised when a company is experiencing cash flow issues but is still a viable business. CVAs are especially handy when directors wish to remain in control of the company, unlike in procedures like administration or liquidation.

By facilitating a more structured payment plan for debts, a CVA can help a company recover and continue trading. However, every situation is unique, and taking this route also depends on the particulars of the company's circumstances, including its debt level, business model, business plan, and creditors' attitudes.

Creditors' Voluntary Liquidation

A Creditors' Voluntary Liquidation (CVL) is a formal insolvency process in which the directors of a financially troubled company voluntarily decide to bring business operations to an end and formally wind up the affairs of the company. This is the most common type of Liquidation in the UK and Griffin & King have advised directors on the process many times. There are many important responsibilities your client should be aware of, and we can ensure these are communicated in an easy to understand way. Jargon free advice.

The process begins when the directors acknowledge that the company is insolvent and cannot meet its financial obligations when they fall due, or when its liabilities exceed its assets.

We will also help all redundant staff make applications to The Redundancy Payments Service for redundancy pay and any missing remuneration.

Dealing with insolvent clients

Administration

Administration is a formal insolvency procedure which can be entered into voluntarily by the board of directors or the company with the aim of rescuing either the whole or part of the business.

An Administration grants a company protection from its creditors, buying it time to figure out and implement the best course of action.

Once in administration, an administrator is appointed to the insolvent company. Their role primarily is to manage the company's affairs and assets, protect its business operations, and develop a strategy for its rescue or the realisation of its assets. This is of course something we can advise on at Griffin & King and would be more than happy to guide your client through the entire process, from setting up a new company, purchasing assets from the old company and ensuring that the sale meets all legal requirements.

Dissolution

Beware of dissolution! Only in very specific circumstances would this be the right advice for a director in closing down a business. In the right circumstances, it is a very cheap and simple method to use. In the wrong circumstances it could create a lengthy list of conduct issues for the director to deal with later down the line. We can advise on all the pros and cons of a dissolution and help all parties come to a considered decision.

Members' Voluntary Liquidation (solvent companies)

A Members' Voluntary Liquidation (MVL) is a formal process used to wind up the affairs of a solvent company, meaning a company that is able to pay all of its bills.

It is typically used when a company is no longer needed, or the directors wish to retire and release the company's accumulated profits in a tax-efficient manner. It is important to note that for a company to start an MVL, it must be able to pay all of its debts in full, within 12 months of the commencement of the liquidation.

Using an IP

Once a company is faced with the realisation that insolvency cannot be avoided assistance from an insolvency expert is vital and vital this is given by a licenced Insolvency Practitioner.

Getting advice at the earliest opportunity will mean that more options are available, and more control is kept by a director or individual while ensuring their legal responsibilities and duties are adhered to.

Mr Tim Corfield of Griffin & King has been a licenced Insolvency Practitioner since 1990 and has a wealth of experience to be able to call upon. So, you can rest assured that you are referring your client to a firm whose advice you can trust.

Testimonials

"Professional and efficient with assured quality of work."

I found myself in what seemed like an impossible situation after nearly 10 years in business as a retailer. I was put in touch with Tim & James Corfield at Griffin & King who, after some discussion of my options immediately started plans to wind my business up.

Griffin & King took charge of everything, working efficiently and effectively by contacting all of my creditors and diligently collecting paperwork and documents to start the whole process. Whenever there was an issue, no matter what time of the day and whatever it was they were immediately on hand to give me advice, answer my questions or queries quashing any doubts I had instantly putting my mind at ease and more crucially ending many a sleepless nights.

Knowing I have the full support and professional guidance of Griffin & King going forward with a potential business venture also gives me great comfort and confidence.

I will be forever grateful for the not just a service but friendly, no nonsense approach and can't thank Tim & James in particular for their invaluable advice, integrity and time, during such a crucial stage when I needed it most.

I would whole heartedly encourage anyone in my position to enlist the help of Griffin and King.

MD – 27/09/2024

The experience of having to make the decision to put your company into liquidation, and to then find a company that would help you through what initially appeared to be a minefield I found to be daunting. Having spoken briefly with two other Insolvency Practitioners and not feeling very comfortable with them I stumbled across Griffin & King. What a blessing that has turned out to be.

I cannot praise and thank Griffin & King enough for the support, advice, and the manner in which it has been given to me during these last few months. Having had just a brief idea of what would be involved Janet has helped me through every phase of the liquidation procedure.

There is no question that liquidating your company is a painful experience, not only for yourself but for your employees, your family, and friends. I can only say that Griffin and King have made it far less traumatic than I expected for which I will be eternally grateful.

GE 17/05/2024

Griffin & King were recommended to me by my accountant as I had a tricky situation to manage. I found Griffin & King to be very professional and helpful.

James in particular has been a great help in resolving my financial situation.

Thank you, Griffin & King.

PS – 27/06/2024

Contact us

At Griffin & King we are available as and when you require us. We are predominantly based in the West Midlands but can take appointments all across England and Wales. We will endeavour to see your client as soon as they are able to as we know some advice will be time sensitive.

Please contact Tim Corfield on 07786 965 009 or James Corfield on 07545 191 422

Alternatively, please call our office to speak to one of the team on 01922 722 205

Please see our website at www.griffinandking.co.uk