

# TRURO

# IVYBRIDGE

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## NEWSLETTER FROM THE WORLD OF INSOLVENCY

### **Increase in Limits on Payments under the Employment Rights Legislation**

From 1 February 2009 the statutory limit for payments of arrears of wages, holiday pay, payments in lieu of notice and redundancy pay by the Redundancy Payments Office rose to £350 from £330 per week.

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### **Voluntary Arrangements and the Credit Crunch**

Where a business (corporate or non corporate) is profitable but has cash flow problems or needs restructuring it is worth considering a voluntary arrangement under the Insolvency Act 1986.

Trading can continue with minimum disruption thereby preserving the goodwill of the business. There is no formal advertising. Workforce restructuring may take place with employee claims being dealt with and paid by the state under the Employment Rights Act. Assets are retained by the business and may be utilised as working capital in ongoing trading. The directors/individuals/partners retain control of the business. Unsecured creditor claims are frozen at the date of the VA. In return the business makes contributions into the arrangement over a fixed duration for the benefit of creditors.

There must be a viable core business with bank and creditor support. Management skills must be developed and creditor pressure must not be so severe that a winding up petition is imminent. A full proposal and financial projections are always required and existing accountants/tax advisors are usually retained by the client for such purposes.

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### **Restoration of companies to the register Companies Act 2006**

CA 2006, s1030(4) to be enacted on 1 October 2009 provided for the new six year limit on restoration of companies to the register that have been dissolved. The six year limit will apply to all companies dissolved after 1 October 2007.

### **Share capital reduction supported by a solvency statement**

To provide benefits to business in terms of ease and cost from 1 October 2008 the CA 2006 introduced a new procedure for private companies to make share capital reductions. As an alternative to passing a special resolution and obtaining Court approval, private companies have the option of reducing the amount of their share capital by a special resolution and supported by a solvency statement made by directors. (CA 2006 s 643)

### **Debt Relief Orders (DRO's)**

The Insolvency Service is working on an out of court scheme to provide debt relief for those low income individuals who cannot pay their debts and have relatively low liabilities, little surplus income and few assets (no limits fixed yet!) Under the new scheme due to start in April 2009 debtors will apply on line through an authorised intermediary /skilled debt advisor and pay £90 to the Official Receiver leading to debt write off after a one year moratorium. Abusers will face a 2-15 year restriction order.

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**For free initial advice or further information speak to any of our experienced team:**

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