



CASH FLOW REMAINS DIRE



Just at the time when businesses need all the cash they can lay their hands on they are being served a double whammy.

On the one hand there are strong suggestions that larger organisations are compromising their smaller counterparts in the supply chain by imposing crippling payment terms. Indeed, many small businesses are currently waiting up to four months for their invoices to be settled. On the other hand the very same struggling businesses are being forced to lay their employees off as tight-fisted banks continue the stranglehold on funding.

BUSINESS FAILURES

Around one hundred businesses are failing every day due to the rising cost of borrowing or the refusal of loans. Indeed, banks have slashed business lending by billion.

FAILED INITIATIVES

Many feel it is quite scandalous that the government has incessantly splashed out billions of pounds of taxpayers' money on a variety of initiatives to help small businesses, it has become patently obvious that these schemes are failing to work and alternative sources of finance are badly needed to help business owners and boost their chances of survival.

PROCEDURAL ERRORS

For some time now appointments of Administrators can be made out of Court there is some concern about the increased risk of procedural errors which can have adverse consequences on both the Administrators concerned and those who appointed them.

Whilst considerable power has been given to a company and its directors to appoint an Administrator out of court, the ultimate control of the process still rests with any qualifying floating charge holder. There are provisions in the Insolvency Act 1986 which require at least five business days notice of any proposed appointment to be given to all floating charge holders. There are some problems with out of Court appointments. Even the slightest procedural error could effectively lead to an Administrator's appointment being made invalid. In fact directors who appoint Administrators out of Court may well be opening themselves up to liability to indemnify those they have appointed. Administrators accepting such appointments may run into difficulties over the recovery of their remuneration should the appointment become invalid?

Both directors and Administrators should give careful consideration as to the procedural validity of any proposed appointment at an early stage in order to avoid these adverse consequences.

FINANCIAL DYNAMICS



For further help and advice
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