



Management team:

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NEW RULES FOR PRE-PACK ADMINISTRATIONS

by Tim Corfield



Following Teresa Graham's report into 'Pre-packs', new rules have been introduced. This follows years of criticism over their use, particularly to connected parties. Critics argue there has been too little transparency and creditors are usually left out of the loop until the sale has taken place.

A 'Pre-pack' is an arrangement under which the sale of all or part of a company's business or assets is negotiated with a purchaser (often the company's former directors) prior to the appointment of an Administrator, and the Administrator effects the sale immediately on, or shortly after, his appointment.

A "Pre-Pack Pool" has now been introduced which is a pool of 20 independent experts, who will review pre-pack sales where the business is sold to a connected party (such as the company's former directors). While use of the Pool is voluntary and its opinions are not binding, it will reassure creditors about the reasonableness of the pre-pack transaction and its justification in the circumstances. With enhanced guidance for directors on marketing and valuations, creditors can have more confidence that a pre-pack sale achieves the best deal for them too. The Pre-Pack Pool opened to receive applications on 2 November 2015.

The specific aims of the Pool are to:

- **increase the transparency of the pre-pack process in cases involving connected parties;**

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- Individual Voluntary Arrangements - Consumer Debts
- Liquidation
- Individual Voluntary Arrangements - Business Debts
- Administration
- Bankruptcy Appointments

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- **to provide assurance for creditors that independent business experts have reviewed the proposed transaction.**



It is expected that a connected party will be encouraged by the Insolvency Practitioner to submit the relevant application and a viability review to the Pool via their online portal. The opinion of the pre-pack pool reviewer will be issued within 2 days and the current fee is £800 plus vat per application. Based on the information submitted, the pre-pack pool reviewer will issue one of three opinions:


- **The pre-pack is not unreasonable**
- **The pre-pack is not unreasonable but there are minor limitations in the evidence provided**
- **The case for the pre-pack has not been made**

The opinion will be provided to creditors once the business sale has been completed.

Business rescue is an important part of our entrepreneurial culture the economic benefits of pre-packs, including saving jobs, are widely acknowledged and on the face of it, this process should result in a fairly speedy, cost effective opinion.

It will remain to be seen what happens in practice and will depend very much on the quality of the information supplied to the Pool.

Who will guide the directors acting for the purchaser?

That can't really be the same IP who is going to be the Administrator - we would have to recommend a solicitor or accountant who we knew to be familiar with the requirements. So in practise, more hurdles for professionals to jump through and, maybe not such a slick process. 



If you need advice on how to deal with a Pre-pack contact Griffin & King

WHAT'S THE DIFFERENCE BETWEEN A CREDITORS' VOLUNTARY LIQUIDATION (CVL) AND A COMPULSORY LIQUIDATION?




A CVL is a director driven process - the board resolve that the company cannot continue to trade by reason of its liabilities. A meeting of creditors is called and this is

usually 16-28 days from the director(s) resolutions wholly depending upon the articles of the company. Once the meeting has been held the company enters liquidation and the liquidator is appointed. Neither the court or the Official Receiver are involved in the process.

A Compulsory Liquidation is a court driven process which can be initiated (or petitioned) by a number of parties;

- A creditor
- A member (shareholder)
- An administrator or supervisor of a CVA (company voluntary arrangement)

Typically, the timescale for a compulsory liquidation is much longer than a CVL. Assuming a creditor issues a winding up petition against a company it is likely to be around 6 to 7 weeks before it is listed to be heard by the court. At the hearing the court will issue a winding up order unless there are good grounds not to make the order. Once the order has been made the process is taken over by the Official Receiver (OR). If there appear to be assets belonging to the company the OR will look to have an independent IP appointed to deal with the case - he can do this by;

- Appointment from the rota
- Appointment following direct consultation with major creditors
- Appointment by a formal creditors meeting - which could take at least a further 3 to 4 weeks to convene. 

WHAT DO WE DO?

We find solutions for businesses and individuals who have financial problems.

SERVICES FOR LIMITED COMPANIES

- Creditors Voluntary Liquidation
- Pre-Pack Administration
- Company Voluntary Arrangements
- Administration
- Members Voluntary Liquidation

SERVICES FOR CONSUMERS, SOLE TRADERS & PARTNERSHIPS

- Individual Voluntary Arrangements (Consumer Debt)
- Individual Voluntary Arrangements (Business and/or Consumer Debt)
- Partnership Voluntary Arrangements
- Bankruptcy Appointments

STRIKING NUMBERS – November 2015



- **£163m:** The amount lending to individuals rose every day in September
- **£224.47:** The increase in consumer credit per person in the year to September
- **£54.60** was spent per person, every second on credit and debit cards
- **0.5%:** The rate of growth in the UK economy in Q3 2015
- **4.7%:** The average proportion of their post-tax income, including benefits, UK households save. The lowest since Q3 2008
- **61.52%:** The proportion of payments due for loans in arrears were received in Q2
- **0.1%:** The rate of inflation in September
- **£115,136:** The average mortgage debt in September

Everyday in the UK...

- Borrowers would repay **£145 million** a day in interest over a year, based on August trends.
- **8.7m** cash machines transactions were made every day in August with a value of **£357 million**.
- **3.8 million** plastic card purchase transactions were made every day in July 2015, with a total value of **£1.65 billion**.
- The number of mortgages with arrears of over 2.5% of the remaining balance fell by **62** a day.
- Net lending to individuals in the UK increased by **£232** a day.
- The Government borrowed **£390 million** a day during August 2015 (**£4,518 per second**).

Business briefings

NEXT SEMINAR 4th October 2016



The Village Hotel, Inspiration Suite, Tempus Drive, Tempus Ten, Walsall, WS2 8TJ. 12.30-2.30 pm.

Full information to follow in 2016

Places limited! Book early

Please check for availability. To reserve a place email: janet.peacock@griffinandking.co.uk

SIGNATURE DINNERS



These exclusive Signature Dinners are held bi-monthly. The Dinners have been introduced for the benefit of Local CEOs, Managing Directors, Partners and Senior Managers to get together. They are designed to facilitate networking at a higher level and create and nurture long-standing relationships

Forthcoming Signature dinner dates 2016
25th February, 28th April, 30th June,
29th September, 24th November.

For further information email:

janet.peacock@griffinandking.co.uk

Personal debt in the UK

- People in the UK owed **£1.452 trillion** at the end of September 2015. This is up from £1.418 trillion at the end of September 2014 – an extra **£635** per UK adult. The average total debt per adult – including mortgages – was £28,542 in September – around 112.7% of average earnings. This is up from a revised £28,535 in August.
- Outstanding consumer credit lending was **£174.26 billion** at the end of September 2015. – This is up from £162.8 billion at the end of September 2014, and is an increase of £224.47 for every adult in the UK.

Statistics source: <http://www.themoneycharity.org.uk>

THE LAST WORD...



Seema Achall, joined the team on 23rd November 2009, and presently works for both the personal insolvency department

and the corporate department.

A client's words about the service she delivered. "Griffin & King made an extremely stressful and difficult situation manageable and much easier than I imagined. Seema was like a godsend and responded with my many queries the same day with full explanations every step of the way. If anyone ever feels that they have nowhere to turn due to debt I highly recommend Griffin & King. A huge thank you to them for all they have done".



Amelia Fearn, joined the team on 1st February 2010, and works as a case manager in the corporate department.

A client's words about the service provided by Amelia and Janet. "I found Griffin & King via their website and from the first phone call to the creditors meeting it was very professional throughout. Janet Peacock dealt with me and from the start to now she made me feel at ease through this difficult time. Thank you. Amelia was also very helpful throughout the process".



Hope you all have a barking good Christmas and a howling New Year!

from Bertie & Bonnie.



G&K

GRIFFIN & KING COMPETITION

Win 12 bottles of Champagne or the equivalent in Marks & Spencer Vouchers



Good luck!

All you need to do is visit www.griffinandking.co.uk and answer the following questions. All correct entries will enter the draw.

1. How many individuals in the management team?

2. How many GK newsletters were issued in 2014?

3. How many videos in the about Griffin & King section?

Competition closes on 1st February, 2016
Please staple your business card with your entry if posting in.
Complete your details and either email to:
janet.peacock@griffinandking.co.uk or post, clearly marked for:
Janet Peacock, Griffin & King, 26- 28 Goodall Street, Walsall,
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