

Insolvency

How prompt action could save your business



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Fact Sheet

Introduction

If your business is getting into trouble it really could pay to grasp the nettle early and sort things out – while there is time.

First off, is the writing on the wall?

Every business has its ups and downs, but there are a few indicators you should be checking weekly or monthly so you can spot trends early and act.

- **Falling gross profit:** this may mean that the company is generating less revenue than before, for example, due to falling market share or to its production costs rising.
- **Reducing cashflow:** are you having to pay suppliers more slowly because of cashflow pressures?
- **Are your suppliers or customers imposing special terms?** This possibly indicates they are losing confidence in your company's ability to trade and is a major warning sign.

Remember, if you extend thousands of pounds of credit to customers, it is important to keep a similar eye on their businesses.

What to do if you are worried

If you see your business declining it is important to find out why. There may well be fixes we can help you with, such as those below, but your options will narrow if the company is getting into debt.

As you work through the issues and make decisions it is very important to hold weekly Board meetings and to record, in formal minutes, what was discussed and decided (and why).

Here are areas in which we might be able to help you turn around your business and start moving forward again:-

Reducing your costs: if your material or labour costs have increased ahead of your prices, we can advise you on options such as renegotiating or re-letting supply contracts, reducing your workforce or repricing contracts with customers.

Beefing up your credit control and terms

Late payments can drag businesses down, disrupt cashflow and eat into profitability. Efficient credit control, well-drafted payment terms and prompt debt recovery can significantly improve the outlook.

Restructuring your finances

It is often worth reviewing your lines of business finance if you have loans or overdraft facilities, as it may be possible to lower your costs by renegotiating rates or refinancing. Obviously these options decrease if your debts have already mounted up.

Renegotiating leases

If you lease your premises it may be possible to renegotiate terms. This depends partly on your leasehold agreement and partly on how pragmatic a landlord wishes to be in terms of helping you stay versus attracting a new, potentially higher paying tenant.

These are just a few ways in which we help businesses improve their prospects. The sooner you act the wider your options and as every situation is different, always take early specialist advice.



Find out how we can help,
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