

Insolvency

Major debtor gone bust?



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Fact Sheet

Introduction

This is a scenario that can bring down even successful businesses and underlines why it is important to keep stringent credit controls and contracts in place with your customers.

Even then, it is not always possible to avoid problems and if you find yourself in this unenviable position, here are some things to consider. Above all though, take advice.

What is the best debt recovery option for me?

It might be tempting to go in 'hard', but there are a couple of factors to consider in reaching a sound commercial decision.

First of all, companies can be rescued, so it is worth thinking how your actions now might affect any future trading relationships.

Additionally, the action you take could reduce your prospects of being paid. For example, if you reject a compromise agreement you might push the company into administration and end up unpaid.

In these situations our insolvency and debt recovery lawyers can help you reach a dispassionate view and choose the best route forward.

So what are your options?

If you are notified that a customer has entered into an insolvency process, you should lodge your claim as a creditor with the insolvency practitioner who is handling it. This is not done automatically.

This does not guarantee you will be paid by any means, but does ensure your interests will be taken into account and you will be consulted.

Accept a partial payment

You might be asked to vote on accepting a Company Voluntary Arrangement or Scheme of Arrangement. In this situation unsecured creditors agree to accept so many pence in the pound to settle the debt.

This may not sound ideal but it could be your best chance of recouping at least some of your money. It is however a collective agreement that has to be approved by a majority of creditors.

Repossess your goods

You may be able to repossess goods you supplied if your contract with the customer states that title to the goods only passes when they have paid for them (a retention of title provision).

If you are covered this way, inform the insolvency practitioner straightaway, providing a copy of the contract. Take advice if you are in any doubt.

If you are not, our Commercial team will be happy to review your terms and conditions to give you this protection in the future.



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