



# FORWARD THINKING TO AVOID OR DEAL WITH CORPORATE INSOLVENCY AND RECOVERY

Life has a habit of testing us, personally and in business. In challenging circumstances, corporate insolvency can threaten even the strongest businesses, large or small.

Here are some tips to help you minimise the threat of insolvency:

	<b>UNDERSTAND CORPORATE INSOLVENCY.</b> This is when a company cannot pay its debts when they are due, or its liabilities are greater than its assets.		<b>ACT RESPONSIBLY.</b> Do not take deposits for orders you cannot realistically fulfil.
	<b>ACT PROMPTLY.</b> The directors need to take appropriate action urgently, although that doesn't necessarily mean closing the company immediately.		<b>SELL ASSETS.</b> Consider selling non-vital assets to raise cash, but make sure the value received is justifiable and not undervalued, especially for connected party deals.
	<b>FOCUS ON CREDITORS.</b> Once a company is insolvent, the directors' duties move from being primarily to the shareholders, to the company's creditors.		<b>TALK TO YOUR BANK.</b> Speak to your relationship manager and any other secured lenders as early as possible, to maximise your chance of agreeing an informal workout.
	<b>TAKE ADVICE.</b> Speak to an insolvency practitioner (IP) as soon as possible. Follow their expert advice; they are now part of your team, not the opposition.		<b>WATCH LIABILITY.</b> Directors risk potential personal liability for continuing trading when the company cannot avoid insolvent liquidation – so talk to an IP early on.
	<b>FORECAST CASHFLOW.</b> Review cashflow regularly. Reduce unnecessary expenditure, prioritise pressing obligations and tighten credit control. At times like these, cash is king.		<b>CHOOSE ADMINISTRATION OR LIQUIDATION?</b> Your IP will consider and discuss this. Administration is generally for rescues, where the business can be salvaged through a sale.
	<b>RECORD MINUTES.</b> Record all decisions justifying continued trading and include all cashflow forecasts in board minutes. They will be scrutinised if the company does go into insolvency.		<b>CHECK YOUR CONDUCT.</b> Not automatically. But the IP must report your conduct as a director to the Insolvency Service; you could be disqualified if you've acted inappropriately.

Whatever the future holds, we all need to think and act positively. You can find more examples of our Forward Thinking on LinkedIn, Twitter and on our Insights page. For further information or to discuss your business, contact Adam Bradley or Jessica Boxford.

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