

“US style Chapter 11 system a step closer”

The government has recently launched a consultation on proposed changes to the insolvency rules to bring the whole system much closer to the US Chapter 11 bankruptcy protection scheme.

Measures proposed include allowing new money to be lent to businesses in administration and provision to allow additional time for businesses to talk to their creditors under a company voluntary arrangement.

Phil Wood, managing director of chartered accountants and licensed insolvency practitioners, Barringtons said that “Company Voluntary Arrangement are a recognised procedure under the provisions of the Insolvency Act 1986 enabling businesses to enter into a binding agreements with their creditors but importantly allowing directors to retain control. Once liabilities have been restructured any monies generated can be utilised as working capital rather than paying off old debts. There is now an urgent need to reform the insolvency regime allowing for an increased usage of Company Voluntary Arrangements.”

“Insolvency Practitioners are being regularly stymied when it comes to dealing with restructuring proposals. There is not just a requirement for new money but it is essential there is adequate protection from creditors threatening enforcement,” added Phil.

The government has called for responses to the consultation by 17th September.