

WHEN CLIENTS ARE FACING FINANCIAL DIFFICULTY

A PRACTICAL GUIDE FROM
INDEPENDENT INSOLVENCY
PRACTITIONERS TRUSOLV



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EXPERT INSOLVENCY AND DEBT ADVICE

HOW WE CAN SUPPORT YOU AND YOUR CLIENTS

We believe that as soon as a business shows warning signs of financial problems, early intervention CAN help a business to recover and get back on track. For this to happen, it's essential to have a strong relationship with a reputable insolvency practice. After all, it is in your interest to help a client facing insolvency to retain their business. We offer a free initial meeting for you and your client to discuss their situation and take those first steps towards a solution.

LOCAL AND INDEPENDENT

For over 30 years, TruSolv have helped companies of all sizes find their way through the financial darkness with confidential business debt advice. As a licenced insolvency practice, we provide timely, relevant advice on how to handle issues such as business insolvency, pressure from creditors and the looming threat of liquidation. Our team is among the most qualified and experienced in the UK, having helped hundreds of companies get on with the vital business of restructuring, refocusing and recovering. We're local, independent and understand that each situation is unique. Our solutions are always tailor-made to match the specific requirements of each client.

The remainder of this guide offers practical advice to help you deal with any potentially insolvent clients. We hope it demonstrates our expertise, as well as our wish to build a trusted relationship with you.

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COMMON PRESSURES ON DIRECTORS TODAY

We've worked with many directors during our years in practice. From this experience, we've recognised common pain points when financial problems are growing.

HMRC ARREARS

Being in arrears with HMRC is an uncomfortable place to be. With the introduction of Making Tax Digital in April 2019, the size of any debt to HMRC is even clearer to see. Directors may feel under additional pressure as a result. Working together with TruSolv, we can help your client evaluate their options to tackle this problem. We know how to negotiate with HMRC to get the most appropriate solution for them.

LIMITED OPTIONS TO FINANCE

When things aren't going well, options from traditional sources of finance like the bank can become restricted. Directors may start to make ill-informed and rash decisions to combat growing expenses in the 'short-term.' We often see offers of personal guarantees to secure funding. Making decisions when under pressure often leads to directors not fully understanding the risks to their personal finances. They leave themselves personally liable without even realising it. We can help your client understand their personal responsibility with various options, as well as suggest alternatives that protect their personal finances.

CASH FLOW

Pressure to pay suppliers on top of late-paying clients is a common 'short term' cash flow issue that which can very easily escalate. With many businesses in the supply chain feeling the pinch of customer spending amid economic uncertainty, being caught in the middle can leave your client feeling stuck, without many options to quicken cash coming in or delay cash going out. We can help to uncover options that may be suitable to prevent a cash flow issue escalating or to tackle a cash flow crisis head on. Naturally this sits in your best interests as well to make sure your own fees are duly paid.

ISOLATION AND MENTAL HEALTH

Finally, awareness of financial stress and its impact on mental health is increasing. We understand that running a business can be a lonely place especially when performance isn't going well. Your client may feel unsure where to turn for help and therefore problems may be hidden until such a time that they no longer can be. We pride ourselves on being compassionate but honest about the situation, which we believe goes a long way to making the insolvency process less traumatic for all involved.

RESCUE AND RECOVERY

Cash flow problems and increasing debt doesn't automatically end in a business filing for insolvency. When clients are feeling under pressure and struggling to get on top of things, this is often their first assumption. Insolvency will only be the outcome if all other options of turning around the business have been exhausted.

Our first steps will always be to identify all the options available, and to restructure the business to make it solvent, if that's possible.

When we're able to help a business to recover from their financial problems, the solution can often include some of the following:

TIME TO PAY (TTP) AGREEMENT

A struggling business may have many creditors with whom they owe money, one of which may be HMRC. As we've mentioned before, having arrears with HMRC can cause a lot of stress. The team at TruSolv are highly experienced in negotiating with HMRC and for some businesses, a Time to Pay (TTP) agreement can be set up to give the client additional time to pay back the amount outstanding.

It's important to note that if the client's in debt to HMRC and a number of other creditors, then a TTP may not be the best option for them.

TURNAROUND FINANCE

Disruptions to cash flow often can't be predicted. If it's clear the financial issues being experienced are temporary, then turnaround finance could be a possible solution. It allows the client to free up capital, pay debts and return to better financial health in a relatively short timeframe. Evidence of a viable business model and a history of stable, profitable performance is required to qualify for such options.

COMPANY VOLUNTARY ARRANGEMENT (CVA)

A CVA is a legally binding agreement between the client and their creditors in which debt payments are restructured to provide relief over a specified period of time. The client benefits from creditor pressure being eased in the short term and they can continue to trade to, hopefully, get the business back on track. The creditors receive the guarantees required to have the confidence they'll be paid the debt owed. Once in place, a CVA will offer the client protection from creditors taking any legal action against them.

Essential to a CVA being an option on the table is confidence that the business can return to profitability. This will be evaluated by the Insolvency Practitioner and the company directors; if the outlook is that the company will still likely struggle then unfortunately they cannot proceed with a CVA.

WHEN THE CONCLUSION'S INSOLVENCY

Sadly, for some, the right option will be for the business to cease trading and close down. Rescue and recovery options may just be unachievable to make the difference needed to get the business back to a solid place of solvency.

There are several ways for winding up the company and our team of Insolvency Practitioners will help you and your client to evaluate which option is best.

CREDITORS' VOLUNTARY LIQUIDATION (CVL)

This is probably the most common form of liquidation in the UK, the client appoints an Insolvency Practitioner to wind up the company, selling its assets to pay back the creditors.

As an Insolvency Practitioner, our role will be to manage the winding up process and we'll advise your client on their legal responsibilities as a director to an insolvent company.

COMPULSORY LIQUIDATION

As the name suggests this is when creditors take legal action to reclaim the debts outstanding. The court will forcibly close the business, seize assets and liquidate them to repay creditors.

PRE-PACK ADMINISTRATION

In some situations, a company still has a robust cash flow, active client base, valuable assets and the potential for future growth, but the mountain of debt and pressure from creditors is threatening insolvency.

A pre-pack administration allows for the company and its assets to be sold to either a third party or even to the existing directors. This way the business can still keep trading with little disruption as a new company. However, the rules for pre-pack administration are complex and therefore discussing with an Insolvency Practitioner's essential to ensure everything's managed correctly.

MEMBERS VOLUNTARY LIQUIDATION (MVL)

In some circumstances a director may choose to liquidate a solvent company, typically because it's often the most tax-effective way to close the business and extract the profits.

If a director opts for MVL and the company is in fact found to be insolvent, then they could end up facing serious consequences.

WHY IT'S IMPORTANT TO USE A LICENCED INSOLVENCY PRACTITIONER

As with any professional service, there will be unqualified advisors circulating to take advantage of those in a vulnerable situation. Such advice will likely leave your client exposed to further legal action causing more distress.

When a client's facing insolvency you need to get advice from qualified professionals. Here's why you should be working with TruSolv;

1. Licenced, qualified and regulated

Our team of Insolvency Practitioners are licenced and regulated in the UK by the Institute of Chartered Accounts in England and Wales (ICAEW). This means they've been externally qualified to provide such advice and their competences are regularly reviewed.

2. Realistic and fair

There are some advisors which will focus on directing your clients down a smaller choice of options, or they'll simply tell the directors what they want to hear to secure the business. When delivering difficult news you need to be sensitive to the situation, but also realistic and fair. Our recommendations will always result in what's best in the long-term.

3. Decades of experience

Our Insolvency Practitioners have been working with clients facing insolvency for over thirty years. We've advised businesses of all shapes and sizes, from a variety of sectors. Many of our team also have practical experience of running businesses themselves – we can sympathise with what's happened to your client. Our team is trusted time and time again to help clients who are facing insolvency and manage the situation to the best possible outcome.



HOW CAN TRUSOLV HELP?

We understand what it's like to have clients under pressure, and they reach out to you for reassurance and protection. Hearing advice from an independent source will often bring greater clarity in finding the right solution.

Our role's to turn advice into action and help your clients make courageous decisions. We'll be unquestionably honest, and where possible, ensure they grasp the opportunities available to them.

It's important to focus on what can be done, rather than what can't be done, so we're keen to bring new ideas and approaches to the table,

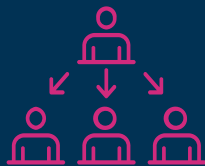
helping to navigate your client through the challenging periods of their business journey. We're genuinely interested in supporting both you and your client and it's why we're relied upon.

WANT TO KNOW MORE?

Why not **contact us** to find out how we can help struggling businesses to refocus, restructure and recover. We want to show you how our team can make a real difference.



**BUSINESS RECOVERY
SERVICES**



**COMPANY
ADMINISTRATION**



**COMPANY
LIQUIDATION**



**COMPANY VOLUNTARY
ARRANGEMENT**

OUR SPECIALIST TEAM

Our team's among the most qualified and experienced in the UK, having helped hundreds of companies with restructuring, refocusing and recovering. We understand each situation's unique and so our solutions are tailor-made to match the specific requirements of each client.



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