



Publication of the Corporate Insolvency and Governance Bill

20 May 2020

Dear member,

Back in April, we notified you of planned changes to corporate insolvency law. I can inform you that the Corporate Insolvency and Governance Bill, containing these changes, is now out and we expect it to progress through Parliament shortly. You can view the Bill [here](#).

The Bill has been designed to help the economy to recover, give companies the best chance of survival and protect jobs. It includes eight measures, which we have summarised as follows:

Company moratorium

The moratorium has been introduced to give companies in difficulty, including as a direct result of Covid-19, formal breathing space to pursue a rescue plan. During the moratorium, legal action cannot be taken against a company without court approval.

Ipsa facto (termination) clauses

The ipso facto clauses will prevent suppliers from stopping or threatening to stop supplying businesses going through an insolvency or restructuring procedure. There will be a safeguard to ensure that continuing supplies are paid for. However, if the supply process causes hardship to their business, suppliers will be relieved of this requirement should the court agree. Small company suppliers will be temporarily exempt during the Covid-19 response situation.

Restructuring plan

Firms that are viable but experiencing difficulty with debt liabilities will be able to restructure under a new procedure. The courts will sanction this procedure based on whether it is fair, equitable and in the interest of creditors. Creditors vote on the plan, but the courts will also have the power to impose it.

Suspension of wrongful trading

The threat of directors' personal liability from wrongful trading will be removed. While this suspension is in place, action will not be able to be taken by liquidators and administrators against directors of insolvent companies for creditor losses as a result of continued trading. All the other checks and balances on directors will remain in place.

Statutory demands and winding up petitions (two measures)

So that companies have the chance to come to pragmatic and fair agreements with creditors, the threat from unpaid debt due to the pandemic will be removed. Statutory demands issued against businesses will be void.

Annual General Meetings (AGMs)

With gatherings of multiple individuals not currently permitted, the Bill allows companies that must legally hold an AGM or GM to do so by other means – even if company protocol does not normally allow this.

Filing requirements

As you will know, Companies House has made changes to filing requirements during the Covid-19 emergency, including extending deadlines and therefore countering the threat of penalties for late submissions. More flexibility may be required, so the Bill gives the Secretary of State the power to implement further extensions.

I hope that this is a useful summary. We will continue to monitor the Bill's progress through Parliament and will keep you updated. We will also consider the Bill and offer our input, on our members' behalf, on any areas of the Bill that we deem necessary.

If you have any points that you would like to bring to our attention, please email regulation@ipa.uk.com.

Yours faithfully,

Michelle Thorp
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