

LATEST INSOLVENCY STATS MASK THREAT FOR MANY FIRMS

Government statistics released today (Friday 6 August) reveal an overall drop in the number of corporate insolvencies in England & Wales during the quarter to June 2010 compared with same period last year.

There were 4,080 compulsory liquidations and creditors' voluntary liquidations, an overall decrease of 19.1 per cent, and 1,311 other corporate insolvencies, including receiverships, administrations and company voluntary arrangements (CVAs), representing a decrease of 14.3 per cent.

Quarter 2 of 2010, when compared to Q1, saw a 12 percent fall in the number of receiverships and a 24 per cent fall in the numbers going into administration. The number of company voluntary arrangements rose by nearly 50 per cent and the number of company liquidations remained almost static,

Black Country insolvency and business recovery expert John Travers, of Stourbridge-based John D Travers & Co, says that while the reduction in the number of failed businesses is welcome, the figures do not reflect the reality for many firms that are juggling with falling orders, poor cash flow, and limited access to credit.

He said: "The Insolvency Service statistics show a downward trend in the number of firms engaged in formal insolvency procedures since the darkest days of the current recession.

"However, as the post-election honeymoon period comes to an end, the coalition will get down to business and the new economic reality will set in.

"I fully expect to see a dramatic rise in corporate insolvencies in the second half of 2010, especially in the number of liquidations, and CVAs.

"Business owners and managers, especially in vulnerable sectors such as manufacturing, construction and property, and the hotel, leisure and restaurant trades, should be keeping a tight rein on their finances, ignore the temptation to use monies reserved for HM Customs & Excise for trading and be realistic about their trading position," he advised.