

## CORPORATE DOMINOES LOOK SET TO FALL BEFORE THE END OF 2011

Black Country (West Midlands) businesses should be upping their guard against poor-paying customers and seek to protect themselves against a potential wave of business failures, warns a Stourbridge-based (Black Country) corporate insolvency practitioner and business recovery expert.

John Travers, of John D Travers & Co, says that locally he sees many business owners are seeing reserves dwindle and as a result becoming overly dependent on the goodwill of their suppliers and service providers and lenders, literally on the cliff edge of corporate demise.

He says that increased VAT, fuel price rises and government cut-backs will push many over the edge, and thus create a domino-like effect among many supply chains. Business services, construction and leisure are likely to hardest hit, he comments.

Mr Travers explains: "The economy is operating on the optimistic basis that the recession is over and that all will return to normal within a few months.

"Figures for 2010 released by the Government and other agencies show an overall 12 per cent drop in the numbers of business failures in 2010 compared with 2009.

"But this masks the local picture where, in the West Midlands business failures rose in the last three months of 2010 from 654 to 787.

"I believe that at the start of 2011, many firms are literally hanging on by their fingernails in the hope that the upturn will come in time to save them.

"However, the most vulnerable will suffer as HMRC tightens up the scope of its time to pay scheme, the impact of the rise in VAT hits cash flow, and increased transportation costs start to bite.

"Furthermore, the banks are keen to get their own houses in order, and have been unwilling to crystallise any losses. This is changing, and some are also demanding a reduction in lending facilities."

"All businesses are facing these issues, but the well-managed will no doubt be in position to fare better.

"Unsecured creditors appear to be taking the view that if they have an exposure that can be contained, it is preferable to park that problem and maintain turnover, which would otherwise be lost under rigid credit terms.

"Unfortunately for them, if I am right, it is also likely that because of disappearing reserves and refinanced assets, if and when a customer's business fails, returns to unsecured creditors are likely to be very low."