



**WHEN CLIENTS  
ARE FACING  
FINANCIAL  
DIFFICULTY**  
A FORTUS RECOVERY GUIDE

WHERE KNOWLEDGE, TRANSPARENCY AND UNDERSTANDING DELIVER SOLUTIONS



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# EXPERT INSOLVENCY AND DEBT ADVICE

## LOCAL TO YOU

As the old saying goes “hard times reveal true friends”. If you have a client who’s fallen on hard times, likely facing insolvency, they will be looking to you to be that true friend who will help them through the difficult times ahead.

Having helped businesses in such circumstances for over 20 years, we know managing an insolvency process is stressful and complicated. When it’s your client under the spotlight you need to know you have access to the right advice. We believe our experience and approach sets us apart.

## HOW WE CAN SUPPORT YOU AND YOUR CLIENTS

It can be very unnerving if a client falls into insolvency. The rules surrounding business insolvency are complex, so if you have little or no previous experience, you could feel unsure about the options available.

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.

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.

**GORDON  
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# COMMON PRESSURES ON DIRECTORS TODAY

We've worked with a multitude of 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. By working with Fortus, we can help your client evaluate the options open to them to tackle this problem. We also know how to negotiate well with HMRC to achieve the most appropriate solution.

## LIMITED OPTIONS TO FINANCE

When things aren't going so well, finance options from traditional sources like the bank can be restricted. Directors could start to make rash decisions in an effort to combat growing creditor pressure 'in the short-term.' We often see offers of personal guarantees to secure funding. Making decisions under pressure can lead to directors not fully understanding the risks to their own finances. They can leave themselves personally liable, perhaps without even realising.

We will help your client understand their personal responsibility by considering various options, as well as suggesting alternatives to protect their personal finances, not risking the security of their family or home.

## CASH FLOW

Pressure to pay suppliers on top of clients paying late is a common 'short term' cash flow issue which can very quickly escalate. With many businesses in the supply chain feeling the pinch of reduced customer spending amid economic uncertainty, being caught in the middle can leave your client feeling stuck – how can they speed up cash coming in or delay cash going out?

We help to uncover options that could either prevent a cash flow issue escalating or tackle a crisis head on. Clearly this also sits in your best interests – 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 things aren't going well. Your client may not know where to turn for help and try to 'bury their head in the sand', ignoring or hiding problems until it is too late to save the company.

We pride ourselves on being compassionate but honest about every situation, which we believe goes a long way to making the insolvency process – whatever the result – much less traumatic for all involved.

# RESCUE AND RECOVERY

Cash flow problems and increasing debt don't automatically end in a business falling into insolvency. When clients are feeling under pressure and struggling to get on top of things, their first assumption is often, that they will 'lose everything' or have to 'wind up the business'. This is often not the case.

Insolvency will only be the outcome if all other options of turning things around have been exhausted. Our first steps will always be to identify all the options available: to restructure the business and make it solvent, where possible.

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

## TTP: TIME TO PAY ARRANGEMENT

A struggling business may have several creditors with whom they owe money to, including HMRC. As we've mentioned before, having arrears with HMRC can cause a lot of stress and worry. At Fortus, we're highly experienced in negotiating with HMRC: for some businesses, a Time to Pay Arrangement (TTP) can be set up to give your client additional time to pay back the outstanding amount.

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 are often not easy to predict. If it's clear the financial issues being experienced are temporary, then 'turnaround finance' could be a possible solution. This would enable your client to free up capital, pay debts and return to better financial health – all in a relatively short timeframe.

Evidence of a viable business model and a history of stable, profitable performance in the past are required to qualify for turnaround finance options.

## CVA: COMPANY VOLUNTARY AGREEMENT

A CVA is a legally binding agreement between the client and their creditors, where debt payments will be restructured to provide relief over a specified period of time.

The client benefits from creditor pressure being eased in the short term so they can continue to trade and, hopefully, get the business back on track.

The creditors receive the guarantees required to have confidence they will be paid what's owed.

Once in place, a CVA offers the client protection from creditors taking any legal action against them.

Essential to a CVA being an option is confidence that the business can return to profitability. This will be evaluated by the Insolvency Practitioner and the company directors; if the forecast is that the company is still likely to struggle, then unfortunately they won't be able to proceed with a CVA.

# WHEN THE CONCLUSION IS CLOSURE

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

There are several ways to close a company and our team of Insolvency Practitioners will help you and your client to evaluate which option is best.

## CVL: CREDITORS' VOLUNTARY LIQUIDATION

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

As Insolvency Practitioners, our role will be to manage this process and advise your client on their legal responsibilities as a director of an insolvent company.

## COMPULSORY LIQUIDATION

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

## PRE-PACK ADMINISTRATION

In some situations, a company may have a viable business with an active client base, valuable assets and the potential for future growth, but the mountain of debt and pressure from creditors leads to insolvency.

A pre-pack administration allows the company to be protected from creditors whilst a possible sale of the company's trade and assets is sought to either a third party or even to the existing directors. This way the business can still keep trading and then transfer to a new company with as little disruption as possible.

However, the rules for pre-pack administration are extremely complex. Discussing this option carefully with an Insolvency Practitioner is essential to ensure that everything will be managed correctly.

## MVL: MEMBERS' VOLUNTARY LIQUIDATION

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

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

# WHY IT'S IMPORTANT TO USE A LICENSED INSOLVENCY PRACTITIONER

As with any professional service, there are many unqualified and inexperienced advisors circling, ready to take advantage of people in a vulnerable situation. Poor advice could leave your client exposed to further legal action, causing more distress. When a client is facing insolvency, you need to seek advice from qualified professionals.

Here's why you should be working with Fortus Recovery:

## LICENSED, QUALIFIED AND REGULATED

Our team of Insolvency Practitioners are licensed and regulated by the Institute of Chartered Accountants in England and Wales. This means they are qualified to provide appropriate advice and are strictly regulated.

We are bound by the five fundamental principles of the Insolvency Code of Ethics: Integrity, Objectivity, Professional Competence and Due Care, Confidentiality and Professional Behaviour.

## REALISTIC AND FAIR

There are some advisors who will focus on directing your clients towards a very limited choice of options, or they will simply tell the directors what they want to hear so that they win the business. When delivering difficult news, it's important to be sensitive to the situation, but also realistic and fair. Our recommendations will always be to achieve what is best in the long term.

## DECADES OF EXPERIENCE

Our Insolvency Practitioners have been working with clients facing insolvency for over twenty years. We've advised businesses of all shapes and sizes, from a variety of sectors. Some of our team also have practical experience of running businesses themselves – we can understand and sympathise with what is happening to your client.

Our team has been trusted time and time again to help clients who are facing insolvency. We can help to manage the situation, however tricky or testing, in order to reach the best possible outcome.



# HOW CAN FORTUS RECOVERY HELP?

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

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

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

We will help to navigate your client through this challenging period of their business journey. We are genuinely interested in supporting both you and your client, and that's why people know they can rely on us.

## WANT TO KNOW MORE?

Why not **contact us** to find out how we can help your clients to better understand the impact of their financial issues and the options to resolve them. 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

This is our approachable, dedicated and highly qualified team. We've helped hundreds of companies burdened with financial problems, to address their challenges and move forward. We understand that each situation is totally unique and so our solutions are tailored to match the specific requirements of your situation.



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