



It's time to admit British business has a problem...

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PRESS RELEASE

The negative stigma attached to business failure or the impending threat of it must, and is beginning to change. Having adopted the very British approach of pretending everything is just fine when all around is failing for far too long many businesses have fallen into avoidable insolvency – a state when they can no longer afford to pay what they owe on time. ICAEW conducted a survey of those working with the insolvency and business restructuring sectors* showing that many of them are increasingly helping businesses back into recovery though the message is clear – this is only possible if problems are admitted early.

Bob Pinder, ICAEW Regional Director, said: “Ironically one of the busiest times for Insolvency Practitioners is during periods of economic growth and recovery when the management of cash flow around growing orders becomes increasingly complex. We have created an ICAEW guide to help businesses to see when they are struggling early and seek help at this stage - to do that they must know how and when to do so first. Two thirds (66%) of insolvency practitioners surveyed said they predicted they would spend more time in the forthcoming two years providing financial advisory services, 63% envisaged spending more time helping to raise finance and 63% offering more support on operational advisory services. These are positive signs that the right help is available through these next few challenging years.”

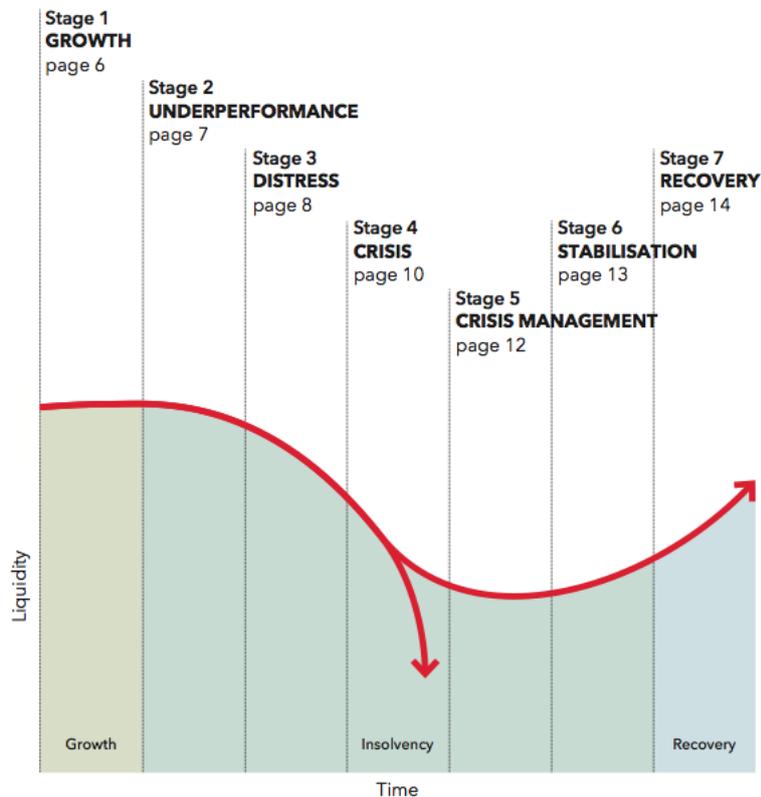
The problems will not be solved overnight. In spite of a belief that they will be providing greater support in helping businesses avoid going under, almost a third (29%) of respondents felt that the single greatest increase in services they would provide over the next two years would be formal corporate insolvency appointments as many face the looming challenges that Brexit, interest rate rises and changing attitudes of banks as creditors present to their business.

The stigma surrounding going out of business in the UK prevents many from looking for help at the time it would provide the greatest chance of turning a business around. Being aware of the dangers facing your business as it enters a decline can transform an unrecoverable spiral of problems into a short dip in performance. Insolvency Practitioners (IPs) questioned in the survey felt that the top three reasons for not seeking help were worry about loss of control in the final outcome (57%), lack of knowledge of options (52%), and fear of impact on family and lifestyle (41%) too often resulting in inaction. This culture of fear and embarrassment must change if further insolvencies are to be avoided.

Bob Pinder concludes, “To know what state a business is in it is vital for the owner/manager to keep a close eye on up-to-date management information. Look out for early signs of problems such as lower than expected bank balances, defaulting on bills or falling profit margins. As soon as

the ‘zone of insolvency’ is entered seek help. Don’t delay. It is not yet a crisis. Restructuring or resolving problems can bring the business back into recovery.”

The graph (below), taken from the ICAEW restructuring and insolvency guide, shows the stages of a business undergoing problems and the two potential routes it can follow – to insolvency, or on to recovery.



For more information the ICAEW guide can be downloaded from www.icaew.com/promotingIPs.

– ENDS –

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Notes to editors:

*146 insolvency practitioners responded to an online survey by ICAEW during the period of 31st May 2017 to 14th July 2017. 60% described themselves as ICAEW licensed insolvency practitioners, 40% as an ICAEW Chartered Accountants. 90% of respondents had over 11 years restructuring/insolvency experience.

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