

The Corporate Insolvency and Governance Bill passed through the House of Commons on 3 June 2020 and is expected to proceed to the House of Lords tomorrow, 9 June 2020.

Key elements of the Bill will:

- introduce a new moratorium giving companies relief from creditors while they seek a rescue
- prohibit termination clauses that engage on entering an insolvency procedure, entering the new moratorium or beginning the new restructuring plan procedure. It also prevents suppliers from ceasing supply or demanding additional payments while a company goes through a rescue process
- introduce a new restructuring plan for companies in financial distress which include new cross class cram down procedures that allow a class of creditors to be bound by the restructuring plan even if they do not agree to the plan. This provision takes steps to provide safeguards for affected creditors in these situations
- enable the insolvency regime to flex to meet the demands of the crisis
- temporarily remove the threat of personal liability for wrongful trading from directors who try to keep their companies afloat through the emergency
- temporarily prohibit creditors from filing statutory demands and winding-up petitions for COVID-19 related debts
- temporarily give companies and other bodies greater flexibility to hold Annual General Meetings (AGMs) and other meetings in a safe and practicable manner in response to the pandemic
- temporarily ease burdens on businesses by extending filing deadlines at Companies House
- allow for some of the temporary measures to be retrospective, giving immediate support to businesses during COVID-19

It is of note that both the Moratorium process and Restructuring Plan referred to above will require the involvement of an Insolvency Practitioner.

On the assumption that the Bill will be passed into law, it will be interesting to see how many companies affected by Covid 19 will take advantage of the reliefs offered.

For further details, please do not hesitate to call 01282 332222 or email info@thfr.co.uk