



Changes to insolvency rules

The Business Secretary Alok Sharma announced on behalf of the Government the relaxation of insolvency rules to support businesses under pressure as a result of the Covid-19 outbreak.

Insolvency law will be amended to prevent businesses unable to meet debts due to the impact of Covid-19 from being forced to file for bankruptcy by suspending the 'wrongful trading law'. This will allow directors of companies to continue to pay staff and suppliers even if there is potential for the company to become insolvent.

This legislation will apply retrospectively from the 1 March 2020 for 3 months and will be introduced at the "earliest opportunity".

It should be noted that the Business Secretary did state that "all of the other checks and balances that help to ensure directors fulfil their duties will remain in force."

What is the 'wrongful trading law'?

To provide background the wrongful trading law was introduced in 1986 and makes it an offence for a company director to continue to trade if they know the business is unable to avoid going into liquidation.

As further information is published by the government we will update our summaries. Should you have any initial queries either contact your usual CK contact or look at the governments dedicated business support website businesssupport.gov.uk.