

Association of Business Recovery Professionals

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Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
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Wednesday, 29 September 2021

Dear Mr Sunak,

Autumn Budget and Spending Review 2021: supporting business rescue and resolving corporate financial distress in the aftermath of COVID-19

I write as President of the insolvency and restructuring trade body R3, ahead of the Autumn Budget and Spending Review 2021, to provide you with two key policy recommendations which we believe will help to support business rescue as the economy continues to recover in the aftermath of the COVID-19 pandemic. Through these recommendations, we suggest that the Government:

1. Introduces a strategy to encourage directors and business owners experiencing financial difficulties to seek early, qualified advice to expand the number of options available for resolving corporate financial distress; and,
2. Maintains and strengthens HMRC's recently announced change in approach to supporting viable restructuring proposals.

The UK's insolvency and restructuring framework and profession are vital parts of the economy. They promote economic regeneration, resolve financial distress for businesses and individuals, save jobs, help disrupt and tackle fraud, and create the confidence and public trust which underpin trading, lending and investment. The framework and profession help ensure the UK remains an attractive place to do business, and make a significant contribution to the UK's status as an international centre for financial and professional services.

As R3's [Value of the Profession](#) report has shown, business rescue is an important part of our profession's work – in 2019, the profession rescued 297,000 jobs, saved 7,200 businesses and returned a combined £1.82bn to creditors. While these figures help to illustrate the scale and importance of the value of the profession's work to the wider economy, in what was a calmer economic time, they also highlight the fact that a successful post-pandemic economic recovery will require the skills and expertise of the insolvency and restructuring profession – to support businesses and individuals to navigate choppy economic waters.

We believe that the insolvency and restructuring profession, working with the Government, can help to support company and business rescue in the months ahead. The recommendations we set out below will be key in supporting this vital work for the UK economy.

Encouraging directors and business owners to seek early qualified advice

In setting out [HMRC's updated approach to restructuring proposals and its measured policy on enforcement of debts](#), the Government has signalled its intention to meet distressed but viable businesses half-way. However, these businesses need to be encouraged to also take a positive step forward to secure their futures, particularly in light of temporary support measures coming to an end this month. To that end, we hope to secure the Government's support in promoting, through its own channels, the importance of directors and business owners acting early and seeking advice from the UK's world class restructuring, insolvency and turnaround sector.

All too often, many directors simply are not aware of the range of sources of financial advice open to them, as well as how supportive individual creditors including HMRC can be provided they engage early with full transparency.

R3 recently launched a [resource for directors](#) as part of its [Back to Business](#) campaign, which among other things explains how to spot signs of financial distress, the options available to resolve it, and where to find sources of regulated advice. Underlying this resource is the key message that when facing financial distress directors need to *act early* and *seek advice*.

While we as a trade body are doing everything we can to ensure this message is heard in the economy, we believe the Government's support in this effort is critical to its success as a call to action. Only through the Government's own communications power can this message truly reach struggling companies across all sectors of the economy, in every UK nation and region. Be that through ministerial speeches, direct correspondence with HMRC's business customers, items on Gov.uk and social media, we would strongly encourage the Government to consider the ways in which this message can be more widely disseminated.

Doing so will help to encourage many viable companies to secure the advice and support they need from the UK's excellent restructuring, insolvency and turnaround sectors – saving jobs, businesses, and maximising returns to creditors in the process.

Maintaining and strengthening HMRC's approach to supporting viable restructuring proposals

In our Budget Submission at the beginning of the year, we stressed the importance of the Government adopting a policy across all departments to support restructuring proposals where a business was viable pre-COVID-19 – and would still be viable, were it not for the pandemic. We also highlighted that, with its recently acquired secondary preferential creditor status, HMRC's support as a creditor will be particularly important in ensuring that viable restructuring proposals can be agreed; an approach that has not historically been forthcoming.

As noted above, HMRC has signalled a welcome change of approach to supporting the rescue of viable businesses. It was also positive to see the Secretary for Business, Energy and Industrial Strategy [respond positively](#) to our calls for his support in working with HMRC to help business rescue efforts over the coming months. Nevertheless, we believe HMRC could go further by agreeing to accept or consider restructuring proposals where it will not receive the full return on its debt as a preferential creditor.

This change in approach may mean that CVAs can become an option for a larger number of viable businesses. It would require no change in legislation and would merely require an operational decision to be taken by HMRC to apply to all corporate taxpayers. Doing so may help to 'unlock' successful restructuring efforts, in turn helping to retain value in the economy, minimise economic disruption, and save many more jobs in the process.

HMRC must also be sufficiently resourced to meet its additional responsibilities as a preferential creditor, and to do so on a timely basis, and its staff should be adequately trained to understand the importance of HMRC's role in determining the success of insolvency and restructuring processes.

We appreciate the relatively low level of corporate insolvencies over recent months has meant HMRC has not been overwhelmed with new cases (although there have been issues with its processing of existing cases). However, with the Government's support measures now in the process of being withdrawn, HMRC could very quickly see a raft of cases where its role as a secondary preferential creditor will require it to play a more active role in supporting viable proposals and HMRC staff will require sufficient resourcing and training to help the organisation meet this demand effectively.

If you or your officials require any further information, please do not hesitate to get in contact with R3's Public Affairs Manager, Giorgio Buttironi, on 020 7566 4227 or at giorgio.buttironi@r3.org.uk.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Colin Haig'.

Colin Haig
R3 President