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June 2010

Mountain of overdue invoices reaches £62bn

The total value of overdue invoices in the UK has now reached £62.87bn, according to new research by NatWest and Royal Bank of Scotland.

The survey shows that 71% of SMEs in the UK have suffered because of late payments. Larger companies may have a higher value of invoices paid late but in terms of proportion of turnover, it is the smaller firms that are worst affected.



Approximately 1 in 5 businesses with an annual turnover of between £250,000 and £500,000 has suffered compared with just 1 in 15 larger companies. Peter Ibbetson, Chairman of Small Business, NatWest and RBS, said: "Bad debts and late payment of invoices are endemic problems for UK

businesses. For more than 1 in 10 firms, over 60% of all their invoices are paid late, causing major cash flow problems for many."

A total of 235,000 SMEs say that the time they have spent chasing debts has had an adverse effect on their business yet

less than half have taken action to deal with the problem.

This is unfortunate because some simple steps can often lead to early settlement. For example, a solicitor's letter will often be enough to secure payment because people realise you are serious and they don't want to run the risk of court action.

Firms should also be aware that they are entitled to levy statutory late payment fees and impose punitive interest charges. Taken together, this can earn more than enough to pay any legal fees involved and turn credit control into a profit making operation.

Please contact us for more information on how to ensure prompt payment.

Number of firms in financial distress jumps to 160,000

The number of firms suffering "significant or critical" financial distress has jumped to 161,601. Between them they owe a total of £55bn to creditors, suppliers and service providers.

Those are the findings from the latest Red Flag update conducted by Begbies Traynor, the business recovery and restructuring specialist.

The figures cover the first quarter of

this year and show a 14% increase in distressed firms compared with the fourth quarter of last year.

Begbies Traynor estimate that 7% of the increase is due to a hardening of attitude among creditors. This has led to an increase in the number of court actions and a growing willingness to take action against debtors. The rest of the increase is down to the usual seasonal factors.

Ric Traynor, Executive Chairman of Begbies Traynor Group, said: "Trade creditors are increasingly seizing the opportunity to take action against their debtors in order to raise much needed working capital."



The worst affected sectors in the first quarter of this year were construction, professional services, property services, recruitment and retail.

It's feared the situation could get worse for some firms if interest rates start to rise as expected.

Many banks and financial institutions are forecasting a rise of between 1 and 1.5% over the next 12 months.

Traynor said: "Low interest rates have been one of the principal reasons why business failures have not yet reached the peak levels many feared this savage recession would cause.

"A rise may tip more struggling businesses over the edge later in the year and through into 2011, especially in the embattled but vital SME sector."

Steve moves on to new post

J&P are sad to announce that our Director of Debt Recovery Operations, Steve Griva, has left us in order to take up a new post as Head of Collections & Recoveries for one of our clients. Steve has been instrumental in helping to develop J&P's debt recovery services and in particular the development of our case management and customised online reporting systems. We wish Steve well in his new role and look forward to working with him.



Mark Younger and Robert Davis will be taking the helm as heads of the newly merged JP Credit Solutions department. Mark & Bob, have for many years been managing a large insurance recovery department at J&P and account for combined 40 years service looking after such clients as Aviva plc and Provident Insurance dealing with their road traffic claims recovery. Both the insurance and debt recovery departments use the same case management system and the newly merged department will offer greater strength in depth for all of our Clients.

Mark and Robert look forward to meeting all our debt recovery clients in the near future. See page 2 for their contact details.

SMEs losing £5bn to insolvent trading partners

More than 4 out of 10 SMEs have lost money to trading partners who've gone out of business in the last two years.

Research by CreditPal reveals that the average amount of money owed to individual firms by insolvent partners is £7,500. The total figure owed to all SMEs is estimated at £5.3bn. The CEO of CreditPal, Chris Poll, said: "The amount left owing to SMEs as a result of company liquidations is shocking

and threatens the survival of some UK businesses. It is imperative that companies take every step to mitigate their exposure to the risk of defaulted payments, especially as the economy climbs out of recession when the need for cash is even greater."

London based firms have suffered the most with 49% still owed money by businesses that have gone into liquidation. The figures highlight the need

for firms to take early action when faced with overdue invoices. Excessive delay can mean missing out on vital payments being made in the months leading up to a trading partner becoming insolvent.

Once the partner becomes insolvent, it is highly unlikely that creditors will receive all of the money they are owed. It will usually only be a percentage and in many cases creditors may receive nothing at all.

The waiting game for payments gets longer and longer

Research by BACs reveals that there has been a huge increase in the time SMEs have to wait before their invoices are paid.

On average, the waiting time is now 41 days beyond agreed terms. That's an increase of 9.5 days since June last year, showing how much the problem has escalated in just 12 months.

Michael Chambers, managing director of BACs, said: "Small businesses rely on receiving payments on time so that they can maintain cash flow and ensure the



business can run on a day-to-day basis.

"Our research highlights the continued widespread nature and real impact of

the late payment problem, which was affecting 961,000 SMEs in December last year - that's a massive 57% of all British SMEs."

According to the BACs research, 37% of SMEs believe that large companies are the main offenders for late payments, 17% cited sole traders and 17% also blamed other SMEs.

Cash flow was the most common reason given for late payments, with 7% of late payers blaming the economic downturn and a further 7% saying they had to wait to be paid themselves before they could pay their suppliers.

Some firms were told that the customer had simply forgotten about the invoice and so had not got round to paying it.

Business failures down but personal insolvencies soar

The number of business insolvencies in the UK dropped by 20% on a year on year basis in April, according to the latest Insolvency Index produced by Experian.

A total of 1,818 companies became insolvent in April this year compared with 2,274 in the same month last year - a fall of 20.1%. Medium sized companies employing between 26 and 500 people suffered more than smaller and larger businesses.

Although insolvencies are down from their record levels, a lot of businesses are still facing difficulties.

Rolf Hickmann, who is MD of pH, an Experian company, said: "Our analysis shows that it continues to be vital for businesses to understand the

circumstances of those they are doing business with and the risks they could expose their company to."

While the number of business failures has been falling, the number of personal insolvencies continues to rise.

Statistics released by the Insolvency Service show that there were 35,682 individual insolvencies in the first quarter of this year compared with 30,253 in the same period last year. That's a rise of 17.9% and is the ninth consecutive quarterly increase.

The number of personal bankruptcies rose to 18,256 in the first quarter of this year - an increase of 7.3% on the same period last year.

Where next

For all enquiries please contact



Robert Davis



Mark Younger

Robert: 020 8290 7311
rdavis@judge-priestley.co.uk

Mark: 020 8290 7392
myounger@judge-priestley.co.uk

Lexcel
Practice Management Standard
Law Society Accredited



INVESTOR IN PEOPLE

Judge & Priestley LLP
Justin House
6 West Street
Bromley
Kent BR1 1JN

DX. 117600 BROMLEY 7
T. 020 8290 0333
F. 020 8464 3332

E. info@judge-priestley.co.uk
www.judge-priestley.co.uk

j&p