

Covid-19 insolvency measures extension

From 26 March 2021 the Corporate Insolvency and Governance Act 2020 (Coronavirus) (Extension of the Relevant Period) Regulations 2021 will come into force with the effect of extending several of the temporary measures brought in by the Corporate Insolvency and Governance Act 2020 (CIGA).

26 March 2021

From 26 March 2021 the Corporate Insolvency and Governance Act 2020 (Coronavirus) (Extension of the Relevant Period) Regulations 2021 will come into force with the effect of extending several of the temporary measures brought in by the Corporate Insolvency and Governance Act 2020 (CIGA) which were otherwise due to expire at the end of this month.

This was not completely unexpected, mirroring as it does the extension banning forfeiture, but the delayed response led many to think that it might not happen; especially since the Government had labelled the last extension as its 'final' extension. Interestingly, the same label has not been applied this time around. As we progress along 'roadmap' out of lockdown there are good arguments for easing the suite of temporary restrictions gradually, which may yet mean that more extensions are still to come.

If all goes to plan the ban will end a mere 9 days after the end of lockdown. Is that a long enough reprieve for those businesses that are just starting to get back on their feet? Or is it too long for the creditor who will have been kept waiting for more than a year?

A considered approach needs to be adopted by all whilst the overall landscape, and whether there will be any further extension to the measures, remains uncertain. Debtors in financial hardship would be well advised to use this most recent reprieve to seriously review their options to deal with potentially mounting debts. Whilst some Creditors may resist the urge to take immediate action when enforcement is eventually permitted, others will not, and that reality often causes an inevitable snowball effect.

The legislation will have the following effects:

- Statutory demands and winding-up petitions will continue to be restricted until 30 June 2021.
- Termination clauses will still be prohibited to prevent suppliers from ceasing supply or changing terms whilst a company is going through an insolvency process. The small suppliers' exemption has been retained until 30 June 2021.
- The entry and extension requirements for the 'new moratorium' procedure, will continue to be relaxed in their current form until 30 September 2021.
- The threat of personal liability arising from wrongful trading for directors has been extended until 30 June 2021.

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