

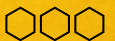


# SUPPORTING YOUR CLIENTS THROUGH FINANCIAL CRISES

AN FTS RECOVERY GUIDE



WHERE KNOWLEDGE, TRANSPARENCY AND UNDERSTANDING DELIVER SOLUTIONS



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# EXPERT INSOLVENCY, RESCUE & DEBT ADVICE

## HONESTY MATTERS

When it comes to navigating financial uncertainty, unfortunately we can't predict what the future holds, or make external economic forces magically disappear, but what our FTS Recovery team can do is bring an honest and pragmatic perspective.

As the saying goes, "the sun always shines after the storm" and the right solution doesn't necessarily have to mean insolvency. It's important to know there are options depending on what your client's looking to achieve for the future of their business.

Insolvency procedures can be incredibly complex, stressful and drawn out, but we've been lifting the weight off the shoulders of business owners for over 20 years. Troubling times can take their toll on the mental health of your client (and potentially you), if you don't call on the right people for support and advice when you need it most.

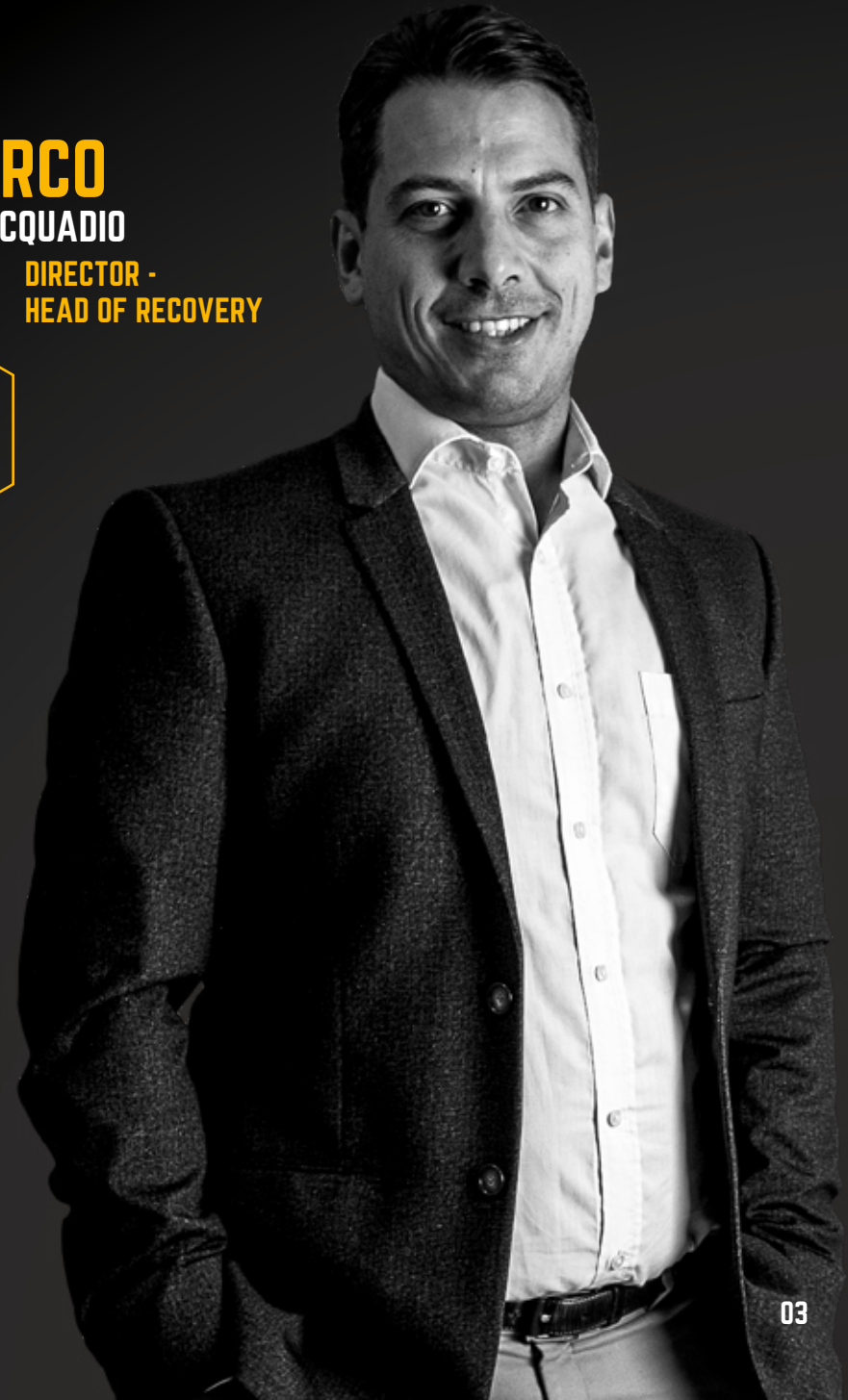
From experience, we know many adopt the 'ostrich' approach where they'll bury their head in the sand, hoping it'll all go away. The accountancy firms and business owners we work with really appreciate our honest, compassionate and level-headed approach when it comes to insolvency and yes, it may sound cliché, but we're people-people. In working with us, you'll find us to be personal yet professional – and that's what we believe sets us apart.

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# TELL-TALE SIGNS OF BUSINESSES IN DISTRESS

Whilst every business and scenario's unique, from our many years' experience in practice, we know the common red flags of a business in distress.

## IN ARREARS WITH HMRC

It can be a serious and worrisome situation for clients to find themselves owing HMRC money. They're the number one creditor for most businesses struggling with debts and with the introduction of Making Tax Digital (MTD), the size of debts are even more visible. As a result, company directors really feel the added pressure. By working with FTS, we can help your client evaluate their options and advise them on how to pay HMRC arrears in a way that best protects their financial interests (and hopefully helps them sleep better at night).

## LACKING CASH

Having more money going out of your client's business than they have coming in is obviously a huge cause for concern. Sometimes it's only temporary, perhaps due to seasonality decline in sales, but for others it's more long-term, with company directors consistently struggling to pay staff and suppliers, repay debts or restock.

As one of the most commonly cited causes of insolvency, cashflow problems should be nipped in the bud as soon as possible. Sometimes though, directors and owners can be in denial about the extent of the problem. If there's no plan in place to effectively manage cashflow, or anticipate future financial challenges, your client can't run their business operations effectively. Plus, as their accountant, you're likely to be one of the many organisations waiting for fees to be paid.

Cashflow's the lifeblood of any business, so our FTS team will present options that prevent cashflow issues from escalating, thus nipping it in the bud.

## BORROWING MORE

It's a slippery slope. When directors are struggling to pay debts, they may look to borrow more or seek new lines of credit. Unfortunately in these circumstances, finance options from traditional sources, such as banks, can be limited.

As pressure from creditors increases, business owners often look for short-term wins to secure funding, but these rash decisions can come back to bite. Understandably they'll want to be free of debt but they may not fully understand the risks to their finances – it can even lead to being held personally liable without them even realising.

Before your client makes any kind of decision they could regret, we'll talk them through the ramifications and help them understand their personal responsibility, as well as suggesting options to protect their personal finances, steering well clear of jeopardising the security of their family or home.

## FEELING ISOLATED & DECLINING MENTAL HEALTH

Anxiety, deepening depression and sleepless nights are all too familiar for individuals and business owners who are facing financial difficulties and ultimately, insolvency. We know that running a business can be a lonely place at times and with the prospect of that business going under can understandably fill the owner with dread and despair.

Businesses in distress are unhappy businesses, with unhappy business owners at the helm. Your clients don't have to let worries and business troubles manifest into something much greater. By marrying our expert advice with your own experience and know-how, you can help your clients come through the other side of the storm.



## SUPPORTING YOU TO SUPPORT YOUR CLIENTS

If you're working with a client who's looking to wind up their company, or simply looking for advice on how to turnaround their financial situation – FTS Recovery's here to help.

Whilst there are many things outside the control of business owners, we're always of the opinion that if and when the red flags emerge, and the tell-tale signs show something's amiss, taking action early can lead to business recovery and an optimistic future.

For this to be achieved, you and your client need to be surrounded by a trusted and licensed insolvency team who specialise in recovery and restructuring. Your best interest is our best interest too – a favourable outcome for your client who may be facing insolvency.

That's why we offer an initial free consultation where we'll meet with you and your client to talk through their current situation and outline a solid plan of action to reach the right solution.

We get it – if a client's heading towards insolvency, it's unsettling. You might not have all the right answers or experience to give them the guidance you want. Insolvency's a minefield, but it's what we do - we're guiding accountancy firms and their clients, day in day out. Leave the complexities to us, and dedicate your time to continuing to provide a seamless client experience.

Our guide for accountants presents actionable advice to help you manage potentially insolvent clients, but also explores some of the alternative options available. We hope you read through the pages feeling confident in our expertise, and keen to build a mutually committed relationship with our friendly and supportive team.



# TO RESCUE & RECOVER

Many assume cashflow issues and rising debt will automatically lead to insolvency. Only when all other options have been exhausted will insolvency be considered. For instance, where possible and after careful consideration, we may propose restructuring the business to make it solvent.

When we're able to help a business recover from their financial problems, the solution can include some of the following:

## COMPANY VOLUNTARY AGREEMENT (CVA)

A CVA's a legally binding agreement between your client and their creditors where they'll gradually pay off debts over a long-term period, typically from one to five years. Consequently your client's able to continue trading whilst reducing creditor pressure in the short-term, so they can look at other means to get the business back on track and back to profitability.

Once entered into a CVA, creditors are assured they'll be paid what's owed to them and your clients are protected from creditors taking any legal action against them.

This option's evaluated by the appointed Insolvency Practitioner (IP) and the company director/s and unfortunately, if it's deemed the company's still likely to struggle moving forward, they won't be able to proceed with the CVA option.

## ADMINISTRATION (TO INCLUDE PRE-PACK)

In some scenarios, pre-pack administration can be a solution to the threat of enforcement action, as to preserve value and seek to rescue parts or all of a business.

Whilst it's an incredibly complex procedure, pre-pack administration allows the exploration of a possible sale of the company's assets to a trade buyer, third-party or even existing directors, before appointing administrators, who will typically complete a sale to the preferred bidder immediately following their appointment. At the same time, your client will be protected from creditors.

If a sale of the business is agreed, a plan for the new company will need to be drawn up. Discussing this option carefully with a qualified Insolvency Practitioner's essential to ensure the entire pre-pack administration process is managed correctly.

## TIME TO PAY ARRANGEMENT (TTP)

As the name suggests, a TTP arrangement can give your clients more time to bring their creditor arrears up to date. As we've mentioned, owing HMRC money can cause a lot of worry and stress. At FTS Recovery we speak to HMRC every day and are experienced in negotiating ideal TTP arrangements with them.

It's worth noting if your client's in debt with HMRC and a number of other creditors, a TTP may not be the most suitable route.

## TURNAROUND FINANCE – FTS CAPITAL PARTNERS

If a company's experiencing cashflow difficulties, facilitating debt and equity funding can prove a valuable 'softer' solution than insolvency. Turnaround financing would enable your client to free up capital, pay debts and make progress towards better financial health, all in a relatively short period of time.

FTS Recovery together with FTS Capital Partners, with whom we work closely, will help you gather evidence of your client's viable business model and outline a history of stable, profitable performance. This is needed to be in a position to qualify for turnaround finance options. FTS Capital Partners also has its own cash to deploy into stressed or distressed funding situations and is sector agnostic.

# CLOSURE'S ON THE CARDS



Sadly for some, after all rescue and recovery options have been explored, the right outcome will be for the company to cease trading and close down.

There are various ways to do this...

## CREDITORS' VOLUNTARY LIQUIDATION (CVL)

This is a common form of liquidation in the UK where an Insolvency Practitioner's appointed by the director to wind up the company, selling its assets to clear creditor debts. The company hasn't been forced into liquidation (hence 'voluntary') and is an efficient way of bringing the company to a close.

Should a CVL be the chosen route, as the appointed Insolvency Practitioner, our role would be to manage the whole process and advise your client on their legal responsibilities as a director of an insolvent company.

## MEMBERS' VOLUNTARY LIQUIDATION (MVL)

Company shareholders may decide to voluntarily wind up the company, selling its assets to pay creditors and release funds to themselves. With MVL, the business is still solvent, but it can be a more tax-efficient way to close the company and extract profits.

It's extremely important to note that if a director opts for an MVL and the company's found to be insolvent, there are consequences. Our team has an in-depth knowledge of the rules directors must adhere to when closing down a company, avoiding potential issues.

## COMPULSORY LIQUIDATION

Compulsory Liquidation's the court-led procedure of closing a company, typically with creditors taking legal action (petitioning) to reclaim outstanding debts and to force a Liquidation, in which case the government equivalent (the Official Receiver's office) will at least in the first instance handle the Liquidation appointment.



# WHY TURN TO A LICENSED INSOLVENCY PRACTITIONER?

Ultimately, you need a licensed Insolvency Practitioner to protect the interests of your client.

A competent practitioner should look to leverage their experience and contact base to assess whether a refinancing (debt or equity) or softer, non-formal insolvency solution's a possibility. In some cases, their main task's to try to rescue a business, or in the absence of this being possible, conduct an orderly winding up of affairs. As we've discussed in our guide.

Crucially, Insolvency Practitioners must follow the law and their work's monitored by regulators to make sure they do. Unfortunately, as with any professional service, there are many unqualified, inexperienced and deceptive advisors operating in the marketplace, taking advantage of those in vulnerable situations simply to 'win' business.

Should you take poor advice from an unlicensed firm or individual, legal proceedings can be taken against your client, which will only exacerbate their position further. The key's to ensure the outcome's good for as many parties as possible – your client, your own firm, employees, creditors. So, when a client's facing insolvency, you need to seek advice from qualified professionals for that very reason.

## WHY YOU SHOULD BE WORKING WITH FTS RECOVERY

Our team of qualified Insolvency Practitioners are licensed and regulated by the Insolvency Practitioners Association. This means we're qualified to provide appropriate advice, are strictly regulated and bound by the five fundamental principles of the Insolvency Code of Ethics:

- Integrity – to be straightforward and honest in all professional and business relationships
- Objectivity – not to compromise professional or business judgements because of bias, conflict of interest or undue influence of others

- Professional Competence and Due Care – attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organisation receives competent professional service, based on current technical and professional standards and relevant legislation; and, act diligently and in accordance with applicable technical and professional standards
- Confidentiality – to respect the confidentiality of information acquired as a result of professional and business relationships
- Professional Behaviour – to comply with relevant laws and regulations and avoid any conduct that the Insolvency Practitioner knows or should know might discredit the profession

## EMPATHETIC YET PRAGMATIC

At FTS Recovery we're incredibly proud of the project work we've carried out in partnership with accountants and their clients. The businesses we've helped operate across a variety of sectors but no matter their size, when delivering difficult news, it's important to be empathetic to the situation.

We do of course appreciate insolvency's a serious subject matter and whilst being empathetic, we also need to be pragmatic and fair when it comes to the advice and recommendations we provide.



# HOW CAN FTS RECOVERY HELP?

There are steps that can be taken and support that can be given to breathe life back into distressed businesses. In many cases there's business of value underneath an absence of profits and off-form financial performance. Whether it's restructuring, selling assets, mergers & acquisitions, or turnaround financing, it's our job to come up with new ideas and act quickly when things aren't quite adding up for your client.

From experience, we know what it's like to have clients come to you for reassurance and protection. Sometimes they just want an independent, reliable source to help bring greater clarity, or just to sound them out.

We're here to turn advice into action, helping your client make courageous yet correct decisions through this challenging period of their business journey.

## WANT TO KNOW MORE?

Why not **contact us** to find out how we can help your clients to better understand the impact of their financial issues and the options to resolve them. We want to show you how our team can make a real difference.



**BUSINESS RECOVERY SERVICES**



**COMPANY ADMINISTRATION**



**COMPANY LIQUIDATION**



**COMPANY VOLUNTARY ARRANGEMENT**

# MEET OUR SPECIALIST TEAM

Here's our approachable, dedicated and highly qualified team, led by our National Head of Recovery, Marco Piacquadio - a licensed Insolvency Practitioner regulated by the Insolvency Practitioners Association.

Historically Marco's held partner roles with two of the UK's largest and listed Restructuring and Recovery outfits, as well as having worked in National Top Ten Accounting practices and boutique firms, understanding the challenges experienced

by business owners of Small and Medium-sized Enterprises (SMEs) through to Public Limited Companies (PLCs).

Within our dedicated Recovery division sits a core and highly experienced team of Restructuring and Recovery experts, using the best available systems and infrastructure within the sector.



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