

House of Commons: Written Statement (HCWS265)

Department for Business, Innovation and Skills

Written Statement made by: **Parliamentary Under Secretary of State for Employment Relations and Consumer Affairs (Jo Swinson)** on 09 Feb 2015.

Continuity of supply of essential services to insolvent businesses

Rescuing struggling but viable businesses out of formal insolvency helps save jobs and improves the prospect of creditors recovering some of what they are owed. The Enterprise and Regulatory Reform Act 2013 introduced new powers to help insolvency practitioners secure essential IT and utility supplies to keep a business going whilst it is being rescued.

I have today laid an Order to ensure that insolvency practitioners can retain the essential supplies they need to save viable businesses. There will be an impact on suppliers in the IT and utility sectors but I believe that by providing strong safeguards to ensure the supplier can have confidence they will be paid, we will ensure that the benefits of this measure far outweigh the costs. In particular:

1. The supplier will be able to seek a personal guarantee from the insolvency practitioner at any time to give them more certainty that the supplies will be paid for.
2. The supplier will be able to apply to court to terminate their contract on the grounds of 'hardship'.
3. Guidance will be issued to insolvency practitioners to urge them to make contact with essential suppliers at the earliest possible time following their appointment to discuss their needs in relation to supply, to ensure that undue costs are not incurred.

The Government's aim remains to ensure that a balance is struck between ensuring the rescue of viable businesses against the obligations placed on those suppliers that will be impacted by the Order. The proposed changes will have effect in relation to contracts made after 1 October 2015.

The Government consulted on how those new powers should be exercised and whether the safeguards proposed were adequate to ensure that those essential suppliers bound to supply an insolvent business would be paid.

A total of 31 responses were received and I am very grateful for the time those respondents took to provide constructive feedback to the consultation. Almost all respondents expressed their support for the aims of the proposals with some suggesting ways to make the safeguards more effective. The draft Order was amended in the light of comments received.

A summary of the responses received to the consultation can be found at www.gov.uk/government/organisations/insolvency-service.