



Early restructuring and a second chance for entrepreneurs

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Věra Jourová
Commissioner for Justice,
Consumers and Gender Equality



Directorate-General for
Justice and Consumers



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Country fact sheet

Every year in the EU, 200 000 firms go bankrupt, resulting in over 1.7 million people losing their jobs.

A well-functioning insolvency framework is essential to support growth and business creation. That is why the European Commission is putting forward modern and streamlined insolvency rules that will facilitate restructuring, give businesses a second chance and improve the efficiency of restructuring, insolvency and debt discharge procedures.

The proposed approach is expected to:

- ✓ Cut down the number of jobs lost due to bankruptcy;
- ✓ Bring more legal certainty for cross-border investors;
- ✓ Turn bad debt into performing credit to facilitate lending;
- ✓ Allow entrepreneurs to restart business activities, to keep innovation going and create an additional three million jobs across the EU.

What is the situation currently in the United Kingdom? ⁽¹⁾

Effectiveness of insolvency proceedings

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The United Kingdom ranks 8th among EU Member States when it comes to the effectiveness of its insolvency proceedings.

Average length of insolvency proceedings (years)

UK 1.0

EU 2.0

Recovery rate for secured creditors following insolvency proceedings

UK 88.6%

EU 65.0%

► The most likely outcome for debtors in financial difficulty in the United Kingdom is **restructuring**.

⁽¹⁾ All figures are according to the World Bank report, *Doing Business 2017: Equal Opportunity for All*: <http://www.doingbusiness.org/%7E/media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf>.

What will the new rules improve?

The situation today in the UK ^(?)	With the new rules
Depending on the procedure, dissenting classes or secured creditors may only be affected by the adoption of the plan upon their consent.	<ul style="list-style-type: none">✓ As a minimum, there will be classes of secured and unsecured creditors in order to ensure that similar rights are treated equitably and that restructuring plans can be adopted while respecting the legitimate interests of creditors.✓ In order not to jeopardise restructuring, dissenting classes of creditors and shareholders can be outvoted under strict conditions. There are safeguards to protect everyone's legitimate interests.
New financing for companies in the process of early restructuring is not sufficiently encouraged or protected.	<ul style="list-style-type: none">✓ Access to fresh money is vital for the rescued company. New financing will be specifically protected increasing the chances that restructuring will be successful.

^(?) Information on current framework according to the Member States' responses on the implementation of the 2014 Commission Recommendation, an INSOL Europe Study of January 2014 and a comparative legal study carried out by the University of Leeds of January 2016.