

# Client Alert

## UK Government Announces Proposals to Protect Companies Adversely Affected by the COVID-19 Outbreak

31 March 2020

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On 28 March 2020, the UK government announced it would be implementing new measures to improve the insolvency system aiming to, amongst other things, support businesses under pressure as a result of the COVID-19 outbreak and resulting restrictions.

### Government support package – relaxation of insolvency rules

Alok Sharma, the Business Secretary, announced there would be legislative changes to allow 'greater flexibility' enabling UK companies undergoing a rescue or restructure process to continue trading, giving them breathing space, which could help them avoid insolvency.

Whilst the details of the proposed legislation have yet to be made public, the government has indicated that the changes would include enabling companies undergoing rescue or restructuring to continue access to supplies and raw materials (e.g. energy, raw materials, broadband).

It is also expected that wrongful trading provisions for company directors will be relaxed or suspended retrospectively from 1 March 2020 for three months, reducing the threat of personal liability for directors who continue trading despite the uncertainty and dislocation caused by the COVID-19 pandemic. Currently, directors of limited liability companies may become personally liable for certain business debts if they continue to trade when there is no reasonable prospect that the company would avoid going into insolvent liquidation or insolvent administration.

It is expected that the proposed changes will implement some or all of the proposals, which were the subject of a government consultation in August 2018, details of which can be found [here](#). The legislative changes are likely to be introduced in Parliament in the near term. We are continuing to monitor this rapidly developing situation and will issue additional updates as more information becomes available.

## Financial restructuring Group

Please feel free to discuss any aspects of this Client Alert with your regular Milbank contacts or any of the members of our Financial Restructuring Group.

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