

Connaught collapse raises concerns of a domino effect

Following the announcement of social housing maintenance company, Connaught, entering administration, concerns are raised as whether there will be a knock on effect for those businesses that worked for Connaught and have yet to be paid.

Insolvency practitioner, Shane Biddlecombe of Southampton based hjs Recovery commented " I, like most other people, saw the announcement of the impending collapse of Connaught on the news on Tuesday. On Wednesday, following the confirmation that the company had been placed into administration, I have received a number of requests from directors of companies to offer advice in relation to their own company's financial position.



Shane Biddlecombe
Insolvency Practitioner

It is too early for the administrators of Connaught to comment on whether there will any payment made to the unsecured creditors from the wreckage. What we do know is that Conaught owes its creditors the phenominal sum of in excess of 220 million pounds. One of the companies that have contacted me are owed over £400,000, for which they have relied on the debt being paid, in order that they can pay their own creditors. Clearly they are not going to receive those funds, certainly not in the short term, if at all, and certainly not in time for them to pay their creditors. I am currently in discussions with the company's creditors for a moratorium on payment of its debts. If a moratorium, a deferred payment arrangement, or indeed a forgiveness of debt cannot be agreed, it is likely that this company will also be forced into insolvency.

Similarly, another business is owed £180,000 and has already received a threat of a winding up order from its largest creditor. If the winding up order is made, it will result in not only the failure of the business, but also the loss of a further 30 jobs. I am currently formulating a rescue plan and am hopeful that the collapse of this business as a direct result of Connaught's failure can be avoided.

These are difficult and challenging times and I would urge any business facing uncertainty in relation to its financial affairs to contact an insolvency practitioner as soon as possible. The insolvency practitioner will be able to advise on whether there is a cause for concern and if so, what steps can be taken to avoid the worst case scenario of a forced insolvency. Generally the initial consultation with an insolvency practitioner is free of charge, although if there is a suggestion that there is a charge, there are plenty of other insolvency practitioners who can provide this initial service at no cost."

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