Restructuring advice should be taken early as corporate insolvencies expected to rise

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The anticipated rise in UK and European corporate insolvencies over the next two years should be prompting both borrowers and lenders to take early advice where they have concerns about businesses' solvency outlook, says an Ogier offshore restructuring specialist.

A partner in Ogier's Banking & Finance team was involved in several post financial crisis restructurings, including the receivables trustee of a £13.5bn portfolio of UK RMBS as well as portfolios of loans in the Irish banking industry and regulatory capital in the Austrian banking sector.

Recent reports have forecast that British insolvencies are set to rise by 8% in 2018 – the second highest rise worldwide, after China – and that the increasing likelihood of rate rises and the end of quantitative easing by the European Central Bank in 2019 threaten a similar increase in Europe.

Already this year, UK firms including Carillion, Toys R Us and Maplin have been declared insolvent.

They said: "Whether you're a borrower or a lender, you should be analysing each company's solvency position, particularly where those entities are reliant on group support to meet their obligations, and if you think that there are issues, taking advice early as to what your obligations or rights are, and what course of action you should take.

"Early analysis, advice and action is crucial. For directors of debtors, the nature of their obligations changes as the solvency position of the company deteriorates, as does the ability of lenders to protect themselves.

"The regulatory picture may have changed significantly over the last ten years, particularly for financial institutions, but the combination of quantitative easing by the ECB and low interest rates coming to an end may pose a test for some businesses."

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