



NEWS WITH CLOUT

Chartered Accountants for Business Recovery & Insolvency Services
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Taking the Debtors Side

Many professionals get hit with a plea from clients to negotiate with creditors on their behalf. From our observations many professionals know how it works and do it quite successfully. Some pass it on to us as we are familiar with the thought processes and the emotions.

It is not rocket science and here are some factors for consideration when the situation arises. This list is by no means exhaustive

- What is the situation if Bankruptcy or Liquidation, were to occur, needs assessing and laying out. Often compromising the debt may be preferable to forcing Bankruptcy.
- Knowing the accurate position helps as the provision of false information has a way of affecting your credibility with creditors if found out.
- We feel it is important to know what caused the financial difficulties in the first place, and has the cause been rectified. What is the point of buying your client some time for them to dig a bigger hole.
- If external funds are to be provided as part of an offer to creditors, be it from a sale of assets or contributions from a related party, how definite is that money, as one strike and you are out in the credibility stakes.
- If any repayment is going to come from cashflow, is there sufficient profitability and will the timing of the cashflow enable the commitments being made to be honoured.
- What is the creditor profile you are looking to negotiate with. Are they middle sized to large organisations or SME's as the inclination to negotiate and the extent of commerciality varies.
- What representations have previously been made to creditors by the debtor and how strained or otherwise is that relationship.
- Simply the number of creditors involved will influence the likelihood of success of negotiations because the fewer there are the less time taken and the more likely you can negotiate some form of formal or informal stand still agreement. The more creditors you have the more likely you are to need some formal protection that the law affords.
- You need to know who are the major creditors and their parameters for accepting deals that are less than payment in full, needs to be known if such a proposal is contemplated.
- You need to consider if all creditors are to be offered the same deal or not. Our view is this is preferable.
- The acceptance or otherwise of the debtor as to the potential to loose everything or not will influence what is offered and how hard you can negotiate.
- Whether there is more at stake than the assets or the business.

Throw all the parameters into the blender and out comes your negotiation strategy. Then you come across a creditor who is not normal nor do they play by the rules. You need to have a fallback plan in the event you encounter one or more of these problem people.



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