

## UK GOVERNMENT EXTENDS FURTHER EMERGENCY INSOLVENCY AND COMPANY MEETINGS LEGISLATION TO PROTECT BUSINESSES

As the number of reported cases of the coronavirus in the UK continues to rise, certain temporary insolvency and other measures aimed at protecting business, have now been reinstated and extended by the UK government.

The measures that have been extended relate to the legislation that applies to the holding of company meetings. These measures enable companies to override, temporarily, certain requirements in their constitutional documents and/or legislation relating to the holding of a general meeting, including class meetings or AGMs, enabling companies to conduct their meetings in a number of different ways: behind "closed doors" or in hybrid or virtual-only formats. The measures have extended the period during which companies can conduct meetings in this way from 30 December 2020 to 30 March 2021. Whilst this extension will be of benefit to some companies, it is unlikely to be of much assistance to those companies with a 31 December financial year end who would not generally hold their AGM ahead of 30 March 2021. Any further extension of these measures beyond 30 March 2021 will require primary legislation and there is currently no indication that any such extension will be forthcoming and the congested legislative timetable means there is little by way of cause for optimism in this regard. See our separate [briefing](#) for further information on these measures.

A previous measure has also been reinstated effective from today until 30 April 2021 relating to the relaxation of the personal liability that may be imposed on directors under the wrongful trading provisions. The measure means that the court has to assume that for the period between 26 November and 30 April 2021 a director is not responsible for the worsening of the company's financial position. A previous temporary relaxation of the wrongful trading measure expired on 30 September 2020. The legislation does not provide any relaxation of the wrongful trading provisions for the period between the previous measure expiring on 30 September 2020 and its reinstatement today. Whilst the reinstatement is clearly of significant assistance, directors will need to continue to make decisions carefully taking into account the interests of their stakeholders, in particular their creditors, and seek professional advice where necessary. The risks of exposure for misfeasance or fraudulent trading or disqualification have not been alleviated.

The permanent insolvency measures introduced on 26 June continue. They include:

- a standalone moratorium for viable companies, which provides the company with a payment holiday for certain payments and protection from proceedings including enforcement;
- a new compromise procedure – the restructuring plan, modelled on a scheme of arrangement, which permits, with the court's approval, one class of creditors to bind others to an arrangement to eliminate, reduce, prevent, or mitigate the effects of any financial difficulties; and (already used for Virgin Atlantic and Pizza Express); and
- a prohibition on suppliers relying on termination clauses triggered by formal insolvency proceedings, including the new moratorium or the new compromise procedure. (It should be noted that to continue to provide certainty to small suppliers whilst they attempt to recover from any financial impact coronavirus has had on their business, they can continue to rely on contractual termination clauses where their customer has entered a formal insolvency procedure by virtue of the temporary small supplier exemption which has been extended to 30 March 2021.)

The key features of each of the permanent measures are set out in the tables at the end of our [briefing](#) published in the Summer.

If you would like to hear more about the temporary and permanent insolvency measures please contact our restructuring and insolvency team or your usual Clifford Chance contact.

## CONTACTS



**Kath Roberts**  
Knowledge Director

**T** +44 20 7006 1308  
**E** kathryn.roberts  
@cliffordchance.com



**David Pudge**  
Partner

**T** +44 20 7006 1537  
**E** david.pudge  
@cliffordchance.com



**Melissa Coakley**  
Partner

**T** +44 20 7006 1963  
**E** melissa.coakley  
@cliffordchance.com



**Adrian Cohen**  
Partner

**T** +44 20 7006 1627  
**E** adrian.cohen  
@cliffordchance.com



**Philip Hertz**  
Global Head of  
Restructuring and  
Insolvency

**T** +44 20 7006 1666  
**E** philip.hertz  
@cliffordchance.com



**John MacLennan**  
Partner

**T** +44 20 7006 1642  
**E** john.maclennan  
@cliffordchance.com



**David Towers**  
Partner

**T** +44 20 7006 8036  
**E** david.towers  
@cliffordchance.com



**Iain White**  
Partner

**T** +44 20 7006 2825  
**E** iain.white  
@cliffordchance.com

This publication does not necessarily deal with every important topic or cover every aspect of the topics with which it deals. It is not designed to provide legal or other advice.

[www.cliffordchance.com](http://www.cliffordchance.com)

Clifford Chance, 10 Upper Bank Street,  
London, E14 5JJ

© Clifford Chance 2020

Clifford Chance LLP is a limited liability partnership registered in England and Wales under number OC323571

Registered office: 10 Upper Bank Street,  
London, E14 5JJ

We use the word 'partner' to refer to a member of Clifford Chance LLP, or an employee or consultant with equivalent standing and qualifications

If you do not wish to receive further information from Clifford Chance about events or legal developments which we believe may be of interest to you, please either send an email to [nomorecontact@cliffordchance.com](mailto:nomorecontact@cliffordchance.com) or by post at Clifford Chance LLP, 10 Upper Bank Street, Canary Wharf, London E14 5JJ

Abu Dhabi • Amsterdam • Barcelona • Beijing • Brussels • Bucharest • Casablanca • Dubai • Düsseldorf • Frankfurt • Hong Kong • Istanbul • London • Luxembourg • Madrid • Milan • Moscow • Munich • Newcastle • New York • Paris • Perth • Prague • Rome • São Paulo • Seoul • Shanghai • Singapore • Sydney • Tokyo • Warsaw • Washington, D.C.

Clifford Chance has a co-operation agreement with Abuhimed Alsheikh Alhagbani Law Firm in Riyadh.

Clifford Chance has a best friends relationship with Redcliffe Partners in Ukraine.