

## ReSolve Saves Construction Company from Winding Up

### Overview

Our client is an award-winning specialist construction company specialising in restoration and conservation projects and operating for over 50 years.

The Company had a difficult trading period during the pandemic with turnover halving and debt piling up. At the time of ReSolve's engagement, the Company had struggled to pay PAYE and contractor deductions over two years and, because of the drop in turnover, and changes to the way construction businesses account for VAT, it had developed a poor history of compliance with HMRC.

The Company instructed an agent to help broker a deal with HMRC on their behalf. The agent, who was not an insolvency practitioner (IP), sought to secure a discounted repayment over a 12 or 24-month period. In our experience of working with HMRC, we have not known such arrangements to be achievable. Unsurprisingly, the agent failed in their quest and HMRC subsequently lost patience and issued a winding up petition for over £1.5 million.

The hearing was set for six weeks following the winding up petition date. Around 10 days prior to the hearing date, the petition is advertised by HMRC, and all bank assets would be frozen following publication of the advert. It is worth pointing out that at this stage it is extremely unlikely for a Time-to-Pay (TTP) arrangement to be made. Usually, TTP arrangements are secured in advance of any winding up petitions being issued. HMRC rarely engages in negotiations post-petition and ultimately liquidates the company.

### ReSolve's Strategy

However, the Company approached ReSolve for help following a recommendation by a mutual legal contact, and, following a brief consultation, Ben Woodthorpe, Partner at ReSolve, was appointed as an agent allowing him to conduct stress testing and a review of the finances with the management team, to determine whether a refinancing plan was possible. A plan involving third party investment was set out, and Ben went to work putting together a TTP proposal.

The negotiations between ReSolve and HMRC required time, professionalism and patience. Knowing how HMRC operates and how best to deal with them was critical to ReSolve's success. Over the course of many phone calls and various HMRC representatives, Ben negotiated and put forward three different proposals. The first two proposals for repayment in six months and three months respectively were rejected.

### Outcome

Finally, a proposal was approved to pay down the petition debt within 10 weeks. Working with HMRC as an IP helps give the situation credibility, since discussions can be benchmarked against the alternative insolvency processes. The Company paid 50% upfront and is scheduled to pay the remainder from trading profits in two more instalments over the 10-week period. The hearing was adjourned and the Company avoided liquidation.

### Ben Woodthorpe, Partner at ReSolve, commented:



"Businesses are often afraid to pick up the phone to HMRC if they are unable to make their payments, however we have proven that it is often the best course of action. Being proactive, taking advice early and discussing your options with an insolvency practitioner and HMRC directly can be the key to saving your company. It has been our pleasure to help this business find a solution and we wish them every success in the future."

