

# Restructuring and Insolvency Focus: Predictions for 2024

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**PRACTICES** Bankruptcy Litigation, Counterparty Insolvency and Risk Management, Fiduciary Disputes, Restructuring

As 2023 ends and insolvency rates hit worrying new highs, any suggestion that there is light at the end of the UK's economic tunnel is not supported by the statistics. We look at what may lie ahead for the restructuring and insolvency sector next year.

- **Business insolvencies to rise to new record levels in 2024.** With the latest data from the Insolvency Service sadly showing the highest level of insolvencies in the UK since the global financial crisis in 2009, it is a clear indication that the combination of high interest rates, stubborn inflation, lack of consumer confidence and lower levels of spending is beginning to bite hard. A continued rise in insolvencies is of course indicative of a wider downturn in the economy. The UK economy would likely need to double in 2024 to stabilize the numbers of business insolvencies, and that looks implausible right now. It is more likely we will see a year-on-year increase in insolvencies for the foreseeable future, given the economic and financing outlook.
- **Construction, leisure and hospitality will continue to suffer.** These sectors continue to make the biggest contributions to the rise in corporate insolvencies. Historically, construction has seen the most insolvencies in a downturn, due to the domino effect of contractor failure for long lists of suppliers. New housebuilding and repair, maintenance and improvement will also likely remain subdued while the government delays (and cancels) infrastructure projects.
- **Disputes related to insolvency and business distress spike.** There was a sharp rise in insolvency applications this year following Covid, and that trend is set to continue in 2024. HMRC is starting to take a much more aggressive approach, increasing the number of winding-up petitions it is presenting to the court in respect of unpaid PAYE and VAT, issuing more so-called "stop" notices to cut down on tax-avoidance schemes and increasingly asking for security bonds. We also expect an increase in third-party litigation-funded disputes.
- **The Part 26A Restructuring Plan continues to evolve.** We are likely to see more ground-breaking cases for UK restructuring plans as they evolve alongside parallel proceedings in various jurisdictions. We have recently seen the first restructuring plan considered by the Court of Appeal, and further challenges lie ahead for the cross-class cramdown mechanism. However, no significant changes to UK insolvency laws are envisaged in the next 12 months.
- **A sustained demand for restructuring and insolvency professionals.** Inevitably, there will be a continued growth in demand for the services of restructuring and insolvency lawyers and insolvency practitioners, given the current economic conditions. They continue to find ways through the most challenging situations. However, the profession is at a crossroads due to the government's proposed regulatory reforms and recruitment challenges.

Our highly experienced Restructuring & Insolvency team provides clear, pragmatic and practical legal advice to businesses in the UK and the US facing financial difficulty.