

An end to temporary COVID insolvency measures



Today (not an April Fool!) marks the end, finally, of all temporary COVID insolvency measures, with the exception of certain rent arrears between 21 March 2020 and 12 April 2021 (for non-essential retail) or 18 July 2021 (for hospitality businesses).

At the start of the pandemic parliament enacted a swathe of measures designed to protect businesses from creditor pressure whilst they were suffering the financial impact of business closures and lock-downs as a result of COVID-19. My recent article summarised the various provisions of the Corporate Insolvency and Governance Bill and subsequent Act, which came into force on 26 June 2020.

The initial protection lasted from 1 March until 30 June 2020, but as it became clear that COVID was here for the long-haul, the end date was extended five times, ultimately to 30 September 2021 when most of the protection came to an end.

A final 'buffer' period between 1 October 2021 to 31 March 2022 was then introduced, which allowed winding-up petitions for debts of £10,000 or more (the pre-pandemic threshold was £750) provided a prescribed notice had been delivered to the company inviting proposals for repayment of the debt within 21 days, and no proposal satisfactory to the creditor had been received within that period. Until very recently there was speculation as to whether the increased limit of £10,000 for winding-up petitions would be retained on a permanent basis.

The Insolvency Service categorically confirmed in a [news story](#) earlier this week that the remaining insolvency restriction would not be extended further, however, allowing the insolvency regime to return to its pre-pandemic operation. This is with the exception of certain rent arrears in the commercial rental sector, as mentioned above, which are subject to further limited protection for another 6 months.



The return to the lower threshold of £750 may not make much practical difference to a creditor's decision as to whether to issue a winding-up petition, due to the associated costs of preparing, issuing and advertising the petition, as well as the mandatory Official Receiver deposit of £1,600. For this reason we would usually only recommend proceeding with a winding-up petition where the debt is considerably higher than £10,000.

How we can help

If you need help in recovering an unpaid debt, or have received a winding-up petition and need advice on what to do, get in touch with our [insolvency team](#) who can advise you on your options.



[Joanna Ford](#)

Partner and Head of Commercial Dispute Resolution