

Corporate Insolvency and Governance Act 2020

The measures in the Act, available [here](#), will support businesses, and where applicable charities and mutual societies, through the coronavirus emergency through the following **permanent changes**:

Introducing a new moratorium

- The moratorium, introduced in [section 1](#), prevents insolvency proceedings and certain legal action from being taken against a company without the consent of a court during the period when it is in force. This is meant to give the company breathing space while they seek a rescue.
- During the moratorium, the company must continue to pay certain debts including newly incurred liabilities, payments for new supplies, rent in respect of the moratorium period, certain payments due to employees, and debts under financial contracts, including lending contracts. If those debts are not paid, the moratorium will end.
- During the moratorium period, directors continue to run the company, under the supervision of a licensed insolvency practitioner (the “Monitor”).
- The moratorium will last for an initial 20 business days and can be extended for a further 20 business days by the directors and for up to 12 months with creditor (or court) consent.
- [Government guidance on applying for a moratorium is available here](#).

Disapplying termination clauses by suppliers – The Act also seeks to ensure that companies going through a rescue process continue to receive supplies by prohibiting the use of termination clauses by suppliers. This is subject to safeguards for suppliers facing hardship and a temporary exemption for small firms during the coronavirus emergency.

New binding restructuring plan – The Act introduces in Part 26A to the Companies Act 2006, a new option for businesses needing to restructure their liabilities – the Restructuring Plan. The plan generally requires creditor consent but dissenting creditors may be bound by the plan if sanctioned by the court as fair and equitable, and if the court is satisfied that those creditors would be no worse off than if the company entered an alternative insolvency procedure. This Part is introduced by [Schedule 9](#).

The Act also introduces the following **temporary changes**:

Suspending personal liability of directors for wrongful trading – The Act temporarily suspends the wrongful trading rule until 30 September 2020 (effective retrospectively from 1 March 2020) to give directors breathing space to trade during the pandemic without the risk of incurring liability in the event that the company becomes insolvent ([Section 12](#)).

All other duties and checks on directors remain intact.

Suspending creditors ability to present winding-up petitions – The Act prevents creditors, between from presenting a winding up petition on the basis of an unsatisfied statutory demand served between 1 March 2020 and 30 September 2020.

The Act also prevents creditors from presenting a winding up petition between 27 April 2020 and 30 September 2020 unless the creditor has reasonable grounds for believing that:

- coronavirus has not had a financial effect on the company, or
- the company would have been unable to pay its debts even if coronavirus had not had a financial effect on it.

These measures are set out in [schedule 10](#).

Temporary easing of administrative burdens – The Act temporarily eases administrative burdens on businesses through the following provisions:

- For public companies with a filing deadline that falls between 26 March 2020 and 29 September 2020, the deadline will be extended to the earlier of 30 September 2020 and 12 months from the end of the company's accounting period ([Section 38](#)).
- Relaxation of rules for meetings of companies and other bodies, until 30 September 2020. These rules are found in [Schedule 14](#).