

After seemingly weeks of dull weather, the warm sunshine of the last week in Devon and Cornwall reminds us that summer is on its way. Unlike many commentators I view this week's new lending figures from the Bank of England with guarded optimism. The good news is that money is starting to flow more freely, with an increase in lending to individuals and an improving trend in corporate lending, particularly by Barclays and Nationwide, which have together lent an additional £11 billion over the last year. Hopefully, it will become easier for companies to access finance as banks draw on the £70 billion available at the Bank of England under the

## Financial decisions can lead to business growth

### MONEY MATTERS

**Matthew Clark**, founder of Exeter-based wealth management firm Seabrook Clark, looks at opportunities for investment to boost growth



Funding for Lending Scheme.

If we are to avoid a decade of austerity, it is vitally important for UK businesses to pick up the baton as they employ some 24 million people, of which about a tenth are situated in the Westcountry. Confidence remains key to recovery, which is reflected in some companies hoarding cash; the British Bankers Association estimates that corporate cash

balances now stand at around £126 billion.

From my discussions with small business owners, there are some clear themes. The first is a focus on tax mitigation to ensure that profits are not dissipated but are applied to legitimate strategies for reducing both corporation tax and personal income tax. On the basis that capital allowances and pension contri-

butions have been considered, advice in this area may focus on tax-efficient investments for both the company and business owner. Furthermore, where there is surplus cash this can be put to work rather than lying idle at a low rate of interest.

The second key area is implementing an investment plan to drive both business growth and personal wealth creation. Many people have old-fashioned, poorly performing personal pensions, which can often be beneficially moved to new flexible arrangements financing the purchase

of business premises or future expansion plans. Where appropriate, pension funds can borrow to buy commercial property, or where a larger property is considered, the ownership can be shared with the company, other individuals or their respective pension funds. A strategy such as this avoids the pitfall that many business people face, which is to focus solely on their business to the detriment of their own personal financial planning. The third area of advice is centred on pension auto-enrolment for staff. This offers employers the opportunity to

reward and retain staff by offering good retirement benefits, as well as stay within the law. Finally, with low interest rates, now is a good time for companies and directors to review any debt finance and potentially restructure. In addition, as confidence improves, I am seeing increasing enquiries for new borrowing to fund both commercial and residential property.

This article is not personal advice based on your circumstances. If you are unsure about the suitability of an investment, you should seek professional advice. For further information [www.SeabrookClark.co.uk](http://www.SeabrookClark.co.uk) or telephone 01392 875 500.

**SEABROOK CLARK**  
WEALTH MANAGEMENT

## Director transactions must be at market value

### BUSINESS MATTERS

**Lisa Thomas**, an insolvency practitioner with Plymouth-based Neville & Co, looks at what happens in the immediate aftermath of a business becoming insolvent including transactions involving directors



When the directors or owner of an insolvent business first come to us there is usually an intense rush of activity to get things sorted out. There is often pressure from unpaid suppliers wanting their money and unpaid staff to be assisted with redundancy claims. Sometimes it is a case of closing down the premises and having the site secured and cleared very quickly.

This period usually last one or two weeks after which matters settle down and we have to look at the other functions we have to fulfil as insolvency practitioners.

One of these tasks is a statutory duty to investigate what actually went wrong and report our conclusions to the creditors of the insolvent business. Whilst it is not always possible to reach a definite conclusion as to why it all went wrong at the same time we do also look at any odd transactions spanning the final two years.

This review of transactions will include looking to make sure everything that the business did in that final period was at arm's length.

This sometimes throws up a problem for the directors if the company has made a gift or entered into a transaction with a person and received no consideration or significantly less consideration than ought to have been received. This is called a transaction at an undervalue.

Such a transaction tends to happen when directors transfer company assets into their own personal names and do not pay for them or pay significantly less than fair market value or, perhaps when they are under pressure from a creditor or employee and they give that person a company asset in lieu of physical payment.

It is also worth stating that we have to carry out this review when someone has been made bankrupt. In a very recent case, we dealt with the owner of a freehold shop who

knew that personal insolvency was a possibility due to accumulating tax debts. He thought that by giving the freehold to his wife that if he was then declared bankrupt that the property would be safe. Unfortunately for him this was not the case and the property would have to be returned.

There is a usual time limit on a personal insolvency undervalue of five years before the date of bankruptcy and two years before the date of a limited company insolvency.

**What are the consequences of an undervalue?**

Usually the insolvency practitioner will try to reach a settlement with the party concerned to repay the shortfall between what was actually paid (if anything) and what ought to have been paid. If the parties are unable to reach an agreement then the insolvency practitioner may apply to court for an order to reverse the transaction.

**Is there a defence?**

Yes, if the transaction was entered into in good faith and the transaction was for the benefit of the business and at the time of the transaction there were reasonable grounds for believing that the transaction would benefit the company.

There is also a defence if at the time of the transaction the business or person was solvent.

**Finally**

Insolvency is a complicated area. If you have issues facing your business it is best to get proper professional advice early on. We help more businesses to steer a path out of trouble than any other option.

Neville & Co are a firm of licensed insolvency practitioners. Contact Lisa on 01752 786800.



### COMMERCIAL BANKING

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(L-R) Andrew Piper (DP Seals) with Nigel Farrow (Lloyds TSB Commercial Banking)

## DP Seals manufactures success with premises expansion

A South West engineering firm has increased its manufacturing capacity after investing in two new units with the support of Lloyds TSB Commercial Banking.

DP Seals is a family run firm which was founded in 1976. It produces bespoke rubber seals and gaskets for a range of businesses, particularly those in the aerospace and sub-sea sectors.

**"DP Seals is a great example of the long term relationships we aim to build with our customers. By fully understanding their companies we can offer the best possible service and provide the funding they need to achieve their ambitions."**

Nigel Farrow, Relationship Manager for Lloyds TSB Commercial Banking

In order to meet increasing customer demand for its services, DP Seals has purchased two new units at its secondary site, which

gives the business around 4,000 sq ft of extra space. The new units are set to contribute an estimated additional £500,000 to the firm's turnover.

The funding for the purchase was provided by Lloyds TSB Commercial Banking through the Government-backed Funding for Lending Scheme, which meant the business was able to benefit from a 1% interest rate reduction for the lifetime of the loan.

Andrew Piper, owner of DP Seals, said: "We've been a customer of Lloyds TSB Commercial Banking for around 20 years now, and in that time we have built a strong, mutually understanding relationship with the bank. The funding it provided is the latest example of the support we have received over the years."

Nigel Farrow, Relationship Manager for Lloyds TSB Commercial Banking, said: "DP Seals is a long established manufacturer that has built up a strong reputation for producing high quality components for a number of major companies across the world."

**To find out how funding from Lloyds TSB Commercial Banking could support your business ambitions, please visit [lendingforbusiness.com](http://lendingforbusiness.com)**

## Our banking support

We're delighted to have been part of DP Seal's investment plans and want to encourage the ambitions of other businesses located in the South West.

And through the Funding for Lending Scheme, we offer a 1% interest rate discount on new approved business loans, commercial mortgages and hire purchase agreements for the lifetime of the loan.

At Lloyds TSB Commercial Banking, we know that cash really is king when it comes to meeting day-to-day payment obligations. That's why our team of locally-based relationship managers can provide access to a range of working capital products to suit each businesses' unique needs. That's supported by our 80% approval rate for loan and overdraft applications.

We're determined to support business achievement in Devon and Cornwall and play our part in the local economy by providing funding to companies like yours.



**Dave Beaumont**  
Director,  
Commercial Banking  
Devon & Cornwall

[lendingforbusiness.com](http://lendingforbusiness.com)

 **Lloyds TSB**

**Any property given as security, which may include your home, may be repossessed if you do not keep up repayments on your mortgage or other debts secured on it.**

All lending is subject to a satisfactory credit assessment.

80% relates to period April 2012 to March 2013. 1% discount applies to businesses with an annual turnover of up to £15m. For other businesses, the discount will be up to 1%. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Licensed under the Consumer Credit Act 1974 under registration number 0004685. We subscribe to The Lending Code; copies of the Code can be obtained from [www.lendingstandardsboard.org.uk](http://www.lendingstandardsboard.org.uk) Hire Purchase facilities are provided by Lloyds TSB Commercial Finance which is a trading name of Lloyds TSB Commercial Finance Limited. When using these products and services your agreement will be with a Lloyds Banking Group company whose terms and conditions will apply.