The Insolvency (No 2) Bill

(Bill 76 of 1993/94)

Research Paper 94/48

18 March 1994

This Bill is desinged to deal with the consequences of the Court of Appeal ruling in the administration of *Paramount Airways Ltd* on 22 February 1994. The effect of the judgment is that administrators and receivers have only 14 days in which to rescue an insolvent company before they are forced either to assume liability for the employees' contracts or to sack the workforce. In the face of this threat to the survival of many companies in financial difficulties, Mr Heseltine, the President of the Board of Trade, announced on 14 March 1994, that he would be expediting emergency legislation to amend the law with effect from midnight that day. The Bill is expected to pass through all its stages in the Commons on 21 March 1994.

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I The Legal Background

Under the *Insolvency Act 1986* (the "I A 1986"), an administrator may be appointed to manage the affairs, business and property of a company in financial difficulties. The general purpose of an administration order is to allow a company to be put on a more profitable basis if possible, through the approval of a voluntary arrangement or the sanctioning of a compromise or arrangement with its creditors, or at least to allow the company's assets to be disposed of more profitably than would be the case if other forms of insolvency proceedings, such as liquidation, were used.

The role of an administrator will include considering the prospects of continuing the business, and the position of the employees. Under Section 19(5) of the I A 1986, an administrator has only 14 days from the date of his appointment to decide whether to adopt contracts of employment. Specifically, Section 19 states:

> **19.**— (1) The administrator of a company may at any time be removed from office by order of the court and may, in the prescribed circumstances, resign his office by giving notice of his resignation to the court.
>
> (2) The administrator shall vacate office if—
>
> *(a)* he ceases to be qualified to act as an insolvency practitioner in relation to the company, or
>
> *(b)* the administration order is discharged.
>
> (3) Where at any time a person ceases to be administrator, the next two subsections apply.
>
> (4) His remuneration and any expenses properly incurred by him shall be charged on and paid out of any property of the company which is in his custody or under his control at that time in priority to any security to which section 15(1) then applies.
>
> (5) Any sums payable in respect of debts or liabilities incurred, while he was administrator, under contracts entered into or contracts of employment adopted by him or a predecessor of his in the carrying out of his or the predecessor's functions shall be charged on and paid out of any such property as is mentioned in subsection (4) in priority to any charge arising under that subsection.
>
> For this purpose, the administrator is not to be taken to have adopted a contract of employment by reason of anything done or omitted to be done within 14 days after his appointment.

A similar provision on the adoption of employment contracts exist in Section 44(2) of the I A 1986 with regard to the appointment of an administrative receiver. Section 44 states:

> **44.**— (1) The administrative receiver of a company—
>
> *(a)* is deemed to be the company's agent, unless and until the company goes into liquidation;
>
> *(b)* is personally liable on any contract entered into by him in the carrying out of his functions (except in so far as the contract otherwise provides) and on any contract of employment adopted by him in the carrying out of those functions; and
>
> *(c)* is entitled in respect of that liability to an indemnity out of the assets of the company.
>
> (2) For the purposes of subsection, (1)*(b)* the administrative receiver is not to be taken to have adopted a contract of employment by reason of anything done or omitted to be done within 14 days after his appointment.
>
> (3) This section does not limit any right to indemnity, which the administrative receiver would have apart from it, nor limit his liability on contracts entered into or adopted without authority, nor confer any right to indemnity in respect of that liability.

An administrative receivership comes into effect where a receiver is called in by, and acts for, a main creditor who has a floating charge over the company's assets - normally the creditor will be a bank. A bank will not generally want to become the owner of the company's assets by foreclosure as the sale of assets will give only the break-up value of the property involved. The alternative is to appoint an administrative receiver to run the business for long enough to recover the debt from profits or sell the firm as a going-concern.

Although Sections 19(5) and 44(2) apply only to England and Wales Section 57(5) IA 1986 contains a virtually identical provision in relation to the adoption of employment contracts by receivers in Scotland. Section 57 States:

> **57.**— (1) A receiver is deemed to be the agent of the company in relation to such property of the company as is attached by the floating charge by virtue of which he was appointed.
>
> (2) At receiver (including a receiver whose powers are subsequently suspended under section 56) is personally liable on any contract entered into by him in the performance of his functions, except in so far as the contract otherwise provides, and on any contract of employment adopted by him in the carrying out of those functions.
>
> (3) A receiver who is personally liable by virtue of subsection(2) is entitled to be indemnified out of the property in respect of which he was appointed.
>
> (4) Any contract entered into by or on behalf of the company prior to the appointment of a receiver continues in force (subject to its terms) notwithstanding that appointment, but the receiver does not by virtue only of his appointment incur any personal liability on any such contract.

> (5) For the purposes of subsection (2), a receiver is not to be taken to have adopted a contract of employment by reason of anything done or omitted to be done within 14 days after his appointment.
>
> (6) This section does not limit any right to indemnity which the receiver would have apart from it, nor limit his liability on contracts entered into or adopted without authority, nor confer any right to indemnity in respect of that liability.
>
> (7) Any contract entered into by a receiver in the performance of his functions continues in force (subject to its terms) although the powers of the receiver are subsequently suspended under section 56.

Prior to the Court of Appeal ruling, almost every trading administration and receivership has since 1987 neatly side-stepped the full impact of Sections 19(5) and 44(2) of the I A 1986 by relying on the case of *Specialised Mouldings 1987*[1]. The case of *Specialised Mouldings* established the practice among administrators and receivers of avoiding the adoption of contracts by notifying each employee in writing within 14 days of their appointment that their contracts of employment will not be adopted. In so doing, the administrator or receiver was still liable to pay for the services of the employees, which would be treated as an expense of the administration in priority to all other claims. However, he did not have to pay any other contractual entitlements, such as pay in lieu of notice and contractual redundancy pay, arising out of the termination of the employment as an administration expense.

The result of the *Paramount* judgment, subject to the outcome of any appeal by the administrators to the House of Lords, is that if the administrator of a company adopts the existing employees' contracts, the contractual entitlements arising out of dismissal would rank on the cessation of the administration as a first cost against those company's assets in the administrators' possession. This would place them in priority to all other claims against those assets, including the administrator's own remuneration. The employment contracts are deemed to be adopted on the 14th day after appointment, if the administrator ensures that the company continues to carry them out.

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1 *Re. Specialised Mouldings*, House of Lords, 13 Feb. 1987.

II The Case of Paramount Airways Ltd

Paramount Airways Ltd was a charter airline which fell into financial difficulties. In August 1989, the court appointed administrators in the hope that the company could be salvaged. Consequently, the administrators of Paramount allowed the company to continue to trade from August to November 1989 with a view to selling the company as a going concern.

The administrators, Mr Roger Powdrill and Mr Joseph Atkinson of accountants Touche Ross, retained the services of most of the company's employees and within 14 days of their appointment they wrote to each employee confirming that salaries would continue to be paid. In addition, the administrators agreed to pay certain staff a monthly loyalty bonus, in order to encourage them to stay on with the company until a buyer could be found. The last sentence of the administrators' letter said:

> "... We wish to make it clear that the joint administrators are not and will not at any future time adopt or assume personal liability in respect of your contracts of employment".[2]

By incorporating this disclaimer in their letter, the administrators were clearly placing reliance on the case of *Specialised Mouldings 1987*[3] as authority for avoiding `adopting' the contracts of employment.

Attempts to find a buyer failed, and the administrators suspended all operations apart from one aircraft. The majority of the employees were dismissed as redundant, with immediate effect. Consequently, Captain Unwin, one of the dismissed employees, brought unfair dismissal proceedings. However, Section 11(3)(d) of the I A 1986 states:

PART II

(3) During the period for which. an administration order is in force—

(a) no resolution may be passed or order made for the winding up of the company;

(b) no administrative receiver of the company may be appointed;

(c) no other steps may be taken to enforce any security over the company's property, or to repossess goods in the company's possession under any hire-purchase agreement, except with the consent of the administrator or the leave of the court and subject (where the court gives leave) to such terms as the court may impose; and

(d) no other proceedings and no execution or other legal process may be commenced or continued, and no distress may be levied, against the company or its property except with the consent of the administrator or the leave of the court and subject (where the court gives leave) to such terms as aforesaid.

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2 *Industrial Relations Law Bulletin* - Casenotes, "Only Clear Statement Avoids Effects of Adoption", Mar. 1994.

3 *Re: Specialised Mouldings Ltd*, High Court, 13.2.87.

[4]

The Industrial Tribunal therefore had to contact the administrators to find out whether they objected to the case being heard. From the response given by the administrators' office, the Tribunal concluded that the administrators had consented to the proceedings continuing, and heard the Case. The Tribunal found in Captain Unwin's favour, and ordered the administrators to reinstate him. The Tribunal refused to review its decision on the grounds that the administrators had not in fact given their consent to the hearing, taking the view that to review on that ground was outside its jurisdiction.

Paramount Airways Ltd failed to comply with the reinstatement order and this time the administrators formally refused to consent to Captain Unwin re-applying to the Tribunal for compensation. Captain Unwin and Captain Watson, one of his colleagues who had also been dismissed, therefore presented petitions to the High Court under Section 27 I A 1986. This states:

27.— (1) At any time when an administration order is in force, a creditor or member of the company may apply to the court by petition for an order under this section on the ground—

(a) that the company's affairs, business and property are being or have been managed by the administrator in a manner which is unfairly prejudicial to the interests of its creditors or members generally, or of some part of its creditors or members (including at least himself), or

(b) that any actual or proposed act or omission of the administrator is or would be so prejudicial.

(b) that any actual or proposed act or omission of the administrator is or would be so prejudicial.

(2) On an application for an order under this section the court may, subject as follows, make such order as it thinks fit for giving relief in respect of the matters complained of, or adjourn the hearing conditionally or unconditionally, or make an interim order or any other order that it thinks fit.

(3) An order under this section shall not prejudice or prevent—

(a) the implementation of a voluntary arrangement approved under section 4 in Part I, or any compromise or arrangement sanctioned under section 425 of the Companies Act; or

(b) where the application for the order was made more than 28 days after the approval of any proposals or revised proposals under section 24 or 25, the implementation of those proposals or revised proposals.

(4) Subject as above, an order under this section may in particular—

(a) regulate the future management by the administrator of the company's affairs, business and property;

[4] Insolvency Act 1986 - Chapter 45

(b) require the administrator to refrain from doing or continuing an act complained of by the petitioner, or to do an act which the petitioner has complained he has omitted to do;

(c) require the summoning of a meeting of creditors or members for the purpose of considering such matters as the court thinks fit;

(d) discharge the administration order and make such consequential provision as the court thinks fit.

(5) Nothing in section 15 or 16 is to be taken as prejudicing applications to the court under this section.

(6) Where the administration order is discharged, the administrator shall, within 14 days, after the making of the order effecting the discharge, send an office copy of that order to the registrar of companies; and if without reasonable excuse he fails to comply with this subsection, he is liable to a fine and, for continued contravention, to a daily default fine.
[5]

In effect, their petitions to the court were based on the argument that the administrators were acting in a way which was unfairly prejudicial to the interests of the company's creditors, including its employees. Captain Unwin alone claimed the compensation which, in his view, the Industrial Tribunal would have found due, while both men claimed an order requiring the administrators to pay them the sums which they alleged were due as a result of their summary dismissals.

The central issue before the court was whether the employees' contracts had in fact been adopted by the administrators. The court looked to Section 19(5) of the I A 1986 and took the view that the word "adopted" when used in this section did not depend upon a clear indication from the administrators that they were personally bound by the contract. It could be affected by any act or acquiescence after the 14 day period which indicated that the administrators intended to treat the contract as still in force.

The court was not convinced that the administrators' letter to employees was suitable to exclude the effect of Section 19(5). It was the court's judgment that the administrators had in fact `adopted' the contracts of employment on the 14th day, and the liabilities incurred under those contracts whilst the administrators were in office should be charged on the assets of the company. However, under Section 19(5) of the I A 1986 employees could only recover for liabilities arising "under a contract", they could not recover for liabilities arising "under a statute". Therefore, the Paramount employees could recover accrued holiday pay, salary and pension contributions which would have been paid had the proper notice period been given. It was irrelevant that a substantial part of the entitlement resulted from employment predating

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[5] Ibid.

the administrators' appointment, since liability to make the payment arose upon termination of the contracts, and the termination had occurred during the administrator's period of office. However, it was not possible to recover compensation for unfair dismissal as this claim arose out of the *Employment Protection (Consolidation) Act 1978* and not under the contracts of employment.

The contractual entitlements arising out of dismissal would rank on the cessation of the administration as a first cost against the assets in the administrators' possession. This would place them in priority to all other claims against those assets, including ahead of the administrators' own claims for remuneration.

On appeal, the Court of Appeal endorsed the High Court ruling. Administrators must either terminate or adopt contracts of employment within 14 days of their appointment. Administrators' letters of the type used in the *Specialised Mouldings case* were held to be a sham. Lord Justice Dillon said their assertion that they were not adopting the employment contracts was "a mere wind with no legal effect".[6] He went on to say that where administrators and receivers "substantially continued after 14 days to employ staff and pay them in accordance with previous contracts, they would be held impliedly to have adopted those contracts".[7]

In principle, administrators or receivers may negotiate new contracts with employees whose services they need to use, but such new contracts must be appropriate to the administration or receivership, and not a sham. However, Lord Justice Dillon in the leading judgment expressly declined to give any guidance as to what liabilities administrators could validly exclude in future contracts. He said that adoption is a question of fact not of words.

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6 *Financial Times*, "Insolvency Ruling Puts Jobs at Risk", 3 Mar. 1994.

7 Ibid.

III Implications of the Paramount Ruling

The Court of Appeal's ruling had a number of implications for both insolvency and employment law. The most important implication was that if administrators or receivers continue to employ staff and pay them 14 days after their appointment, they will have impliedly `adopted' the contracts of employment.

If contracts are deemed to be adopted the effect is to rank substantial additional employment costs above other creditors, and this may prompt insolvency practitioners in any new appointment to fire a large proportion of the workforce before the 14 day limit is exceeded. Indeed, Coopers and Lybrand Accountants stated, on 6 March 1994[8], that it had already shed staff in one company that entered receivership as a result of the Court of Appeal ruling, rather than risk being personally liable for additional costs. In the Paramount case, the cost of taking on existing employees' rights are estimated to be an extra £600,000 to be paid out before other creditors can receive any money[9].

Of course, administrators and receivers could negotiate new contracts of employment within 14 days of their appointment. However, the new contracts would have to be appropriate to the particular receivership or administration and not a sham. Such matters as notice period, contractual redundancy schemes, turnover bonuses, commission payments, company cars, overtime and severance payments would all need to be re-negotiated within the 14 day period if a rescue is to be viable.

It was feared that the immediate effect of the judgment would be to "dry-up" administrations and receiverships, particularly as it was unlikely, in the case of receiverships, that the banks would want to indemnify receivers against potential personal liability. The likely effect was that more companies would go into liquidation rather than receivership or administration and fewer businesses would be saved, with the consequent loss of jobs.

Other practical implications of the Court of Appeal ruling include:

- Reporting accountants would have to include a consideration of the contractual liability to the workforce of an ailing company and the level and cost of staffing needed to trade during the receivership or administration, thereby increasing accountancy costs.

- Although it may be possible to negotiate variations in contracts of employment with

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8 *Financial Times*, "Receivers Issue Warning In Wake Of Staff-rights Ruling", 7 Mar. 1994.

9 *Financial Times*, "Insolvency Ruling Puts Jobs At Risk, 3 Mar. 1994.

> employees for example, where only a few key staff will be needed, the negotiating period of 14 days is so short as to be unworkable in many instances. There is the risk that hastily negotiated agreements will be overturned by the courts. Receivers will be reluctant to run the risk, and much more ready to dismiss all staff in the first two weeks of their appointment and close down the company.

In short, the Court of Appeal's ruling has thrown into confusion the rescue procedures of administration and receivership introduced in the I A 1986. Consequently, while the administrators of Paramount Airways Ltd have been considering an appeal to the House of Lords, officials from all quarters of the insolvency business have been pressing the government for urgent legislation to restore what they see as the purpose of the insolvency laws.[10]

Insolvency practitioners have argued that the Court of Appeal's ruling goes against the recent emphasis in legislation of creating mechanisms to prevent company's failing, and that repercussions from this ruling will have an effect on the several big rescues now under way, including Ferranti (the electronics company) and Swan Hunter (shipbuilders).[11] The Society of Practitioners in Insolvency (SPI) also warned that the ruling would have profound implications for healthy companies, because their bankers may reconsider loan security on the basis that only asset values would be realised if the company fails.[12]

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[10] *The Times*, "Ruling On Failed Firm - Threatens Rescue, 11 Mar. 1994.

[11] *Financial Times*, "Paramount May Trigger Payout Delays", 16 Mar. 1994.

[12] Ibid.

IV The Proposed New Legislation

[Note: At the time of writing this paper, the Insolvency (No 2) Bill was not available for perusal].

In a statement to the House of Commons on 14 March 1994, the President of the Board of Trade, Michael Heseltine, announced his intention to introduce a Bill "as a matter of urgency"[13] to remove the uncertainty caused by the Court of Appeal ruling in the *Paramount Case*. Under the proposed new legislation, administrators and receivers will be able to adopt restricted contracts of employment. The adopted contracts will exclude employment obligations other than wages, salaries and pension contributions falling to be paid from the date of the appointment of the administrator or receiver, which will be treated as expenses of the administration or receivership. Other liabilities arising from the employee's original contracts will remain, but will be treated as unsecured debts against the company.

> With permission, Madam Speaker, I would like to make a statement on the Insolvency Act provisions relating to employees' rights as regards administrators, administrative receivers and, in Scotland, receivers. The need for this statement arises out of a recent judgment by the Court of Appeal in the administration of Pararnount Airways Ltd. For the House to appreciate the importance of this, let me first set out the legal background.
>
> Under the Insolvency Act 1986, an administrator may be appointed to manage the affairs, business and property of a company in financial difficulties with a view to the survival of the company or its business, the approval of a voluntary arrangement or the sanctioning of a compromise or arrangement with its creditors.
>
> The administrator has to consider the basis of continuing the business and, in particular, the position of the employees. Under the Act, he has 14 days from his appointment to decide whether to adopt contracts of employment. Where the business is continued with a view to its successful disposal, it has been the practice of administrators formally to notify employees that, while they would continue to be employed by the company and to be paid their wages and so on, their contracts of employment would not be adopted by the administrator.
>
> In the event of the survival of the company or a successful sale of its business, employees would

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[13] Statement by the President of the Board of Trade and Secretary of State for Trade & Industry, Michael Heseltine, 14 Mar. 1994, cc615-616.

continue with the company or the purchaser and their contracts would be maintained. If, however, the administrator concluded that survival or sale was not possible, he would, as was done in the Paramount case, have no alternative but to dismiss employees. The administrator would, of course, expect to pay employees' wages or salaries for the period of their employment under the administration. But, before the Paramount judgment, it was not thought that other payments, such as pay in lieu of notice and redundancy pay, would have priority.

The result of the Paramount judgment, subject to the outcome of any appeal by the administrators to the House of Lords, is that the entitlements arising out of dismissal would rank on the cessation of the administration as a first charge against the assets in the administrator's possession This would place them in priority to all other claims against those assets.

At first sight, this may be thought to have advantages for employees. In practice, however, administrators will feel that they have little alternative but to dismiss the company's work force within the first 14 days and either close down the business or look to new terms of contract. Employees' rights in such circumstances in relation to termination entitlements will rank only as a claim with other creditors.

Indeed, the real position may be far bleaker. Because of the weight of the claims which would arise on dismissal and which would be a first charge against the assets, companies considering administration may conclude that it does not offer a rescue route and may simply move to liquidation, termination of the business, dismissal of employees and a break-up sale of the assets which will not be in the interests of anybody.

It is also necessary to deal with the position of administrative receivers. There are 3,000 receiverships in this country every year. In almost half of them, it has proved possible to save all or part of the business. This practice will be placed in jeopardy, with all that that means for jobs, commercial activity and business confidence. We must, therefore, remove this uncertainty as a matter of urgency.

Accordingly, I intend to introduce legislation at the earliest opportunity that will enable an administrator or a receiver to adopt a contract of employment with more restricted effects than at present. The change will allow him to adopt the contract with the effect that only wages, salaries and pension contributions falling to be paid thereafter will qualify as expenses of the procedure. Other liabilities arising from the contract of

> employment will remain, but will be treated as an unsecured claim against the company.
>
> As regards administrative receivers, in addition to the need to limit the extent of the expenses that have priority, it is intended to restrict the receiver's personal liability to the same expenses as for administrators. What that means in practice is that the administrator or receiver will not have to renegotiate contracts of employment within 14 days from the date of appointment.
>
> The proposed change will have only the limited effects that I have described. It will not affect the employee's position under employment law.
>
> In view of the immediacy of the need for this legislation, I propose that, when enacted, it will have effect in relation to any contract of employment adopted after today. I am sure that the House will recognise the need for the measures that I have proposed and that right hon. and hon. Members on both sides of the House will wish to see them brought in at the earliest opportunity.

In his response, Robin Cook, the Shadow Secretary of State, said that the Opposition would support the emergency legislation but raised a number of related issues:

> I welcome the fact that the President of the Board of Trade has made a statement on a ruling that has caused alarm to receivers and to some of the unions that represent the work forces most at risk. We accept that it is plainly impossible for receivers to provide a business plan to rescue an enterprise within 14 days, and that the effect of the ruling will be to oblige them to close the business rather than to try to trade out of bankruptcy.
>
> Does the right hon. Gentleman accept that it is perhaps particularly important for the Government to act to remove the threat to receivers as total bankruptcies are still running at the rate of one every 90 seconds of the working day and no longer show any signs of reducing, despite all the promises of recovery?
>
> In the circumstances, we will not resist the proposed legislation, but will the President clarify three points that arise from it? First, for the avoidance of doubt, will he confirm that any legislation that takes effect from today's date will not remove the legal rights of Paramount Airways' employees or of any other company put into receivership before today's date?
>
> Secondly, does the right hon. Gentleman recognise that there is genuine bitterness arnong workers who, after many years of loyal service, are made redundant by a company in receivership and who receive only

> statutory redundancy, despite an entitlement to much more under their contracts? Before introducing legislation, will he therefore review the limit on statutory redundancy pay, which is still based on a maximum wage of £205 per week? Is he aware that last year was the first for a decade in which that statutory limit was not uprated and that it now sets a maximum that is well below the average wage of industry?
>
> Finally, will the right hon. Gentleman circulate his warm words about the success of receivers, which I endorse, to his ministerial colleagues, particularly those with responsibility for the Inland Revenue and Customs and Excise, which in the past five years have achieved a staggering fourfold increase in the number of companies that they have put into bankruptcy? Almost always, those companies were wound up straight away; they rarely went into receivership.
>
> Now that the President has rescued the function of receivers, will he remind the tax authorities that it is in everyone's interest, including their own, that businesses should be kept as trading enterprises rather than put out of business by the Government?

Several MPs asked about the impact of the new legislation on companies already in receivership. Mr Heseltine restricted his reply to saying:

> **Mr. Heseltine:** The hon. Gentleman will have heard my earlier reply when I said that I am not seeking to change the law retrospectively. The law is the law and receivers will have to make up their own minds, in the light of their best judgment and best professional advice, how they continue the receiverships in which they are already engaged.
>
> [C620]

It seems probable that administrators or receivers who were still in the first two weeks of their appointment on 15 March 1994 and who had not indicated acceptance of the contracts of employment, will benefit from the new rules if they delay their acceptance until 15 March 1994. However, the *Paramount* ruling will apply to receiverships or administrations which had already passed the 14 day limit by 15 March. On the face of it, it seems unlikely that receivers who issued disclaimers before the *Paramount* ruling, relying on *Specialised Mouldings*, could be sued retrospectively since they based their decisions on the law as it was at the time. However, this is an issue which may well generate further legal debate.

The intention is that the Bill will go through all its stages in both Houses in 24 hours, and will take effect retrospectively from midnight 14 March 1994. Effectively, the Bill side-steps the Court of Appeal ruling in *Paramount*. Rather than having to renegotiate contracts of

employment within the 14 days from the date of appointment, the administrator or receiver will be able to continue contracts with much the same effect as was generally thought to be the position before the *Paramount* judgment.

V Early Responses to the Proposed Legislation

The Society of Practitioners of Insolvency (the `SPI') generally welcome the proposed new legislation. Mark Homan, President of the SPI said: "What Mr Heseltine has done is put the law back in the position in which the Government intended it to be in the first place. Jobs will not have to be lost because of the unfortunate quirk in the law that Paramount seemed to create. The rescue culture is back on track".[14]

However, some Insolvency Practitioners were guarded in their response and said they were waiting to study the small print in the draft legislation, and had concerns about residual obligations.[15].

Richard Brown, Deputy Director General of the British Chambers of Commerce, welcomed the move on the basis that fewer companies will now go straight into liquidation. He said: "This is good news for jobs, and for those concerned with the capacity of UK commerce and industry ... [It] gives back to administrators the crucial ability to manage companies back into solvency".[16]

Mr Howard Davies, Director-General of the Confederation of British Industry, said: "If Mr Heseltine had not stepped in with the promise of immediate legislation, hundreds more companies would have gone out of business, and thousands of their workers would have lost their jobs".[17]

However, the proposed legislation will do nothing to reduce the impact of the Appeal Court's ruling on companies which have been in receivership or administration for some time, including Paramount itself. Mr Mark Homan, President of the SPI, said it would take "many months" to quantify potential additional employment costs.[18]

Insolvency Practitioners have also warned that payments to creditors of companies already in

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[14] *The Times*, "Heseltine Ruling Offers Hope For Jobs", 15 Mar. 1994.
[15] *Financial Times*, "Paramount May Trigger Payout Delays", 16 Mar. 1994.
[16] *Financial Times*, "Welcome For Paramount Legislation", 15 Mar. 1994.
[17] *Financial Times*, Emergency Legislation to Amend Ruling on Insolvency", 15 Mar. 1994.
[18] *Financial Times*, "Paramount May Trigger Payout Delays", 16 Mar. 1994.

receivership and administration, and caught by the Paramount ruling, could be substantially delayed while potential additional employment costs were quantified, and until the outcome of an appeal on the Paramount ruling to the House of Lords.[19]

[19] Ibid.

Recent papers on related subjects have been:

94/48	The Insolvency (No 2 Bill) (Bill 76 of 1993/94)	18.03.94
94/32	Farmers, the French and the Gatt	17.02.94
94/16	Deregulation and Contracting Out Bill [Bill 33 of 1993/941	28.01.94
93/104	Sunday Trading Bill: Bill 1 of 1993/94	23.11.93
93/90	The European Economic Area Bill: extending the Single Market	15.10.93
93/85	Privatisation	11.08.93
93/2	Sunday trading: The Shops Bill 1992/93	12.01.93