
INSOLVENCY BULLETIN

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EXTENSION OF CIGA 2020 REGULATIONS

On 24 September 2020, faced with the onset of a second wave of COVID-19, the Government laid before Parliament the Corporate Insolvency and Governance Act 2020 (Coronavirus) (Extension of the Relevant Period) Regulations 2020. These new regulations came into force on 29 September 2020.

CIGA 2020 enacted various temporary provisions to mitigate the effects of coronavirus. On 24 September 2020, parliamentary under-secretary Lord Callanan, introducing the new extensions to CIGA 2020, stated *“It is vital that we continue to deliver certainty to business through this challenging time, which is why we are now extending these important and necessary measures to protect companies from insolvency”*.

Extension on statutory demands and winding up petitions

Under CIGA 2020, winding up petitions based on an unpaid statutory demand served between 1 March 2020 and 30 September 2020 were prohibited. That protection for companies has now been extended by three months to 31 December 2020.

CIGA 2020 also restricted winding up petitions presented on the grounds that a company is insolvent, unless there are reasonable grounds that a company had not been affected by coronavirus or the grounds for the petition would have applied even if coronavirus had not affected the company. That has also now been extended from 30 September 2020 to 31 December 2020.

Termination clauses

Such clauses will still be prohibited, so suppliers will be unable to cease supply or ask for

additional payments whilst a company is going through a rescue process. Small suppliers will continue to remain exempt from such obligations until 30 March 2021.

Moratoriums

The relaxed entry requirements for obtaining a moratorium will be extended to 30 March 2021. A company can therefore still enter a moratorium despite having been subject to an insolvency procedure in the preceding 12 months.

Extension of period for AGMs to be held virtually

Limited companies may continue to hold their AGMs and other meetings remotely until 30 December 2020.

Validation orders

Where companies are in receipt of winding up petitions presented between 27 April 2020 and 31 December 2020, they will not be required to apply for validation orders.

Editor's Note

No extension was given to extend the protection for directors for wrongful trading which expired on 30 September 2020. Directors should proceed with caution and where it is apparent that there is no reasonable prospect of avoiding insolvent liquidation seek advice and act upon that at the earliest opportunity.

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