

THE PART A1 MORATORIUM:

**STOP RIGHT NOW, THANK YOU VERY MUCH –
I NEED SOME TIME FOR A RESCUE.**

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The moratorium is an insolvency process introduced by the Corporate Insolvency Governance Act 2020. It allows a financially distressed company to obtain temporary protection from creditor action, while the company attempts to rescue itself as a going concern. It is a debtor-in-possession process, overseen by a monitor—an insolvency practitioner.



Who can use it?

- Eligible companies include certain companies registered under the Companies Act 2006, unregistered companies, overseas companies, LLPs and CIOs.
- LPs, GPs, financial services companies and parties to capital market arrangements are excluded from use.



How can an eligible company apply for it?

- Directors of an eligible company may obtain a moratorium by filing relevant documents with the court together with a statement from the monitor that the moratorium would result in a rescue.
- Where a company is subject to a winding-up petition or is an overseas company, the directors must apply to court.



Timing

- In force: where relevant documents are filed with court, on the filing of such documents, and where an application is made, once the court makes an order.
- Period of protection: 20 business days – extendable for up to a year.



Effect of the moratorium

- During the moratorium, there is a payment holiday for certain pre-moratorium debts (falling due before or during the moratorium) and restrictions on the enforcement of legal proceedings and security, initiation of insolvency proceedings, and the crystallisation of a floating charge.
- Pre-moratorium debts that must still be paid relate to the monitor's remuneration, goods or services supplied during the moratorium, rent, wages or salaries and redundancy payments, debts or other liabilities arising under a contract or other instrument involving financial services (e.g., debt arising from most commercial lending). Debts incurred during the moratorium must also be paid.
- Failure to pay relevant debts will result in termination of the moratorium.



Priority pre-moratorium debt

- If an insolvency proceeding is commenced within 12 weeks of the end of the moratorium, priority pre-moratorium debts and moratorium debts have absolute priority over all other claims.
- Accelerated loan facilities are not afforded priority.