



## The year ahead

Service area / [Restructuring and Insolvency](#)

Location / [Group](#)

Date / [February 2019](#)

The growth of the Carey Olsen restructuring and insolvency team is reflective of an overall increase in distress in the market.

The climate for retailers in the UK and Europe remains challenging and the prevalence of retail property held through offshore structures means instructions in this area are likely to increase.

Two of the largest cases the team has been involved in were in the construction sector, concerning multi-national companies involved in major infrastructure projects. With a predicted general slowdown in the global economy this sector may see further problems.

The actual impact of Brexit remains unclear but there seems little doubt that it will drive further uncertainty and distress for UK business.

Indeed, EY's latest Profit Warnings analysis noted that one in six UK quoted companies issued profit warnings in 2018. This is the second highest level since of Profit Warnings since 2008 and was driven by two major themes: structural change and rising uncertainty. EY's analysis indicates that this heightened sense of uncertainty is reflected in a record 22.6% average drop in the share price on the day of warning in Q4 2018.

### UK quoted companies: % average share price fall on day of profit warning



Source: EY Analysis of Profit Warnings: <https://www.ey.com/uk/en/issues/capital-and-transactions/restructuring>

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Moreover, there was a significant rise in 'new' companies issuing profit warnings, that is companies that had not previously warned in the previous 12 months. 74% of companies issuing profit warnings in Q4 2018 hadn't warned in the previous year.

The global trend of increasing capital adequacy requirements for banks means that the cost to lenders of holding nonperforming loans (**NPLs**) has increased. The consequence may be further sales of NPL portfolios to credit funds with a heightened appetite for enforcement.

Insolvency law reform is also prevalent. Guernsey, Jersey and the UK are all in the process of drafting or consulting on changes to their regimes. Our teams in the Channel Islands are involved in assisting the legislature in both islands with the process.

Speaking with our clients and contacts in the UK, there is also a strong indication of a return to the more traditional work restructuring trading business. That trend is set to continue into the New Year.

### Team news

In an important move for the Carey Olsen restructuring and insolvency team, David Jones was promoted to the partnership on 1 January 2019 to lead the Guernsey restructuring and insolvency team. David has significantly developed this practice area in the Guernsey office since joining the firm in 2010. He has played a leading role in many of the most complex restructurings and insolvencies arising in the island in that time. David is the only dedicated restructuring and insolvency partner in any Guernsey law firm and will continue to develop the outstanding reputation of that team with support from the Guernsey dispute resolution and corporate practices and the wider multi-jurisdictional teams.

February 2019 will mark one year since our Bermuda Office opened providing services across the core offshore practice areas including restructuring and contentious insolvency matters.



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