
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations temporarily suspend liability under wrongful trading provisions in the Insolvency Act 1986 (c. 45): specifically, section 214 (wrongful trading); and section 246ZB (wrongful trading: administration). In addition, these Regulations extend the period within which temporary modifications to laws relating to the holding of meetings made by the Corporate Insolvency and Governance Act 2020 (“CIGA”) are to have effect for certain qualifying bodies.

Regulation 2 provides for the suspension of wrongful trading. Paragraph (1) provides that, for the purposes of section 214 or 246ZB of the Insolvency Act 1986, a court is not to hold a person liable for any worsening of a company’s financial position during the “relevant period”. Paragraph (2) defines the “relevant period” as the period beginning on 26th November 2020 and ending on 30th April 2021. Paragraphs (3) to (5) and (8) specify cases where, (or types of corporate entity in respect of which), the suspension of wrongful trading is not to apply. Accordingly, section 214 and section 246ZB continue to apply in those cases, (or, in respect of those entities), during the relevant period. Paragraph (7) provides that regulation 3 has effect as if it were part of the Insolvency Act 1986.

Regulation 3 amends paragraph 2(1) of Schedule 14 to CIGA to extend the period within which certain temporary modifications to the law relating to the holding of meetings by companies and certain other bodies made by that Schedule have effect. The expiry of that period is extended from 30th December 2020 to 30th March 2021.

No impact assessment has been prepared for these Regulations. An Explanatory Memorandum has been published alongside this instrument at www.legislation.gov.uk.