

Thursday, 24 September 2020

Simplified insolvency processes welcome, but government must consult now to avoid unforeseen consequences

Statement attributable to Pauline Wright, President, Law Council of Australia:

The Law Council welcomes the government's interest in assisting small business to deal with the inevitable insolvency impacts that will be felt in the economy in the aftermath of the COVID-19 economic crisis.

The Law Council, through its Business Law Section Insolvency and Restructuring Committee, has been considering possible reforms and had already urged the government, in a submission made to Treasury as recently as 11 September 2020, to consult with industry and the profession on a range of measures including simplified processes for restructuring or [liquidating](#) businesses in distress.

However, the lack of consultation to date and the very tight time frames within which it appears the government wants to act are very concerning. It is imperative that prior to introduction of the new regime, the government take into account comments from the legal profession and insolvency practitioners on the new proposals. The Law Council stands ready to engage in an expedited manner to ensure the proposed timetable can be managed.

The Law Council previously [expressed concern](#) about the government's recent extension of temporary insolvency emergency measures, which were implemented without extensive consultation and will have unintended negative consequences for business, causing economic and social harm. It urged the government to ensure that any further insolvency reforms only occur after proper consultation with industry and the profession so that further unintended, negative consequences can be avoided.

The brief details of the key elements for reform set out in the Treasurer's announcement on 24 September appear to be quite wide ranging and indicate the most significant changes to insolvency law in nearly 30 years. The Law Council urges the government to release more details of its proposed reforms and commence consultation without any delay.

ENDS

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