CRIF AUSTRIA EXPERT TALK: IMPENDING WAVE OF INSOLVENCIES POSES RISK FOR HEALTHY COMPANIES

The expiry of coronavirus state aid may mean bankruptcy for many companies from the middle of the year. The strict liability of entrepreneurs is an often-underestimated danger with personal consequences. What every company or every managing director can do to equip themselves accordingly was discussed within the context of an online expert talk initiated by CRIF Austria.

Many companies have benefited from the coronavirus state aid in recent months, with insolvencies actually falling by over 40% in 2020, according to the Alpine Creditors' Association (AKV), reaching a historic low. The obligation for companies to file for insolvency in case of over-indebtedness is still suspended until the end of June, but from the second half of the year and with the expiry of the state aid, experts expect a wave of insolvencies. If suppliers, business partners or customers go into a tailspin in the face of the crisis, this can also affect healthy companies – in the worst case, it could end in a follow-up bankruptcy for them.

"The Republic has advanced billions in money. Many companies that were already struggling before were 'fed through'; they will be the first to have to file for insolvency and this may also have consequences for healthy companies. There is a threat of a domino effect", warns Helmut Tenschert, a self-employed consultant for insurance brokers and companies, during the CRIF Expert Talk.

Walter Strobl, CEO of a debt collection company INKO Inkasso GmbH and board member of IVÖ (Inkassoverband Österreich), adds: "For healthy companies, the danger lurks in the supply chain and in the inventory – i.e. with customers, suppliers and partners who I often know well and from whom there is no risk under normal circumstances. However, the coronavirus pandemic has created a different risk dynamic and a sudden and unexpected danger to me can arise from previously stable partners."

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Managing director liable with all private property

According to the experts, in the event of bankruptcy, liquidators will increasingly focus on the due diligence of the managing director. The managing director is obliged to exercise the diligence of a prudent businessman and to act in the best interests of the company. If this duty of care is not observed or if their preventive risk management was insufficient, the manager is liable for the damage incurred with their own private assets.

"Managing a company is not an honorary office, it is a task that comes with responsibilities and duties. A managing director must have business and legal knowledge; if this is not the case, they cannot act with due diligence and enter a minefield where liabilities threaten", says Laurenz Strebl, a lawyer specialising on corporate and commercial law, and therefore advises: "Managing directors are now more than ever required to meet their obligations. If the company has got into a financial bind, then the following applies: Put facts on the table and, if necessary, file for insolvency."

Insurance expert Helmut Tenschert also confirms this: "The liability of the managing director is personal and unlimited, and the first person to be called upon in the course of an insolvency will be the managing director. It is therefore in their own interest to act with foresight and responsibility."

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Question processes and review existing customers

But what can companies and their managing directors do to be well prepared for the wave of insolvencies and minimise potential risks?

"It is important now to check and question existing, internal processes, because after the coronavirus pandemic, many things are different than before. Existing customers should be checked, and attention paid to alarm signals regarding payment behaviour – clean receivables management is essential. Cooperation with external service providers or the use of monitoring tools is also recommended in order to emerge stronger from the crisis", recommends Walter Strobl.

An important partner for companies here is the technology provider and data specialist CRIF. Roland P. Wallner is the Senior Key Account Manager at CRIF Austria for the insurance, energy and large corporate sectors and confirms: "Many companies are directly dependent on their business partners – if the supply chain breaks down here, this endangers their own ability to do business. The sooner you recognise the warning signals, the sooner you can secure your own existence in the long term. So now, at the latest, is the time to take measures with the right tools, which CRIF offers here, that relieve me as a managing director and at the same time secure the company. A portfolio analysis of the customer base helps companies to correctly assess the current risk among their existing customers and partners. Ongoing, automated monitoring also ensures that changes in business partners are recognised at an early stage so that countermeasures can be taken quickly and proactively."

According to lawyer Laurenz Strebl, the following applies in summary to the managing director: They must deal with business management measures and legal framework conditions on their own initiative, observe due diligence obligations exactly and enlist the help of experts.

Looking ahead

In conclusion, the experts agree: The past incredibly challenging months will certainly continue to have an economic impact for a while, but the time of new beginnings will come. Here, all those companies will benefit that are open to new things, that act with foresight and adapt their processes accordingly.