



### **EU should fight insolvency stigma: helping businesses to bounce back**

- 50 per cent of all new EU businesses don't survive first 5 years -

(Brussels, 22 November 2016)

Today's European Commission initiative on EU business insolvency - including early restructuring and giving a "second chance" - is a good signal to improve the situation in Europe, especially for Small and Medium Sized Companies (SMEs).

The initiative is crucial to invert a worrying trend in Europe where 50 per cent of new businesses do not survive their first 5 years.

Worldwide, many large business success stories experienced hardship before succeeding. We witness a good track record in other parts of the world like the United States with its US insolvency law and its well-known Chapter 11. Europe should build on these best practices.

**BusinessEurope Director General Markus J. Beyrer said:**

**"We hope the Commission proposal will bring a cultural change on insolvency. Viable businesses should not be stigmatised to failure when they're facing difficulties. They should instead be given a chance to restructure and bounce back."**

BusinessEurope wants to ensure that the right balance is achieved in this European Commission proposal between the interests of debtors and of creditors. Small businesses, in particular, are often found on both ends.

The focus of improving EU legislation should be on early restructuring processes rather than liquidation. To successfully recover struggling businesses we also need to guarantee that the right incentives are in place:

- Incentives for managers – to turn to early warning systems; ask for assistance; define credible restructuring plans;
- Incentives for creditors – they need to feel reassured; efficient and quick procedures are needed;
- Incentives for new capital – otherwise they do not invest in companies in difficult situations.

**ENDS**

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## PRESS RELEASE

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