

Use of Premises Makes Rent an Administration Expense

Insolvencies have been running at a high rate for some time now, presenting problems for landlords and tenants alike.

It should be remembered that the expenses of the administration of an insolvent company rank for payment before debts due to unsecured creditors. Therefore, if a landlord can show that rent is an administration expense, there is a better chance of it being received.

A recent High Court case provides guidance for landlords on this area.

Where the payment date for rent falls in a period during which the administrators are using the let property for the purposes of the administration, the rent due will be an administration expense. This applies even if the administrators are using only part of the property and/or do so for only part of the time for which rent is payable.

However, where the administrators believe the assets of the insolvent tenant will be insufficient to pay all of the administration expenses, they are entitled not to make the full rent payment.

This may at first sight appear to be good news for landlords, but it might well make administrators keen to vacate premises as soon as possible.

We can advise you on all insolvency or landlord and tenant matters.

*For more information contact PCB Solicitors on 01743 248148
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