

FINDING WAYS AROUND INSOLVENCY DISPUTES - SERRA LOPES CORTES MARTINS

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Companies have to be creative in finding new ways to manage creditors' demands if they are to avoid the initiation of insolvency proceedings in Portugal

Para muchas empresas que se enfrentan a reclamaciones de sus acreedores, la capacidad de encontrar soluciones creativas puede ser la única manera de sobrevivir, dice Luís Cortes Martins, de Serra Lopes Cortes Martins & Associados en Lisboa.

For many businesses facing claims by creditors, the ability to find creative solutions can mean life or death for the company, says Luís Cortes Martins at Serra Lopes Cortes Martins & Associados.

"The general trend is an enormous increase in insolvencies driven by financial difficulties and the pursuit of creditors, with a good example being the real estate sector." Portuguese banks have to

make provisions for losses incurred on loans in default, including mortgage-backed loans, and consequently many are now proving more willing to explore alternatives to filing insolvency proceedings, he says.

"We are seeing more negotiated settlements with banks preferring to find alternatives to entering into formal bankruptcy proceedings for companies with attractive assets. There are now more 'standstill' arrangements being agreed by lenders in order to give debtors more time to renegotiate their debts or restructure their businesses."

Clients require both litigation and finance teams to work together to find viable solutions, which often requires the divestment of assets or the creation of new corporate structures, he says.

"The coming year will continue to be challenging but we are seeing different approaches being taken by the largest companies, those with good cash flows and credit ratings, and smaller and mid-tier companies with less room to manoeuvre."

The economic outlook may mean more disputes ahead but this may also open up new opportunities. "Credit difficulties and company insolvencies mean that we are seeing more assets change hands. Many businesses lack operating capital and with the banks more stringent in their lending criteria and more demanding against creditors in default, new market entrants can find unique opportunities to acquire very attractive assets."