

## Your Legal Questions



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**Q** I own some commercial premises which are leased to a company. I believe the company may be put into administration and I am worried about my ability to recover rent. What can I do?

**A** Administration is an insolvency process for companies which could have a serious impact on your ability to recover rent.

Where there are already rent arrears at the point the company enters administration, the administrators are not liable for those arrears or any other sums which have arisen prior to their appointment. You could claim those amounts in the administration but as you would be an unsecured creditor, the likelihood is you would recover little or nothing.

Depending on when the rent falls due, you could lose a whole quarter's rent as properly advised administrators will commence the administration as soon as possible after the quarter day. In that way they will get a quarter's rent free trading.

However, if the rent payment day falls after the appointment then if the administrators continue trading all or part of the premises they will become liable to pay the rent as an administration expenses i.e. as a priority payment.

If there are existing arrears and you have good grounds for believing that the company will enter administration, consider forfeiting the lease by peaceably re-entering the premises and changing the locks before the tenant goes into administration.

However, the terms of the lease would need to be carefully checked to ensure that you have the right to do this. Also bear in mind that if you end the lease and take the premises back, you will become liable for the rates. You will want to be reasonably confident of your ability to re-let.

The advice of a specialist landlord and tenant solicitor is essential.

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