

ISG Administration Frequently Asked Questions (FAQs)

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What has happened?

On 20 September 2024, eight ISG subsidiaries entered administration:

- ISG Central Services Limited
- ISG Construction Limited
- ISG Engineering Services Limited
- ISG Fit Out Limited
- ISG Interior Services Group UK Limited
- ISG Jackson Limited.
- ISG Retail Limited
- ISG UK Retail Limited

As at 30 September 2024, the parent company ISG Limited is not in administration.

The Court has appointed Timothy Vance, Alan Michael Hudson and Dan Edkins of EY as the Joint Administrators, and EY confirmed in a [public statement](#) on 23 September 2024 that:

"ISG's UK operations, which provided construction and related services in the UK, have ceased to trade with immediate effect. As a result, no further work will be undertaken on existing UK contracts, including for Construction, Fit Out and Engineering services."

This means the Joint Administrators are now in charge of investigating the affairs of the companies, collecting in their assets and distributing them to the creditors in line with the priorities set down in legislation.

Extraspace Solutions (UK) Limited owned by Cathexis UK Holding Ltd – which is also the owner of ISG – and its subsidiary Spatial Initiative Limited entered administration on 23 September 2024. These companies are in a separate corporate structure and EY has confirmed the administration of ISG has not been the catalyst for their insolvency. As at 30 September 2024, the parent holding company, Extraspace Holdings, is not in administration.

What is an administration?

Administration is an insolvency process typically used to rescue a business, or part of it, as a going concern by selling it to a buyer without its debts.

That sale may be lined up in advance, so that it completes as soon as the administrators have been appointed (a so-called 'pre-packaged' administration). However, administration can also be used to return the company to solvency (albeit this is rare) or simply to realise assets for the benefit of secured creditors.

A key feature of administration is the 'moratorium' that accompanies it – effectively a shield which prevents creditors from enforcing their rights. The moratorium creates breathing space within which the administrators can, for example, negotiate a sale of the business and/or collect in and sell assets.

Administrators are required to inform creditors of their strategy for the administration within eight weeks of being appointed, and this strategy is circulated to creditors in a document referred to as the 'administrators' proposals'. The proposals document will usually give an indication of how much money the administrators expect to distribute to creditors in different classes. Administrators also have to circulate 'progress reports' at six-monthly intervals for as long as the administration continues, which will provide further details.

That said, administrators may make public announcements or distribute additional information above and beyond the minimum requirements prescribed by law, whenever they consider that doing so would be in the best interests of creditors.

It was confirmed on 20 September 2024 that a number of ISG companies had ceased to trade with immediate effect and therefore a rescue of the business as a going concern was not possible. As confirmed by the administrators, and reported in the media, ISG's directors and the administrators had sought to sell the business in whole and in part but this was not possible. The administrators' proposals, and potentially further announcements, should provide more details. For now, the companies have 'shut up shop' and the administrators' initial announcements indicated that their focus will be on proactively collecting in as many debts as possible, as well as realising whatever other assets they can.

This is a simplified summary of the administration process and there are many nuances and exceptions which are outside the scope of this guidance.

Am I affected?

- Yes, if you are in a contract directly with any of the ISG companies in administration;
- Possibly even if you are in a contract with a non-ISG company, if you are engaged on a project involving any of the companies in administration.

It is very important that you check your contracts to understand which company you have contracted with on each one.

If the project is being run as a joint venture (JV) between an ISG company and another non-ISG company, it is even more important that you understand who is the ultimate tier 1 contractor(s) because this may affect both the continuance of the project and whether you may be paid for work done prior to the date of administration.

Will I get paid?

- For work done **before** 20 September 2024 (the date of administration):
 - If you are in a contract with an ISG company in administration, any amounts owing to you for that period will probably be an unsecured claim. At present, it is not anticipated that there will be any funds available for a distribution to unsecured creditors. In the unlikely event that a dividend is declared, any payment will only be a small proportion of what is owed and will not be paid for a considerable time.
 - If you are in a contract with a non-ISG company on an ISG project, legally you should still be paid. However, in practical terms, if companies above you in the chain are not being paid, this may affect their ability to pay you, although they remain liable to do so.

- If your contract with an ISG company in administration is novated (see [below](#)) you may be paid, dependent upon the terms of that novation.
 - If you are providing an essential service/works which the administrator needs immediately to secure the project and which cannot easily be obtained elsewhere, you may be in a position to negotiate payment of part or all of your arrears by the administrator. However, this would be in exceptional circumstances and, as noted above, the administrators have confirmed that the ISG companies have ceased all operations.
 - If a party who has the benefit of a collateral warranty exercises its contractual right to step into your contract, then that may be on terms that arrears prior to 20 September 2024 (or part of them) are paid. The terms of collateral warranties under which notice of step in is given should be checked to ascertain if payment of past amounts due is a condition of stepping into the principal contract.
- For work done **on or after** 20 September 2024 (the date of administration), if applicable:
 - The administrators (who will be acting through EY) will be obliged to pay for works instructed by them or an agent instructed on their behalf after the date of administration. This will not include works carried out without proper authority from them to do so. However, as above, it appears unlikely that the administrators will be instructing any further work.
 - From a practical point of view, it would be advisable to run two accounts – one for works done prior to 20 September 2024 and one for works done on or after that date – because when the administrator asks for evidence of your claim you will be able to easily separate it out and provide it.

Might I be paid by the ultimate employer or funder?

It is unlikely, unless the employer or funder (as beneficiary of a collateral warranty) exercises its express step in rights.

What should I do now?

- a. As EY has released confirmation that the ISG companies listed [above](#) have ceased trading with immediate effect, you should assume that the works under your contract will **not** be continuing unless you are told otherwise – more details can be found on the [EY website](#). As set out [above](#), you will be paid for any work done after the date of administration that is instructed by the administrators.
- b. Gather together a file containing details of all outstanding invoices/certificates/valuations and any supporting documentation so that you have it to hand when requested.
- c. Where you are engaged under a construction contract for the purposes of the Construction Act, if you have not been paid in accordance with the contract terms, you have a statutory right to suspend your works on seven days' notice so you may want to issue a suspension notice in accordance with the Act.
- d. You should consider the terms of your contract and any related collateral warranties carefully and, if appropriate, take advice before you take steps to suspend or terminate. It is common that collateral warranties provide that the contract itself cannot be terminated without giving the beneficiary of step in rights a specified period of notice.
- e. It is possible that control of and responsibility for certain projects will be transferred to a new tier 1 contractor in the short term. This may not involve any change for you if you are contracting below tier 2 but, if you are in a contract with ISG, the new contractor may want to novate your contract on agreed terms (see [below](#)).
- f. If you are considering terminating your contract, you should check the termination provisions and comply with those and the service provisions relating to termination notices.

What do I do if I attend site and am not allowed access?

Site owners are highly likely to have secured all sites and will deny access to any parties seeking to attend the closed sites. Unauthorised access will constitute a trespass.

I have materials, equipment or tools on site; what do I do?

- Materials delivered to site and not yet incorporated in the works will only be recoverable if subject to a valid retention of title/ownership provision in your contract. You should carefully check your contract terms, and seek advice if necessary, to see when the legal ownership to those materials passes to those who have engaged you, and then up the chain. It may be that such legal ownership passed when the materials were delivered to site or included in a valuation, even if you have not been paid. In that case you will not be able to collect them.
- Equipment and tools if owned, hired or leased by you may be claimed back and you should notify site owners as soon as possible, with evidence of your ownership, copies of hire or lease agreements, and details of the location of the asset with a full description and photographs if you have them.

How do I register my claim?

- a. If you are an unsecured creditor of one or more of the ISG companies in administration (i.e. you have a claim arising before 20 September 2024), in due course you will be asked to register your claim with EY. You should check the [EY website](#) at regular intervals for information.
- b. In the event you urgently need to claim materials (subject to a retention of title claim), equipment or tools on a site to which you do not have access, you should contact the site owner in the first instance. If you are unable to contact the site owner or do not know who this is, then you can [email EY](#).
- c. It would be advisable to provide all relevant information and documentation at the time you make your claim in order for the position to be determined easily.

What is a novation?

A novation is a written legal agreement whereby a new contracting party takes the place of the original. This is usually on terms that the new contracting party takes over the contract as if it were there from the outset. This means that it would take over all rights and liabilities under the contract including payment, both of arrears and going forward.

Any novation which provides for part or all of your pre-liquidation arrears to be paid will likely represent an improvement on your position, depending upon the other terms of that novation. You should carefully consider the proposed terms of any novation and seek advice if necessary.

Instead of a novation, an entirely new contract may be proposed. In that case, a new contract sum should be negotiated, if possible. The new contracting party may seek to agree that you maintain liability for work done under the contract with ISG, and if you are prepared to agree, they may be prepared to pay a premium for that.

What do I do if my business is now in financial difficulties?

- a. Speak first to your accountant who should be able to give you a clearer picture of the impact of the ISG administration on your business and recommend any steps to be taken.
- b. If appropriate, have a discussion with your other major clients to see if they can assist with cash flow by, for example, making early payment on valuations.
- c. If necessary, seek advice from a [licensed insolvency practitioner](#).
- d. In the event you are considering reducing your workforce, you should take professional advice and/or call the free [ACAS helpline](#).

This guidance is of a general nature and professional advice should be sought in relation to specific circumstances and issues.

Neither Wedlake Bell LLP nor Build UK Group Limited accept any liability for the matters contained in the guidance. The administrators are at a very early stage and detailed information is not yet available; this guidance is based on information available as at 30 September 2024.