

BESA calls for 'tough and rapid response' to ISG collapse

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The [Building Engineering Services Association](#) (BESA) has urged the government to act quickly in response to the collapse of main contractor ISG.

M&E firms are expected to be among the hardest hit by the financial collapse of the £2.2bn turnover business with the loss of more than 2,000 jobs.

Construction data firm [Barbour ABI](#) estimates that ISG has unfinished projects worth £1.7bn, including the £150m fit-out of Google's new headquarters building at King's Cross, and building services firms are facing millions of pounds of unpaid bills.

Eight divisions, including ISG Construction Limited and ISG Engineering Services Limited, fell into administration on Thursday, although many sub-contractors had been downing tools for some time due to missed payment deadlines.

BESA had been providing emergency support and advice to several members affected by cash flow problems due to unpaid invoices for work on ISG contracts and moved quickly to offer further services as the scale of the collapse emerged.

Contracts secured on a fixed price basis, many before the Covid-19 pandemic, have been blamed for taking down a £4bn plus portfolio of unfinished and planned projects that includes dozens of vital public sector buildings such as schools and prisons, and work for several high-profile private sector clients.

Ranked in the top four UK main contractors, ISG is the biggest construction firm to collapse since Carillion in 2018 and the fallout is expected to be equally damaging. However, BESA chief executive officer David

Frise said it was just the latest in a series of company administrations that had been undermining UK supply chains in recent years.

“Sadly, the lessons of Carillion have not been learned and our members and hundreds of other sub-contractors are left to pick up the pieces yet again,” said Frise. “Profit margins in construction are wafer thin and the fragile basis of many contracts means SMEs are particularly exposed.

“Suppliers will feel hugely betrayed, and we know that many were lied to about the status of the business following the sudden departure of senior directors back in February. Several excellent, financially sound firms could go under through no fault of their own with significant job losses because of this.”

BESA’s legal & commercial director Debbie Petford quickly reached out to members when the news broke to remind them of the free services they could access immediately including resources to help with payment issues, contract management, business protection, mediation, and debts.

“We are aware that several members are directly affected by this news, and we want you to know that BESA has your back,” said Petford. “Members have instant access to our dedicated legal & commercial expert team who are always available to help with any concerns or queries regarding contracts or payments – and any contact with us is strictly confidential.”

BESA has also created an ISG Insolvency Information Sheet which explains the administration process in more detail, and covers unsecured debt and sub-contractors’ legal obligations.

However, the Association said the government should recognise that the “ISG debacle and the wider woes of the sector” represent a significant threat to its ambitions to grow the UK economy – and urged it to speed up a consultation on new laws to address the ongoing late payment crisis.

Just days before ISG went into administration, the government announced new measures to help small businesses and the self-employed tackle “the scourge of late payments”, which it said was costing SMEs £22,000 a year on average and causing 50,000 business closures.

It promised to consult on “tough new laws” to hold larger firms to account and bring in new legislation “within weeks” that would require all large businesses to include payment reporting in their annual reports.

“Enforcement will also be stepped up on the existing late payment performance reporting regulations which require large companies to report their payment performance twice yearly on GOV.UK,” a government statement said, adding that non-compliant companies could face unlimited fines and criminal records.

Barriers

“We are determined to back small businesses by unlocking their barriers to growth,” said Prime Minister Sir Keir Starmer. “Stamping out late payments is at the heart of this. After years of delay, we’re bringing forward measures that small businesses have long been calling for to tackle late payments once and for all,” he added.

BESA said it welcomed the announcements but said the new measures should be speeded up and the consultation fast tracked in light of the ISG crisis.

“The collapse of ISG came just two weeks after the publication of the Grenfell Tower public inquiry report which highlighted the dysfunctional nature of many construction contracts,” said Frise. “People’s safety and wellbeing, along with economic growth depend on a robust, well financed construction sector, which we manifestly do not have.

“The building engineering industry consists of impressive companies run by expert people who want to do a good job, but they are often hampered by a broken contractual process that leaves them scrambling around for money just to keep projects and their companies alive.

“ISG needs to be construction’s last major financial collapse that threatens entire supply chains, and the government must help us put a more robust and fit for purpose industry in place.”

You can contact the BESA Legal & Commercial team on 020 7313 4919 or email legal@thebesa.com.