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## Industry Update

# English Court Approves Enzen Part 26A Restructuring Plans in First Case With HMRC Active Support

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On 25 March 2025, the English Court approved the interconditional dual restructuring plans of Enzen Global Limited and Enzen Limited (Enzen).

The plans amend and extend £50 million senior secured liabilities, provide for new money financing and release £150 million of other secured and unsecured liabilities.

The case is notable for being the first restructuring plan where HMRC has not only voted in favour of the plan despite being impaired with regards to the principal amount of their preferential claim (in relation to VAT, PAYE and NICs), but also for being the first restructuring plan where HMRC has appeared in court to support the plan. This is indicative of a shift away from HMRC's previous stance of routinely opposing restructuring plans that impaired its preferential claim on policy grounds (see [Prezzo](#) and [Houst](#)), and shows that HMRC is willing to go further in participating more fully in restructuring plans and reaching deals with debtors.

Although initially hinting at opposing the plans at the convening hearing, HMRC agreed to vote in favour of and support the plans after Enzen agreed to pay an additional £200,000 in aggregate across the two plans (payable in equal instalments over 12 months) on top of the original £500,000 aggregate cash consideration in exchange for the full and final settlement of HMRC's preferential claims of £5.9 million.

In fact, such is the speed of HMRC's new general policy rollout that since sanction was granted for Enzen's restructuring plans, HMRC has appeared in court to support the restructuring plan of Outside Clinic, which was sanctioned on 28 March 2025. In that case, HMRC received a 15p/£ recovery on their preferential debt.

Other notable points from the Enzen case include:

- 1. The court's willingness to use case management powers to facilitate tight timelines.**
  - (a) At the convening hearing and after being made aware of potential opposition by at least two plan creditors (including HMRC), Mr Justice Hildyard approved (as he did in [Ambatovy](#)) a convening order that specified deadlines by which notices of opposition and supporting evidence had to be served on Enzen, and any evidence in reply to be filed by the plan companies. These deadlines were set within the plan companies' existing timetable.

- (b) Having the court's assistance in this way is hugely helpful to a plan company, as it mitigates the risk of last-minute challenges and, if no opposition is indicated by the relevant deadline, enables the plan company to proceed to sanction with greater confidence that nothing unexpected will arise that will jeopardise the timetable (which is often driven by a liquidity cliff edge).
- (c) Given the lack of an effective statutory moratorium, deploying tools to maintain a plan company's tight timetable also reduces the risk of intervening enforcement or winding-up petitions.
- (d) It also forces creditors to engage promptly with the debtor's practice statement letter, explanatory statement and accompanying evidence, and acts as a further deterrent to opposing creditors "shouting from the spectators' seats" at the sanction hearing (given this would have *prima facie* breached the terms of the order). Consequently, creditors with serious grievances will need to seek legal advice earlier.
2. **Restructuring plan of opcos in SME/mid-market space.** This case is a welcome addition to the limited number of SME/mid-market operating companies that have successfully undertaken restructuring plans to effect a balance sheet restructuring. It will be viewed with interest by other companies in the mid-market space that may otherwise be deterred from using the restructuring plan and the cross-class cramdown tool by recent high-profile large-cap restructuring plans which have turned litigious and, in some instances, have been appealed. HMRC's change in policy regarding preferential claims will no doubt also be a draw, as this was previously considered to be a financial block to mid-market companies utilising restructuring plans.
3. **Divergence from the *pari passu* principle.**
- (a) In Enzen, each member of the unsecured and subordinated classes was offered the greater of £1,000 and 150% of what they would receive in the relevant alternative. A complaint was raised by one opposing creditor that this was unfair, on the basis that the comparatively large size of its claim (compared to other unsecured creditors) would mean that it would receive a disproportionately low payment relative to holders of very small claims within its class.
- (b) Whilst acknowledged as a divergence from strict adherence to the *pari passu* rule, this was justified on several grounds, including: (i) in the relevant alternative, the unsecured creditors would receive nothing, as the valuation evidence (which was not challenged) showed value breaking in the secured debt; (ii) given the consideration paid to the unsecured creditors is funded by the secured creditors, it is therefore within their gift to decide how this is to be applied and strict adherence to the *pari passu* principle is not required; and (iii) there are good pragmatic reasons for such an approach to avoid the cost of determining the value and validity of all claims.

Paul Hastings advised the senior secured lenders and shareholders of the Enzen Group. The broader financial restructuring completed on 1 April 2025.



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