Creditor holding letter (template)

From LTD Turnaround (ltdturnaround.co.uk). Free to use and adapt. This is general information, not legal or insolvency advice. A holding letter buys a short, honest pause; it does not fix the underlying problem. If the company cannot pay its debts as they fall due, speak to a Licensed Insolvency Practitioner before sending anything.

WHAT THIS LETTER IS FOR

To tell a creditor, honestly, that payment will be late, and to commit to a specific date on which you will come back to them with a concrete proposal. It is not a payment promise and it should never pretend to be one.

[Company name]
[Registered office address]
Company number: [number]

[Date]

[Creditor name]
[Creditor address]
Your reference: [invoice / account number]

Dear [Name],

Re: account [number], balance [amount]

I am writing about the balance of [amount] on our account, of which [amount] is overdue. I would rather tell you the position plainly than go quiet.

The company is currently dealing with [one factual sentence: a short-term cash shortfall following X / the loss of a customer / a delayed receipt]. We are taking advice on the company's position and expect to be able to put a specific proposal to you by [date, ideally within 14 days].

Until then, I am asking you to hold any further action on the account. I will contact you on or before [same date] whether or not the position has improved. If anything material changes before then, I will tell you.

I appreciate this is not what you want to read, and I am grateful for your patience. You can reach me directly on [phone] or [email].

Yours sincerely,

[Name]
Director, [Company name]

WHAT NOT TO PROMISE

1. Do not promise payment in full, or by a fixed date, unless you are certain the money will be there. A broken promise destroys the goodwill this letter creates.
2. Do not promise to pay this creditor ahead of others just because they are pressing hardest. If the company later enters liquidation, payments that favoured one creditor over others can be challenged as preferences.
3. Do not say the company is fine if it is not. If the company is insolvent, a letter that paints a false picture can be held against the directors later.
4. Do not order more goods or services on credit that you already doubt the company can pay for.

Related free tool: https://ltdturnaround.co.uk/tools/cash-flow-runway-calculator/
Guide: https://ltdturnaround.co.uk/creditor-pressure/