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**A 'domino effect' from business failures has meant a fifth of East of England companies have taken a financial hit from the insolvency of a customer, supplier or debtor in the last six months, according to research from the Eastern branch of R3**
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It found that the financial impact of the insolvency of another business was described as "very negative" by 7 per cent of the region's companies, and as "somewhat negative" by a further 13 per cent. Through the so-called 'domino effect', one company's insolvency increases the insolvency risk for others. It follows a 13 per cent rise in underlying insolvencies in the first quarter of this year over the previous three months.

Nationally, almost half of construction businesses have been hit by the insolvency of another firm, as have nearly a third of manufacturers and retailers. R3 Eastern chair Mark Upton, a partner at Ensors Chartered Accountants in East Anglia, said: "No business exists in isolation, and every headline-grabbing corporate insolvency will have consequences for numerous other enterprises….Any smart business knows it needs to mitigate risks due to insolvency in its supply chain or its customers through active monitoring of partners' credit profiles, diversification where possible to spread risk, and through building strong relationships which can provide support when a major counterparty hits a rough patch."