Crackdown on directors who dissolve companies to evade debts

The Insolvency Service has been granted new powers to tackle unfit directors who dissolve companies to avoid paying their liabilities.

The new legislation extends the Insolvency Service’s powers, on behalf of the Business Secretary, to investigate and disqualify company directors who abuse the company dissolution process.

The Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Act will also help tackle directors dissolving companies to avoid repaying Government backed loans put in place to support businesses during the Coronavirus pandemic.

Business Secretary Kwasi Kwarteng said:

> We want the UK to be the best place in the world to do business and we have provided unprecedented support to businesses to help them through the pandemic.
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> These new powers will curb those rogue directors who seek to avoid paying back their debts, including government loans provided to support businesses and save jobs. Government is committed to tackle those who seek to leave the British taxpayer out of pocket by abusing the covid financial support that has been so vital to businesses.

The Insolvency Service has powers to investigate directors of companies that enter a form of insolvency, including administration and liquidation. The Insolvency Service may also be instructed to investigate live companies where there is evidence of wrongdoing.

This Act extends those investigatory powers to directors of dissolved companies and if misconduct is found, directors can face sanctions including being disqualified as a company director for up to 15 years or, in the most serious of cases, prosecution.

The Business Secretary will also be able to apply to the court for an order to require a former director of a dissolved company, who has been disqualified, to pay compensation to creditors who have lost out due to their fraudulent behaviour.

The Act also delivers on the commitment to rule out COVID-19-related changes as grounds for material change of circumstances (MCC) business rate appeals. This is due to the fact that market-wide economic changes to property values, such as from COVID-19, can only be properly considered at general rates revaluations.

To support this, the government is providing £1.5 billion in business rates relief to sectors which have suffered most economically over the pandemic and not been eligible for existing support linked to business rates. Guidance published on 15 December 2021 will support local authorities to set up their local schemes through which businesses will be able to access relief.

Stephen Pegge, Managing Director of UK Finance, said:

> The ability to dissolve a company when necessary is a right reserved in legitimate circumstances where there are no outstanding creditors, however, it can be open to abuse.
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> The banking and finance industry therefore supports this legislation which will provide much needed powers to the Insolvency Service to help hold rogue directors to account by providing additional deterrents and easier enforcement of the rules.

The measures will be introduced under the Ratings (Coronavirus) and Directors Disqualification (Dissolved Companies) Act and the legislation will cover England, Scotland, Wales and Northern Ireland. The Act received Royal Assent on 15 December 2021 .

More information about director disqualification is available on GOV.UK.

The Directors Disqualification Measure implements a policy first announced in August 2018. The Government announced it would implement when Parliamentary time allowed and the Bill was introduced on 12 May in part to deliver on measures to combat Bounce Back Loan fraud as announced in Budget 2021.