

# Laugharne hotel investment scheme lands director with ban

Kayboo Limited was incorporated in 2010 and in 2011, purchased the luxury Hurst House Hotel in Laugharne, Carmarthenshire before renaming it The Corran Resort and Spa.

Keith Michael Stiles, currently from Donegal, was appointed a director of Kayboo in August 2012 and was responsible for the company's investment scheme – known as a fractional ownership scheme – that secured funds to expand the hotel.

The fractional ownership scheme saw Kayboo agree, as landowner, to grant to a company limited by guarantee a 999-year lease on each individual hotel room. The company limited by guarantee would then grant a sub-lease to the hotel operator who would pay rent.

Investors would purchase membership in the company limited by guarantee, representing a fraction of that room, and become entitled to a share of the rent paid by the hotel operator.

Kayboo, however, went into administration in October 2016 and the company's insolvency triggered an investigation by the Insolvency Service.

Investigators uncovered that Kayboo received £6.4 million in respect of the existing hotel building (known as "Phase 1"), but the company only registered 3 leases for investments worth £585,000.

Further enquires discovered that Kayboo misled investors to believe that a scheme to develop 28 rooms in a nearby semi-derelict farmhouse at East House Farm (known as "Phase 2") was low risk, that the property had been safely secured, and investors would be protected if the company became insolvent.

Kayboo received £10.6 million from investors to develop Phase 2. But no leases were registered, most of the property was never purchased by Kayboo and secured lenders did not give any permission for the scheme.

On 7 October 2022, the Secretary of State accepted an 8-year disqualification undertaking from Keith Stiles, after he did not dispute that he allowed Kayboo to mislead investors, and that it secured over £500,000 of deposits from December 2015, after he ought to have known that the company was insolvent.

Effective from 28 October 2022, Keith Stiles is banned from directly, or indirectly, becoming involved in the promotion, formation or management of a company, without the permission of the court.

Mark Bruce, Chief Investigator for the Insolvency Service, said:

Keith Stiles allowed his company to misrepresent the true risks of its complex investment scheme to investors. Furthermore, he allowed the company to continue taking hundreds of thousands of pounds worth of deposits when he should have known that the company was insolvent and unlikely to honour its future commitments.

Thankfully Keith Stiles has been removed from the corporate arena for a significant amount of time. His disqualification should serve as a stark warning that we will investigate failed investment schemes such and sanction directors who mislead the public.

Keith Michael Stiles is from Donegal (Ireland) and previously of Studham (Bedfordshire) and his date of birth is 16 March 1959

Company Kayboo Ltd (Company Reg no. 07394929).

Keith Stiles' disqualification concludes a series of investigations into individuals linked to Kayboo, including:

### **Details of misconduct**

Solely for the purposes of the Company Directors Disqualification Act 1986 and for any other purposes consequential to the giving of a disqualification undertaking, Mr Stiles did not dispute the following matters:

"I allowed Kayboo Ltd to mislead investors from 2013 to 26 February 2016 in the sale of fractional leases in Phase 2 The Corran Resort, contributing to the loss of their investments totalling £10,603,700:

- Marketing material led investors to believe that East House Farm development would complete within 12 months, as part of a hotel complex in which they had purchased fractional leases. They were assured of security, that the leases were available to buy and that they could sell their leases on the open market. They were assured that, should Kayboo Ltd become insolvent, they would remain members of a company with a long lease on the room and they had the right to appoint a new operator to run the hotel. The only direct references to the properties not being owned by Kayboo Ltd were contained within the 'Agreement for Lease and Sublease' (which was part of the contractual documents provided to a number of the investors) which refers to an "Acquisition Agreement" between Kayboo Ltd and the current owner and contains a condition that the former agreement is conditional on Kayboo Ltd acquiring the Property within 12 months, and the Agreement for Sale and Membership of a Company (which was provided to all of the investors) which makes one mention of "on acquiring the property". Otherwise, this information was not disclosed to investors.
- However, both East House Farmhouse and 5 of the 8 barns were at no stage purchased, at no stage subject to an unconditional agreement to purchase, and no leave was obtained by the secured lenders controlling them to sell fractional leases on them. Legal advice was given to Kayboo Ltd on 3 June 2013 not to exchange contracts for any room sales without

a firm agreement in place with the secured lender on the 5 barns.

- Kayboo Ltd additionally failed to disclose to investors that its attempts to obtain planning permission for Phase 3 of the development, vital to the success of the whole development, had been rejected on 17 June 2013 and (appeal) 27 October 2014, or that Kayboo Ltd had applied on 26 March 2015 for a materially altered plan of 200 lodges and restaurant, which was then rejected on 4 December 2015.

I allowed Kayboo Ltd to accept £557,400 from investors from 7 December 2015 to 26 February 2016 to their unreasonable risk and ultimate detriment, after I ought to have known, that Kayboo Ltd was insolvent.”

### **About disqualifications**

Disqualification undertakings are the administrative equivalent of a disqualification order but do not involve court proceedings. Persons subject to a disqualification order are bound by a [range of restrictions](#).

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