

Press release: Directors who manipulated accounts disqualified

An Insolvency Service investigation found that Mr Dhillon caused, and Ms Dhillon allowed, the companies to operate in manner which lacked probity, as a result of which a bank suffered a loss totalling £31.767m.

Mr and Ms Dhillon were directors of Dhillon hotels Limited, Liongate Hotel Limited, Crown Hotel (Amersham) Limited, which entered administration on 20 September 2012 and PHB Realisations 2013 Limited (formerly Paragon Hotel (Birmingham) Limited) and Paragon Birmingham Limited which entered administration on 21 September 2012. The companies had operated the following hotels:

- The Olde Bell Coaching Inn, High Street, Hurley-on-Thames
- The Lionsgate Hotel, Hampton Court Road, Kingston-upon-Thames
- The Crown Inn, High Street, Amersham
- The Paragon Hotel, Alcester Road, Birmingham
- with Paragon Hotel (Birmingham) Limited being a holding company

Mr and Ms Dhillon operated a group of hotels, all of which were subject to the same bank lending facility and cross guarantees. The investigation found the Dhillon's utilised the various companies for personal expenditures which were attributed by the group accounting department to director loans, these directors being Mr and Ms Dhillon.

The lending facility was subject to strict covenants regarding the ratio of turnover to lending/interest. The bank was provided with regular management accounts which showed that the covenants were being met. These were inaccurate constructions solely for that purpose. Accounts were then filed at Companies House which were consistent with management accounts presented to the bank (in the form of year-end adjustments within the accounting system). These adjustments had the effect of obscuring personal expenditure and inflating the value of assets, thereby inverting and obscuring the true position.

In tandem with these erroneous adjustments, a large property (Paragon Hotel in Birmingham) was presented, from 2009, as being about to be sold to an unconnected third party. This sale was asserted to be subject to delays, during which time nearly £13m more was loaned against the security it was purported to provide. The truth was the supposed purchaser had entered Administration in 2009. The property was ultimately sold for £3m by the office holders in 2013.

The Insolvency Service investigation also found, and Mr and Ms Dhillon accepted, that:

- the bank was knowingly provided with management accounts which presented an inaccurate picture of the true financial and trading position of each

company and the Companies together

- the accounting system used by the companies was knowingly manipulated through the use of year end adjustments to have the appearance of consistency with management accounts presented to the Bank in relation to each company and the Companies together
- the bank was falsely informed that Paragon Birmingham Limited was continuing the process of selling the Paragon Hotel at a price of circa £18m when the proposed purchaser had entered Administration on 7 December 2009 and no such sale was possible, probable or likely
- the overdraft increased from £5.5m on 24 March 2009 to £18.29m on 8 May 2012
- the bank continued to provide moneys to the Companies by way of extended overdraft facilities on the basis of the proposed sale of The Paragon Hotel
- the accounting records maintained on behalf each company were not accurate and complete
- the financial statements lodged at Companies House therefore could not be accurate

At Administration the bank was owed £48.304m with secured assets being realised/valued at £16,537m, resulting in an estimated shortfall of £31.767m

Commenting on the disqualification, Cheryl Lambert, Chief Investigator at the Insolvency Service, said:

Directors have a duty to ensure that the procedures they construct and oversee comply with the law. Directors who do not comply with this basic obligation can expect to be investigated by the Insolvency Service and enforcement action taken to remove them from the market place.

In this case, Mr Dhillon was responsible for the construction of a long term and complex web of lies, by manipulating the internal financial systems of a group of companies. Additionally, the sale of a very large asset was claimed to be occurring resulting in almost £13m of further lending being made, which were then used within their empire of companies and which allowed the Dhillons to continue to benefit from their continued operation.

In court proceedings relating to Mr Dhillon's business affairs a judge branded him as a man who "regards truth as a merely optional extra when doing business." Following the Insolvency Service's investigation I can only agree with that conclusion.

Ms Dhillon took no action to prevent the long term implementation of that deceit, whilst benefiting from the continued operation of

the companies and the increased funds overdraft extensions.

This activity goes to the very core and basis of the economic system, with Mr Dhillon knowingly creating a scheme to obscure his activities and the real position in relation to the company's trading and solvency.

Taking action against Ms Dhillon is a warning to all directors to seriously consider, and ensure they perform their duties and obligations and not hide behind the corporate veil or claim ignorance of acts, whilst accepting the rewards and benefits of corporate trading.

Notes to editors

Dhillon Hotels Ltd (CR0 02368567) was incorporated on 5 April 1989. Its registered office was 118 Piccadilly, Mayfair, London, W1J 7NW and traded The Olde Bell Coaching Inn, High Street, Hurley-on-Thames.

Lionsgate Hotel (Amersham) Ltd (CR0 04173719) was incorporated on 6 March 2001. Its registered office was 118 Piccadilly, Mayfair, London, W1J 7NW and traded The Lionsgate Hotel, Hampton Court Road, Kingston-upon-Thames.

Crown Hotel (Amersham) Ltd (CR0 05195352) was incorporated on 2 August 2004. Its registered office was 118 Piccadilly, Mayfair, London, W1J 7NW and traded The Crown Inn, High Street, Amersham.

PHB Realisations 2013 Ltd (CR0 05834739) was incorporated on 1 June 2006 as Paragon Hotel Birmingham Ltd and changed its name on 17 May 2013. Its registered office was 118 Piccadilly, Mayfair, London, W1J 7NW and traded The Paragon Hotel, Alcester Road, Birmingham.

Paragon Birmingham Ltd (CR0 05880199) was incorporated on 18 July 2006. Its registered office was 118 Piccadilly, Mayfair, London, W1J 7NW. Paragon Birmingham Limited operated as holding company.

Dhillon Hotels Ltd, Lionsgate Hotel Ltd and Crown Hotel (Amersham) Ltd were placed into Administration on 20 September 2012.

PHB Realisation 2013 Ltd (formerly Paragon Hotel (Birmingham) Ltd and Paragon Birmingham Ltd were placed into Administration on 21 September 2012.

Sarah Megan Rayment and Anthony David Nygate, BDO LLP, 55 Baker Street, London W1U 7EU were appointed joint Administrators of all five companies.

Sarina Thiara Dhillon is of 19A Warrington Crescent London W9 1ED.

Novtej Singh Dhillon now resides 8b Albert Palace, Kensington, London W8 5PD and was formerly of the 16e Portland Road London W11 4LA.

The Secretary of State accepted an undertaking from Samina Thiara Dhillon on 23 December 2016. The disqualification commences on 13 January 2017.

The Secretary of State accepted an undertaking from Novtej Singh Dhillon on 24 January 2017. The disqualification commenced on 14 February 2017

A disqualification order has the effect that without specific permission of a court, a person with a disqualification cannot:

- act as a director of a company
- take part, directly or indirectly, in the promotion, formation or management of a company or limited liability partnership
- be a receiver of a company's property

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 other restrictions](#).

The Insolvency Service, an executive agency sponsored by the Department for Business, Energy and Industrial Strategy (BEIS), administers the insolvency regime, and aims to deliver and promote a range of investigation and enforcement activities both civil and criminal in nature, to support fair and open markets. We do this by effectively enforcing the statutory company and insolvency regimes, maintaining public confidence in those regimes and reducing the harm caused to victims of fraudulent activity and to the business community, including dealing with the disqualification of directors in corporate failures.

BEIS' mission is to build a dynamic and competitive UK economy that works for all, in particular by creating the conditions for business success and promoting an open global economy. The Criminal Investigations and Prosecutions team contributes to this aim by taking action to deter fraud and to regulate the market. They investigate and prosecute a range of offences, primarily relating to personal or company insolvencies.

The agency also authorises and regulates the insolvency profession, assesses and pays statutory entitlement to redundancy payments when an employer cannot or will not pay employees, provides banking and investment services for bankruptcy and liquidation estate funds and advises ministers and other government departments on insolvency law and practice.

Further information about the work of the Insolvency Service, and how to complain about financial misconduct, is [available](#).

All public enquiries concerning the affairs of the company should be made to: Cheryl Lambert, Chief Investigator, Investigations and Enforcement Services, The Insolvency Service, 3rd Floor, Abbey Orchard Street, London SW1P 2HT. Tel: 0207 596 6117. Email: Cheryl.Lambert@insolvency.gsi.gov.uk.

Media enquiries for this press release – 020 7674 6910 or 020 7596 6187

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