

Substantial director bans in 2018/19

In this news story, Gareth Allen, Assistant Director for Investigation and Enforcement Services, explains the process of directorship disqualifications, while also looking at the trends amongst those people who received substantial directorship disqualifications in 2018/19.

Being a responsible director

So you've decided you want to incorporate a limited company. You've picked the company's unique name and you have appointed yourself and maybe a colleague as directors.

Documents have been prepared and you know what records you need to keep but before you register your company, did you know that having the title of director is more than just having something impressive on your business card?

It involves certain duties and responsibilities that continue until the moment you resign from your position.

As a director of a limited company, you must follow the company's rules, shown in the [articles of association](#), [keep company records](#) and [report changes](#), [file your accounts and your Company Tax Return](#), pay [Corporation Tax](#) and tell shareholders if you might personally benefit from a transaction the company makes.

You can hire other people to manage some of these things day-to-day, such as an accountant or operations manager. But at the end of the day you're still legally responsible for your company's records, accounts and performance – the buck stops with you and your fellow directors.

If you fail to meet your responsibilities as a director, you may be fined, disqualified or even prosecuted.

Disqualification proceedings

The Insolvency Service may investigate your company or you personally as a director of your company if it's involved in insolvency proceedings or if there's been a complaint.

If we determine that you haven't followed your legal responsibilities, we will write to you explaining your misconduct and that we are intending to start the disqualification process.

You can either contest the allegations in court, which could lead to a disqualification order or you can provide a voluntary disqualification undertaking, putting an end to court action.

If you're involved in disqualification proceedings, you could be banned from being a director of a limited company or even involved in the running of a

company, for anywhere between 2 and 15 years.

In addition to being subject to a range of disqualification restrictions, which you can [read more about here](#), your details will be published online on GOV.UK and if you are found to breach your restrictions, you could be fined or worse still – sent to prison for up to 2 years.

A focus on substantial disqualifications in 2018/19

Since April 2014, the average length of a disqualification is 5.7 years. There are occasions, however, where directors will receive more substantial bans.

During 2018/19, 70 people received Section 6 disqualifications – bans for unfit conduct in relation to an insolvent company – of between 11 and 15 years. For the purposes of this article, we will call them ‘substantial disqualifications’.

77% of substantial disqualifications were undertakings and the majority were for 11 (39%) and 12 (33%) year bans. But 6 people did receive the maximum 15-year term.

43% of the substantial disqualifications in 2018/19 involved some form of tax misconduct, such as VAT fraud. Other examples of misconduct included dubious investment schemes and directors breaching a previous ban.

The types of industries the directors and their companies were connected with varied, covering construction, retail, food and drink, real estate and technology (computers, electronics, telecommunications).

Of those individuals with substantial bans in 2018/19, a significant proportion were in their 40s (36%) or 50s (30%) but in 2018/19, we did see 2 people under the age of 30 and another 2 people over the age of 70 receive a lengthy disqualification.

And in terms of location, London was the biggest hotspot seeing 19% of substantial bans, with the West Midlands in second place having a 10% share. 3 disqualified directors were even registered to countries outside of the United Kingdom.

Publicising disqualifications

When we write to directors informing them that we believe they haven't followed their legal responsibilities, we outline that we may take the decision to publicise their disqualification and the reasons for the ban.

All disqualifications are publicised on the [Companies House disqualified directors register](#). Where we believe it's in the public interest for people to know about a director's misconduct and we want to deter other directors from committing the same offences, we will send out a press release before publishing it on GOV.UK. We also use our social media channels, [Twitter](#) and [LinkedIn](#), to engage with a wider audience.

Here are some examples of press releases where we have highlighted substantial disqualifications: