Company Liquidation

Following a recent Audit investigation, it is apparent that contractors may wind up and liquidate a company in order to avoid the payment of accrued debt and other liabilities and, during the time that the liquidation process is taking place, a new company is formed, with or without the same director(s), which then picks up and continues to provide identical services to the existing clients of the dissolved company.

In the case of the investigation, the company in question contacted its customers, which are mainly schools, advising them it had “rebranded the business”. The company failed to declare to the schools that the existing company had been liquidated with debts exceeding £150,000, and that it had been prosecuted by the Health and Safety Executive for safety failings which led to an employee sustaining serious injuries.

Whilst its actions were not illegal, schools should remain vigilant regarding changes of this nature and satisfy themselves that any such rebranding exercises are genuine. In addition, where schools have longstanding contracts with suppliers to provide services, these should be periodically revisited to ensure that the school is obtaining value for money.