House of Commons Hansard Debates for 23 Nov ...

Dr. Vincent Cable (Twickenham) (LD): I am grateful for the opportunity to raise a subject that represents a familiar problem for many Members of Parliament. I was prompted to raise it by a significant number of specific constituency cases, but I recognise that it is a big national issue. The consumer organisation Which? estimates that consumers are currently spending some £2 billion a year on dealing with faults after being misled by contractors in various ways, and there are roughly 100,000 outstanding cases-probably more-on the files of trading standards officers.

It is not just that a large number of households have been caused considerable difficulties by builders whom they have contracted; the problem is very damaging to the wider economy. If there is any single measure that would breathe life into the British economy and create a large amount of employment, it is a big burst of housing maintenance and improvement, but people are often inhibited by worries about quality.

I want to draw attention to a handful of cases. I have six on my books at the moment from my advice surgeries, and, although they illustrate different aspects of the problem, they all have certain things in common. First, the individuals concerned were careful. They were not duped. They went through a number of tests to establish whether those with whom they were dealing had proper qualifications. They tried to make staged payments. They did all the things that people are advised to do. Secondly, behind many cases in which problems were encountered with cowboy builders was a familiar story. For example, some contractors who go bankrupt subsequently reopen under new names. The so-called phoenix company technique appears to be

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What is a phoenix company

A phoenix company is where the assets of one Lin
the new company has the same or a similar name

Are phoenix companies legal?

It is perfectly legal to form a new company from the
she:

- is subject to a disqualification order or und
- is personally adjudged bankrupt, or
- is subject to a bankruptcy restrictions order

For more information on disqualified directors, se

Why set up a phoenix company?

Not all legitimate businesses succeed at the first attempt, according to the Small Business Service, one in three businesses
any number of reasons and there are occasions when honest individuals find they can no longer trade out of their difficulties.

In these cases, the phoenix company arrangement allows a business to start again and for the profitable elements of the faile
continuity for both suppliers and employees.

Why do phoenix companies have a bad reputation?

In the past, some directors have deliberately forced their companies into insolvency in order to buy back the assets at a reduce
for the liabilities. The Insolvency Act 1986 has made it far more difficult for directors to do this, with stricter rules over the ins
liquidator. The liquidator must ensure that the best price is obtained for a business and its assets. Click here t

In a minority of cases, directors abuse the phoenix company arrangement by transferring the assets o
thereby reducing the funds available to creditors when the original company becomes insolvent.

Should I deal with a phoenix company?

The majority of phoenix companies are perfectly legitimate businesses, but as with all new customers, you sh
references and check the directors themselves. Find out why the previous business failed and ensure that the directors
arrangement. You can find out information on company directors from Companies House or from a status report from a credit
are confident that you will be paid on time.

What can be done about those who abuse the system?

The Insolvency Act 1986 gives the liquidator a number of powers to stop those who are abusing the system. These include all
where the failed company has entered into a sale at a lower than market value at a time when the company was unable to pay
offence for a director of a company which has gone into insolvent liquidation to be a director of a company with the same or a s
management, without leave of the court within 5 years after the winding up. A director who contravenes the Act may be made lia

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2 Jan 2010 ... Fantasy **Joinery**. I should like to think that John Major's att
grandmother's Victorian forebears came from **Saddleworth** and two ...
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