

## Director disqualified for deliberate depletion of company assets

13 August 2024

---

**A director was disqualified for seven years under s.6 of the Directors Disqualification Act 1986 for deliberately depleting the company's assets when it was insolvent and diverting sums which had been provided with government backing at a time of national crisis.**

Paranoid Expedition Engineering Ltd (the Company) manufactured and sold motor vehicle parts and accessories. Helen Anderson (HE), the Defendant, was a director, together with her husband and a third individual (who provided investment and given a personal guarantee in relation to company obligations under a finance lease agreement).

Until 2019, HE's husband had been responsible for the design and manufacture of the company's products; serious health issues stopped him from working. HE managed the company's financial affairs and took over its day-to-day management. The Company obtained a bounce back loan and a Coronavirus business interruption loan (CBIL). Together, they totalled c. £110,000. Between mid-2020 and January 2021, the Company paid a total of £164,112 from its account. When it entered administration, the Company had less than £5,000 in cash. Of the monies paid out from mid-2020, over £137,000 was paid to another company owned by HE and her husband, PEL. Only one company creditor received any payment.

It was found that payments made to PEL (of which HE was a director and shareholder) were made gratuitously, and not in repayment of a debt or debts owed to PEL by the Company. The monies were not used for the purposes of the Company's business, or to its advantage, and there were no circumstances of the pandemic to justify them. Further, the payments to PEL were made at a time when the Company was insolvent, and HE should have known this, not least as the Company had ceased to trade. The payments depleted the assets of the Company available for its unsecured creditors in circumstances where there was no prospect of a solvent or substantially solvent sale.

Further, the sums borrowed under the BBL and CBIL were used in breach of those agreements as there was no economic benefit and not for the purposes of the Company's business.

HE's conduct amounted to misconduct. Her conduct fell below the standards of probity and competence appropriate for persons fit to be directors, justifying a finding of unfitness, and a seven-year period of disqualification.

*Paranoid Expedition Engineering Ltd, Re* [2024] EWHC 1090 (Ch)

