

# Comment

With the big news at the start of 2018 being the bankruptcy and collapse of the Carillion Group, we've got some general advice for any small businesses affected by businesses they supply going into liquidation - with thanks to the Federation of Small Businesses.

If a firm you supply has gone into liquidation it's likely that you may not get all of your money (or indeed any of it) back. There are different types of liquidation, such as voluntary and compulsory liquidation.

During the early stages of an insolvency, an Official Receiver (OR) is usually appointed. They work for the Insolvency Service and are attached to the court. An Insolvency Practitioner (IP) may be appointed at a later stage (usually accountants or solicitors) who are authorised to deal with insolvency cases. The OR or/and IP takes control of the company. Their aim is to sell the assets and to distribute the money between the creditors. There is an order of priority in which the money is distributed. Generally speaking payments are usually made in this order:

- Secured creditors will be paid first.
- Then liquidators' fees and expenses.
- Preferential creditors (such as unpaid wages to employees and contributions to occupational pension schemes).
- Any creditor holding a floating charge over an asset.
- All unsecured creditors, (this is where most Carillion subcontractors will fit).
- Any interest payable on debts.
- The shareholders.

## Practical steps you should take:

- Obtain your evidence of the debt i.e. invoices.
- Register as a creditor with the OR or/and IP and complete a proof of debt form.
- Wait for further information from the OR and/or IP.

The information above has been supplied by FSB Legal Helpline, the 24-hour legal advice telephone line that is available to all FSB members. The Legal Protection Scheme from FSB covers various scenarios and ensures you and your business are covered in the event a supplier goes out of business. The Association of British Insurers anticipates that only £30 million will be paid out against Carillion's £billion debts.

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## The Installer

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