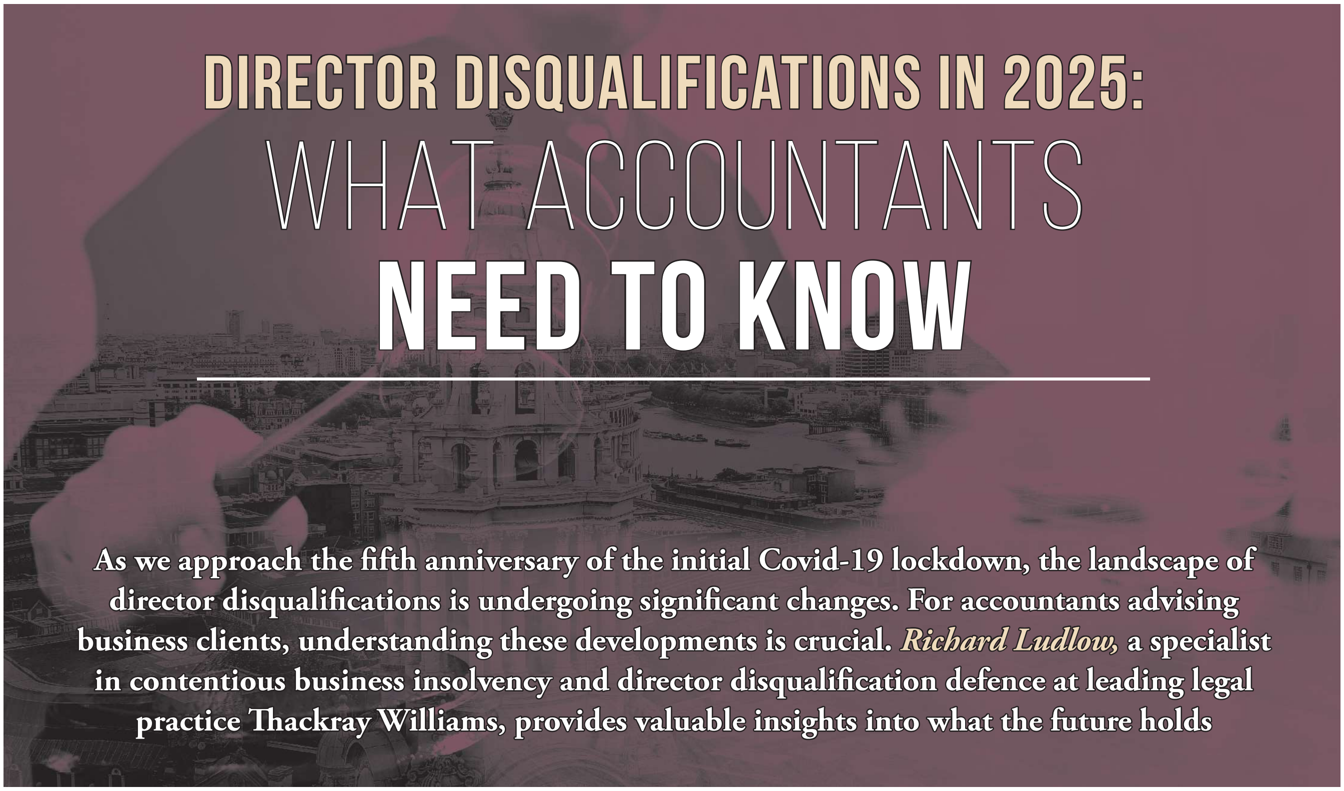

DIRECTOR DISQUALIFICATIONS IN 2025: WHAT ACCOUNTANTS NEED TO KNOW

As we approach the fifth anniversary of the initial Covid-19 lockdown, the landscape of director disqualifications is undergoing significant changes. For accountants advising business clients, understanding these developments is crucial. *Richard Ludlow,* a specialist in contentious business insolvency and director disqualification defence at leading legal practice Thackray Williams, provides valuable insights into what the future holds

The general statistics, as released by the Insolvency Service for 2023-24, show that disqualifications relating to Covid loans numbered 831 out of a total of 1,222 disqualifications.

There was also a large and growing number of compensation orders brought against directors as a result of losses suffered claimed to have occurred as a result of their actions.

Forecasting director disqualification trends for 2025

The anticipated increase in the number of insolvency appointments due to the predicted challenging economic climate over the next 12 months means that it is almost inevitable that there will be more proposed director disqualifications this year. Again, a large proportion are likely to be based on bounce back loans, and the wider Covid fraud cases, for at least the next 12 months.

These allegations will continue the trend of Covid-related disqualification cases outweighing citations for trading to the detriment of HMRC and failing to deliver company books and records.

Criminal sanctions a growing concern

In addition, we have also seen an increase in directors being targeted for disqualification and then facing criminal sanctions as a result of obtaining Covid loans in situations where the applications were made dishonestly; in doing so, the directors were knowingly engaging in fraud. There have been a number of these cases over the last 12 months where the directors have received both disqualifications and prison sentences because of their actions.

Proactive measures for accountants

Given these trends and projections, accountants and lawyers have a crucial role to play in guiding clients through potential financial difficulties. Here are key recommendations for advising clients with financial concerns:

- **Recommend seeking advice promptly**
  The moment there are concerns about the financial position of a client's business or their role within it, encourage them to seek professional advice immediately.
- **Suggest consulting specialists**
  Direct clients to restructuring or turnaround specialists within your firm or from another specialist accountancy practice.

  Advice can also be sought from a solicitor with experience of advising directors in respect of insolvency, including but not limited to disqualification.
- **Highlight the risks of the 'ostrich approach'**
  Educate your clients on the dangers of ignoring financial warning signs. Explain that deliberate avoidance of addressing business issues can lead to more severe consequences, including potential disqualification proceedings.

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By staying informed about these trends and providing timely, informed advice, accountants and lawyers can help clients steer their businesses through the challenging business landscape of 2025.

Identifying potential issues early and directing clients to appropriate resources will be instrumental in helping businesses survive and thrive, even in difficult economic conditions. ■