What is a phoenix business?

A phoenix business is a company established after the insolvency or dissolution of an unsuccessful business to continue the same or similar work. The business and assets are transferred, but not the debts. Often, a phoenix company is set up when the same directors buy the insolvent company's business and assets when it goes into administration or liquidation, so they can start afresh debt-free.

Phoenixing

Phoenixing or phoenixism is the practice of setting up businesses multiple times to avoid paying debts.

Each time the company becomes insolvent, its business and assets are transferred to a new, similar company, so the same directors can carry on trading. Its debts aren't transferred however – they stay with the insolvent company.

Phoenix businesses do not always indicate fraudulent activity, although there can be cause for suspicion. For example, transferring assets, potentially below market value, is an indicator of fraud and could leave creditors, including employees and suppliers unpaid.

True Financial Crime Stories:

We've found that around **600,000** UK registered businesses (14%) are phoenix businesses, and identified **70,000** as suspicious, demonstrating a pattern of no less than three negative events before closure.

Analysis we carried out for a leading UK energy firm identified **1,500** directors connected to over **£100m of live debt.** One director had set up **118 accounts,** generating **£470k of written off debt.**

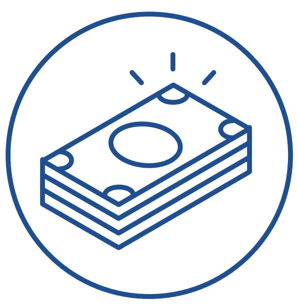
In just one example, a business director and family member established over **30 businesses** and accrued over **£140,000** of unpaid CAIS defaults and unpaid CCJs between 2012 and 2019.

When should you be suspicious?

Companies fail for all kinds of reasons, most of which aren't linked to misconduct, fraud or criminal activity.

Owners, directors and employees are legally able to establish a new business following a company insolvency or dissolution, as long as the individuals involved aren't personally bankrupt or disqualified from managing a limited company.

Spot the potential signs and protect yourself from financial crime:



Inaccurate valuation of assets

Unpaid utility bills or rent arrears

Directors' unpaid CCJs or CAIS defaults

Director misconduct

Using a combination of **Experian data sources**, we're able to spot the red flags which could be indicating potential criminal activity or malicious intent – identifying companies and directors leaving a trail of debt behind them.

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Registered office address:
The Sir John Peace Building, Experian Way, NG2 Business Park, Nottingham, NG80 1ZZ
www.experian.co.uk