

## REC urges action to stop insolvency abuse

Tuesday 7th July 2009

By Sam Collins

The Recruitment and Employment Confederation (REC) has called on the Government to help stamp out company abuse of insolvency procedures to write off debts and set up a new business.

In a letter to the Department of Business, Innovation and Skills (BIS), the REC has drawn attention to this practice - known as "phoenixing" which was raised by agencies during a number of recent REC On the Road events.

REC Director of Professional Services Fiona Coombe said: "There are occasions when it is quite legitimate for an agency that is in financial difficulty to file for insolvency.

"Where we have concerns are situations where this kind of 'phoenixing' is used systematically and repeatedly, often leaving individual workers out of pocket.

"The REC already runs Companies House checks on all new corporate members and we are committed to working with Government inspectors on this issue.

"On a general note, we must ensure that the current economic downturn does not jeopardise the progress we are making in terms of the overall perception of the industry.

"As well as addressing examples of bad practice, we must continue to take forwards a pro-active approach to enhancing professionalism such as the recent launch of Institute of Recruitment Professionals."

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**Posted By** John Abbott. Silverman Sherliker LLP on Tuesday 7th July 2009 11:36:43

I am the head of litigation at Silverman Sherliker LLP and I deal with many distressed companies facing liquidation. Understandably, there is much adverse comment regarding the practice referred to as "phoenixing" but it is an accepted and established means of rescuing a business that is in trouble. Yes the practice may result in redundancies but the fact is that they would happen anyway. At least where a company is phoenixed there is a chance of preserving some if not all of the jobs that would have been otherwise lost in a straight liquidation.