

## Tough times for directors who abused the pandemic financial support schemes



Of the total of 932 director disqualifications obtained by the Insolvency Service in 2022/23, 459 directors were disqualified for [abuse of the COVID-19 financial support schemes](#) with bans commonly ranging between 7 and 11 years.

The most common types of abuse we are seeing are the following:

- Overstating turnover in an application for a BBL when the company would otherwise not been eligible to receive the loan
- Dormant company, with no history of trading, obtaining a loan and withdrawing the money from the company, which is then struck off the register
- Breach of conditions of the BBLs by using loan of £50,000 contrary to the scheme terms by using the money for purposes other than for the benefit of the company.

We are also aware that directors guilty of COVID-19 related misconduct are being subjected to longer disqualification periods. The Insolvency Service are reporting that average length of bans handed out to directors in the last year was seven years four months, up from five years ten months in 2021-22. However, the clients who have instructed us are, more often than not, [looking at a proposed disqualification period of 10 – 11 years which is far higher than pre-pandemic level](#) and reflective of the tough stance being taken by the Insolvency Service in these cases.



## Recent cases

By way of an example, recent cases include:

### Bahar Dag

Bahar Dag was sentenced at St Albans Crown Court to two years six months in prison, with her husband Baris Dagistan sentenced to two years, having both pleaded guilty to offences involving a fraudulent application for a Bounce Back Loan.

Bahar Dag had claimed the full £50,000 Bounce Back Loan by stating the company's turnover was £200,000. However, it was closer to £40,000. When Insolvency Service investigators made contact, and the couple realised they had been caught, they repaid the Bounce Back Loan in full.

### Jubelur Rohman

Jubelur Rohman, sole director of Better Day Ltd which gave its business address the Indian Ocean restaurant in Wrexham until 2019, has been disqualified as a director for 11 years following an investigation into his company's £50,000 Bounce Back Loan obtained in October 2020. During the usual investigations that follow on liquidation, it was discovered that the company had in fact ceased trading in October 2019, with the restaurant currently at the address being owned by a different company. This was in breach of the rules of the Bounce Back Loan scheme which stated clearly that businesses had to have been trading on 1 March 2020 to be eligible for any funding.

Rohman took out over £40,000 in cash from the company's bank account between October 2020, when the loan money was received, and March 2021. Yet there was no evidence to show the funds had been spent for the economic benefit of the company.

### Craig McCourt

Craig McCourt, the sole director of Craig McCourt Electrical Services Ltd, an electrical installation company in Ross-shire, has been disqualified as a director for 11 years after he applied for Bounce Back Loan funding on two separate occasions, despite his company having already ceased trading and therefore not eligible for any financial assistance.

Although he later dissolved his company, he was caught thanks to new powers granted to the Insolvency Service which enable it to investigate directors of dissolved companies, particularly where bosses are suspected of using this as a tactic to avoid repaying taxpayer-backed Covid-19 support money. See our article on this [company dissolution is no longer the safe space for directors to hide](#).

Investigators discovered that not only had Craig McCourt Electrical Services Ltd not been trading since September 2019 – meaning he had breached the terms of the scheme when he applied for the loan – but he had immediately transferred the £15,000 loan to another bank account. Investigators then discovered that he had applied for the extra £5,000 top-up loan for the company in November 2020 – a month after the business had finally been dissolved. He had also transferred this money to a separate bank account.

## Compensation orders

It is also worth noting that, hand in hand with the disqualification now comes the compensation undertaking/order. [Compensation orders](#) were introduced in 2015 as an additional deterrent and (in short) to enable the Insolvency Service to seek an order (in addition to disqualification) that a director pay compensation



where their conduct has caused a quantifiable loss to one or more creditors of a company. Any compensation that is awarded can ultimately be distributed to the creditor(s) who suffered loss. They have rarely been used until the COVID-19 pandemic. The first and only reported case on compensation orders is *Re Noble Vintners Ltd*; [2019] EWHC 2806.

In addition to its civil enforcement action, the Insolvency Service also brought criminal prosecutions against six directors in 2022-23 for COVID-19 related misconduct. All of the prosecutions resulted in a conviction and resulted in immediate imprisonment in one case.

## How we can help

If you have been contacted by the Insolvency Service in relation to any of these issues, please contact us. We have over 20 years' experience in dealing with director disqualifications and are very well placed to advise you, efficiently and cost effectively, on the best course of action to take in your particular circumstances. [Contact our specialist team.](#)



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