

An Open Letter to MPs, Metro Mayors, and Civic Leaders: Time to Crack Down on Serial Phoenix Companies

Dear Colleague,

The government is right to introduce stronger protections for small and medium-sized businesses against late payments from larger companies.

For too long, SMEs have effectively acted as unwilling banks for big business, waiting months to be paid whilst trying to manage cashflow, wages, and rising costs.

However, whilst late payments are a major issue, there is another business practice causing equal – and in many cases even greater – damage to SMEs, local economies, and the public finances.

That is the growing abuse of so-called “phoenix companies”.

Across the UK, too many businesses are entering administration or insolvency owing substantial sums to suppliers, contractors, local firms, and HMRC - only to reappear weeks later under a different company structure, often with the same directors, same operations, and same customer base.

In some cases, this process is repeated multiple times. The consequences are devastating.

Small businesses are frequently left out of pocket by tens or hundreds of thousands of pounds. Family firms collapse because invoices are never paid. Employees lose jobs. Supply chains are damaged. Confidence in the wider business environment is undermined. Meanwhile, the taxpayer is left carrying huge losses through unpaid VAT, PAYE, National Insurance, and corporation tax liabilities.

Let us be clear. Most business failures are genuine. Entrepreneurship involves risk. Markets change. Economic conditions fluctuate. Honest businesspeople deserve support and second chances when ventures fail.

But there is an important distinction between legitimate business rescue and serial abuse of the insolvency system. At present, many SMEs feel the balance is wrong.

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The system appears too often to favour those with access to expensive legal and restructuring advice, whilst smaller suppliers - who can least afford the losses- are left exposed and powerless.

We believe the time has come for government to review whether current insolvency and director accountability rules remain fit for purpose.

Downtown in Business is calling for consideration of the following measures:

- Automatic investigations where directors are linked to multiple insolvencies within a defined period.
- Tougher director disqualification rules for repeat offenders.
- Greater transparency around pre-pack administrations and successor companies.
- Enhanced powers and resources for the Insolvency Service and HMRC to pursue serial abusers.
- Stronger protections for SME creditors during insolvency proceedings.
- A wider national conversation about fair business practice and responsible capitalism.

This is not an anti-business agenda.

On the contrary, it is about defending honest enterprise.

The overwhelming majority of businesses operate responsibly, pay their taxes, honour supplier agreements, and contribute positively to their communities. They should not be disadvantaged by those who repeatedly exploit loopholes and walk away from obligations without consequence.

At a time when government rightly wants to promote growth, investment, and confidence in the economy, creating a fairer and more accountable business environment matters more than ever.

SMEs are the backbone of the UK economy. They deserve a system that protects legitimate entrepreneurship - but does not reward repeated irresponsibility.

We would welcome the opportunity to work with parliamentarians, mayors, local authorities, business organisations, insolvency experts, and government departments to explore practical reforms that restore confidence and fairness to the system.

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Yours sincerely,

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