

UK Insolvency Service Launches Consultation on Corporate Civil Enforcement Reforms

26 March 2026

At a Glance

On 25 March 2026, the UK Insolvency Service published a wide-ranging [consultation](#) proposing significant reforms to strengthen and modernise the corporate civil enforcement regime, to tackle corporate abuse. To reform the current regime – which has been in place for nearly 40 years – the consultation envisages:

- significant structural changes to the civil enforcement regime, including a novel director restrictions regime as an alternative to outright disqualification, mandatory disqualification following public interest winding-ups and a shift of decision-making from the courts to the Secretary of State (with tribunal-based appeals);
- strengthened government powers to seek and gather information necessary to support effective and efficient investigations into corporate abuse; and
- certain procedural changes to improve and modernise the current procedure for director disqualification, making the processes more efficient whilst ensuring fairness and clarity.

The consultation is relevant to a broad range of stakeholders, including company directors, insolvency practitioners and creditors. While the proposals do not change what constitutes director misconduct, they would significantly alter the process by which misconduct would be investigated, determined and sanctioned going forward.

In terms of practical implications, stakeholders should note in particular:

- the potential lowering of the existing “grossly exorbitant” threshold for an extortionate credit transaction to a much lighter “commercially disproportionate” test;
- the potential for “restrictions” on directors to apply to relatively common forms of noncompliance (e.g., late filings), which could substantially expand the reach of the enforcement regime;
- the shift away from court-based adjudication of disqualifications, which could reduce the procedural protections currently available to directors, notwithstanding the proposed tribunal appeal route; and
- enhanced information-gathering powers for investigations into live companies.

Responses to the consultation may be submitted online or by email by 17 June 2026.

Overview of Proposals

<i>Proposal</i>	<i>Summary</i>	<i>Comment</i>
A: Structural Reforms		
1. Mandatory disqualification on public interest winding-up	<p>Courts would be required to disqualify directors of a company wound up in the public interest¹ for a fixed period of five years.</p> <p>Safeguards to ensure only those accountable for the harmful activities are disqualified. Disqualified individuals would retain the right to appeal in narrow circumstances. Would include shadow directors.</p>	<p>Currently, obtaining a disqualification after a public interest winding-up takes approximately two years on average – during which directors are free to continue to act. The Insolvency Service aims to remove culpable individuals from the marketplace swiftly.</p> <p>The consultation seeks views on: (a) in what circumstances affected directors should be able to appeal their disqualification; (b) whether a set period of five years is appropriate; and</p>

(c) whether the proposal balances the need to act quickly to protect the public, whilst treating directors fairly.

2. Director Restrictions Regime

Introduction of a new administrative process to place restrictions (rather than full disqualification) on directors guilty of lower-level misconduct such as negligence or incompetence, for a fixed period of three years.

The types of misconduct in scope for a restriction, rather than full disqualification, could include: repeated failure to adhere to company filing requirements (including tax returns); failure to pay Crown debts; inadequate accounting records and multiple corporate failures within a set period.

A restricted director would remain able to act as a director but subject to conditions including: they must not be the sole director of a company; they must not be sole signatory on a company bank account and any company of which they are a director must have a specified minimum level of paid-up capital. Restricted directors would also be in

This is the most novel proposal: the introduction of a "restrictions" regime as an alternative to full disqualification for lower-level misconduct, designed to reduce the risk of repeated or escalating misconduct in any future directorship.

The Insolvency Service considers that "unchecked lower-level misconduct poses a risk to the integrity of the corporate enforcement regime by undermining its deterrent effect. ... Tackling such misconduct deters other directors from neglecting their duties and who might otherwise have been tempted to engage in poor corporate conduct".

The restrictions regime would be an administrative process, conducted by the Insolvency Service on behalf of the Secretary of State.

The consultation seeks views on (among other questions) (a) the

	<p>breach if their companies failed to meet statutory filing and tax obligations.</p> <p>Breaching a restriction would be a standalone ground for full disqualification.</p>	<p>introduction of such a regime; (b) whether three years is a suitable timeframe for a restriction; (c) what types of misconduct should be in scope; (d) whether the restrictions would deter negligent behaviour; and (e) whether an educational course should be offered as an alternative, for first-time negligent conduct.</p>
<p>3. Secretary of State to replace court as decision-maker for disqualifications</p>	<p>Transfer of disqualification decision-making from the courts to the Secretary of State, with a statutory right of appeal to a tribunal.</p> <p>The Insolvency Service would be tasked with deciding whether director disqualification is appropriate. Decisions would be made by a separate department to that carrying out the disqualification investigation.</p> <p>The disqualification would take effect after a 42-day appeal window has elapsed or once an appeal is withdrawn or dismissed.</p>	<p>Currently, contested disqualification cases are determined by the courts, with the average time to secure a court disqualification being over three years from the date of insolvency. The consultation highlights the Charity Commission’s trustee disqualification process as a comparable model to the latest proposal.</p> <p>This tribunal route is intended to provide a more accessible and cost-efficient mechanism for challenging decisions, offering a proportionate alternative to litigation through the courts.</p>
<p>4. Strengthening recovery powers in respect of antecedent transactions</p>	<p>A package of measures to improve recovery of assets improperly paid out prior to insolvency, namely:</p>	<p>The key reform within this package is the potential lowering of the existing “grossly exorbitant” threshold for an extortionate credit transaction – which</p>

- reversing the burden of proof for connected-party transactions at an undervalue: once the liquidator or administrator identifies the transaction, it would fall to the connected party to demonstrate the deal was at fair value (the existing “good faith” defence would remain);
- creating a presumption that, where a company gave a preference to a connected person, the company was insolvent or became so as a result (mirroring the existing position for transactions at an undervalue);
- replacing the “grossly exorbitant” test for extortionate credit transactions with “commercially disproportionate”; and
- amending director “mifeasance” provisions to include shadow directors.

has never been successfully invoked – to a much lighter “commercially disproportionate” test.

The consultation makes clear that “the government does not wish to deter rescue finance”. It acknowledges that lenders to distressed companies take on greater risk and this will be reflected in the price the borrower must pay.

However, we expect this to be a focus in responses to the consultation, to avoid a potential chilling effect on the rescue finance market – in particular, in the absence of Chapter 11-style debtor-in-possession financing within the UK system.

5. Director disqualification for failure to comply with HMRC securities legislation

New power for courts to disqualify directors for up to five years following a single summary conviction for failure to comply with HMRC securities legislation – specifically, where HMRC requires a business to give security (effectively a

The consultation notes that “the obligation to provide security is a fundamental HMRC compliance requirement ... Addressing [breaches of this requirement] is essential to safeguarding public funds”.

deposit) in respect of a tax liability, where there is a risk that taxes will not be paid.

Individuals would have the right to appeal a disqualification order.

B: Information Gathering

6. Expansion and legal clarification of examination powers for live companies

Explicit statutory requirement for directors to answer investigators' questions during live company investigations², removing current ambiguity.

This proposed reform seeks to avoid investigations being frustrated or delayed.

The relevant powers of the Secretary of State to require any person to produce documents/provide information are primarily used to investigate the activities of live trading companies. Possible outcomes include winding the company up in the public interest, director disqualification proceedings or referral to another regulator.

<p>7. Modernisation of disclosure gateways</p>	<p>Review and modernisation of the statutory framework governing disclosure to other enforcement bodies of information gathered via the investigations mentioned above.</p>	<p>This proposed reform aims for improved efficiency by enabling faster and more effective collaboration with other enforcement bodies, supporting asset recovery efforts.</p> <p>Stakeholder concerns about fairness and oversight will need to be considered, particularly as to the scope of information sharing, the potential for misuse and the protection of whistleblowers.</p>
<p>8. Information gathering for solvent company investigations</p>	<p>New powers for investigators, on behalf of the Secretary of State, to request information from directors of solvent companies before initiating disqualification proceedings.</p>	<p>This reform would mirror powers already available for insolvent company investigations.</p>
<p>C: Procedural Changes</p>		
<p>9. Technical procedural changes</p>	<p>Replacing affidavits with witness statements and enabling electronic service of documents in director disqualification proceedings.</p>	<p>These amendments seek to modernise the current rules and to ensure an efficient approach in director disqualification.</p>
<p>10. Flexibility in court procedure</p>	<p>Allowing disqualification proceedings to use the standard civil claims process (Part 7 Civil Procedure Rules) as an alternative to the current mandatory Part 8 procedure, where</p>	<p>This reform is designed to allow greater flexibility and bring the disqualification process in line with the majority of civil claims.</p>

appropriate, particularly for complex or contested cases.

11. Extension of limitation period for certain cases

Secretary of State power to extend the time limit for bringing director disqualification proceedings from three years to up to five years in certain complex cases, without requiring court approval.

The current three-year time limit for bringing disqualification proceedings would be supplemented by a “complex case” track allowing up to five years, at the Secretary of State’s discretion. Published criteria would define “complex” cases, potentially including factors such as the number of directors, group structures, company size, volume of records and complexity of alleged misconduct.

We are happy to discuss this further with interested clients.

1. Under s.124A(1) Insolvency Act 1986. ↩

2. Under s.447 Companies Act 1985, which permits the Secretary of State to appoint investigators to conduct confidential fact-finding enquiries. In practice, these enquiries are conducted by investigators at the Insolvency Service, most commonly in relation to live, trading companies where there is suspicion of serious misconduct or there is risk to, impact on or harm caused to the public. ↩

Author

Kate Stephenson

Partner / London

Related Services

Practices

- Government, Regulatory & Internal Investigations
- Restructuring
- Litigation

Suggested Reading

- 25 March 2026 Press Release Kirkland Advises Advent and Cobham Ultra on Sale of Ultra Cyber to Airbus
- 25 March 2026 Press Release Kirkland Advises Francisco Partners-Backed Kobalt on Sale to Primary Wave
- 25 March 2026 Award Kirkland Honored at GCR Awards

This publication is distributed with the understanding that the author, publisher and distributor of this publication and/or any linked publication are not rendering legal, accounting, or other professional advice or opinions on specific facts or matters and, accordingly, assume no liability whatsoever in connection with its use. Pursuant to applicable rules of professional conduct, portions of this publication may constitute Attorney Advertising.

© 2026 Kirkland & Ellis International LLP.