

# Carillion Liquidation

Advice for Subcontractors



**Last month, the UK construction sector was impacted by the insolvency of the construction giant Carillion. On the 15th January 2018, Carillion went into liquidation what had affected the subcontractors and SMEs working for the company. Over 1.5bn debt left by Carillion put 30,000 suppliers into the risk of the domino effect. These businesses that were insured against bad debts might recover some or full amounts due. Insurers have already said they will pay more than 30 mln to companies owed money by collapsed construction giant. However, most of Carillion's suppliers risk getting little or nothing back, as only a minority of firms had such insurance covers.**

Experts from Streetwisesubbie have published 6-page advice paper setting out some useful information for Subcontractors who have been involved either directly or indirectly with Carillion.

Here is the brief analysis of the situation many of construction businesses are facing right now. The Streetwisesubbie's guide can be downloaded [streetwisesubbie.com](http://streetwisesubbie.com).

### How Carillion's liquidation can affect your business?

Carillion Plc and five of its subsidiaries were placed into liquidation by order of the Court on 15 January 2018. At the same time, the Court appointed the Official Receiver to be the liquidator and who is in charge of the company's affairs. PwC is appointed as special managers and assists in the process.

The Carillion companies in liquidation are: Carillion plc, Carillion Construction Limited, Carillion Services Limited, Planned Maintenance Engineering

Limited, Carillion Integrated Services Limited, Carillion Services 2006 Limited.

Carillion's compulsory liquidation suggests that there's are no assets of any value, so in the current scenario, it is unlikely that the unsecured creditors, will receive any payment due. PwC confirms on their webpage that there is low likelihood that any money owed for goods and services provided before Carillion went into liquidation will be paid in full. Moreover, it is essential to submit a claim in the liquidation to be taken into consideration. PwC advised that all subcontractors and suppliers should continue to work and provide goods and services under existing contracts. The Liquidator and the Special Managers will inform if the contract will have to be terminated. The Special Managers are seeking to work with the employer for each site, with subcontractors and the Company's staff on a site to determine the way forward for each site.

If you are in the direct contract with any of Carillion companies that are in Liquidation your business might be severely impacted. Streetwisesubbies recommend to take the following situations into consideration:

- If the project is being run as a joint venture between Carillion and another non-Carillion company it is important that you check your position in the contract and what the terms of the contract provide for in this situation. The project may or may not continue and you may or may not be paid for work done prior to the date of liquidation.
- For work done before 15 January 2018 (the date of liquidation), any amounts owing to you for that period will probably be an unsecured claim and it is very unlikely you will be paid, unless you have something with which to negotiate (contact Streetwisesubbies for advice).
- If you are in a contract with a non-Carillion company on a Carillion project, your entitlement to be paid will depend on the terms of the contract. If the contract contains a provision allowing them not to pay you in the event of Carillion's liquidation, then you will not be paid. If it does not contain such a term, you should still be paid, but in practical terms if companies above you in the

chain are not being paid this may affect their ability to pay you, even though they remain liable to do so.

- If you are providing an essential service/works which the liquidator needs immediately to keep a project going (and which he cannot easily obtain elsewhere), you may be in a position to negotiate payment of part or all of your arrears by the liquidator (call Streetwisesubbies helpline for details).
- If you have entered into a collateral warranty, a beneficiary may exercise its contractual right to step into your contract in place of Carillion, and that may be on terms that arrears prior to 15 January 2018 (or part of them) are paid.
- Before carrying out any future works you must be absolutely certain as to the terms on which you are doing so. In particular you must have the express instructions of the liquidator (who will likely be acting through PwC), in order to be paid for any works for a Carillion company after 15 January 2018 (the date of liquidation). You will not be paid for works carried out without proper authority.
- Depending on the terms of the contract it may have already been terminated, and/or you may wish to terminate it (call Streetwisesubbies helpline for details).

### How to claim back materials and tools left on sites?

In the first instance, contact should be made with PwC through their website ([pwc.co.uk/carillion](http://pwc.co.uk/carillion)) where you can find the dedicated emails to get further information.

Streetwisesubbies advise that materials delivered to site and not yet incorporated in the works may be recoverable if subject to valid retention of title provision in a contract, or if the title has not passed to Carillion or the Employer.

A questionnaire with relevant supporting documents to evidence the entitlement to any goods will have to be submitted. You will also be required to attend site to identify your goods when requested. Details about how this process works, the forms

required and the supporting documentation needed will be available on the Insolvency Services website: <https://www.gov.uk/government/organisations/insolvency-service>.

It may be that title in materials passed when they were delivered to the site or included in valuation even if you have not been paid.

Equipment/tools if owned, hired or leased by you may be claimed back, and PwC should be notified as soon as possible, with evidence of your ownership, copies of hire or lease agreements, and you should identify the location of the asset with a full description and photographs if you have them.

To claim materials, equipment or tools on a site to which you do not have access, you should email PwC at the following email address: [sharedservices.carillion@uk.pwc.com](mailto:sharedservices.carillion@uk.pwc.com) The legal status of materials on site is quite complex and we suggest that you take professional advice as soon as possible

(please call Streetwisesubbies helpline for details).

As an unsecured creditor of one or more of the Carillion companies in liquidation, you should register your claim with PwC. Check their website for information: [www.pwc.co.uk/carillion](http://www.pwc.co.uk/carillion).

You can also find information at the Insolvency Service guidance on making a claim on [gov.uk/government/publications/claim-money-back-from-a-bankrupt-person-or-company-in-compulsory-liquidation-guidance-for-creditors](http://gov.uk/government/publications/claim-money-back-from-a-bankrupt-person-or-company-in-compulsory-liquidation-guidance-for-creditors).

It is advised to promptly assess the impact of the Carillion liquidation on your business. Taking professional advice as soon as possible could be a cost-effective way to collect your funds quickly (please call Streetwisesubbies helpline for details).

If you are concerned about your ability to pay tax, HMRC will provide practical advice and guidance through its Business Payment Support Service: [gov.uk/government/news/practical-support-for-businesses-affected-by-carillion-liquidation](http://gov.uk/government/news/practical-support-for-businesses-affected-by-carillion-liquidation).

In the event you are considering reducing your workforce, you should take professional advice (please call Streetwisesubbies helpline for details) and/or call the free ACAS helpline <http://www.acas.org.uk>

If the impact of non-payment is such that your business cannot survive, then you should take professional advice (please call Streetwisesubbies helpline for details), before seeking advice from a licensed insolvency practitioner; [gov.uk/find-an-insolvency-practitioner](http://gov.uk/find-an-insolvency-practitioner).

Look for expert advice and support at [Streetwisesubbie.com](http://Streetwisesubbie.com). Streetwisesubbie.com offers the information on how to protect Specialist SubContractors' interests. You can support their call for a Public Inquiry into construction at Carillion Petition. Join Streetwisesubbies as a member at <http://membership.streetwisesubbie.com>

(SOURCE: [streetwisesubbie.com](http://streetwisesubbie.com))

