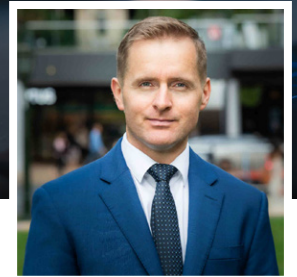


Successful Insolvent Trading Claim

SIMON WATSON



THE INSTRUCTION

In November 2021, P M Lee and Co. recovered money for our liquidator client.

When liquidators take control of companies, they have a right to sue former directors if they traded while the company was insolvent. This is a statutory claim, created by the Corporations Act 2001.

The liquidator sued a former director who had incurred substantial debts at a time when the company was insolvent. Proceedings were started in the District Court of Queensland after considering:

1. The status of the company's funds when debts were incurred.
2. The company's working capital ratio.
3. Trading losses and outstanding taxes.

The director's solicitors entered settlement negotiations. We considered options for the best outcome, considering the assets available for repayment, and the costs involved in litigation.

The claim was served in August and in November a settlement deed was entered, resulting in payment to the liquidator. A very good outcome for our client

Please contact us if you are a:

- liquidator wanting to recover money; or a
- director concerned about your obligations relating to insolvent trading.