

Insolvency

An employer might become insolvent when they do not have enough money to pay their debts. They might not be able to pay their employees what they owe them. For example:

- wages
- redundancy pay
- notice pay
- holiday pay

By law (Insolvency Act 1986), there are different types of insolvency. For example:

- 'administration' or a 'voluntary arrangement with creditors' – this is when an organisation is prevented from closing down
- 'liquidation' – when an organisation closes down and its assets are sold
- 'bankruptcy' – when sole traders or partnerships stop trading and close down

This can be a very upsetting and uncertain time for employers and their employees. Employees will often be dismissed and made redundant.

Check if an employer is insolvent

There are steps someone can take to check the status of the employer.

If it's not clear whether an employer is registered as insolvent, check:

- [Companies House on GOV.UK](#) – for information about an organisation
- [The 'Gazette' official public record](#) – for personal and company insolvency notices, including who to contact

It can also be helpful to:

- check local newspapers
- go to the business premises – there might be a note on the door or windows
- talk with people you worked with or a trade union representative, if you have one

If an employer is registered as insolvent

If an employer is registered as insolvent, an 'insolvency practitioner' or 'official receiver' takes control of the debts. This is the person who deals with the insolvency. They will contact employees directly and explain what they need to do.

Anyone with the [legal status of employee](#) can claim some or all of the money owed to them from the government's Redundancy Payment Service (RPS).

Someone is not likely to be an employee if they're:

- an agency worker

- a casual worker
- on a zero-hours contract

Before an employee can start their claim, they will need a case reference number (known as a 'CN' number) from the insolvency practitioner.

If the insolvency practitioner has not contacted the employees, they should contact them if they have their details.

[Find out more about claiming for redundancy and other money owed on GOV.UK](#)

If an employer is not registered as insolvent

If an employer is not registered as insolvent, it's a good idea to:

- ask the employer for money owed
- put this in writing, for example in a letter or email
- give them a reasonable amount of time to pay

If the problem is not resolved informally, the employee can [raise a grievance](#). This is where they make a formal complaint to their employer.

Getting money owed

If the employee does not get the money they're owed, they could make a claim to an [employment tribunal](#). This can be complex and it's best to [get legal advice](#).

Making a claim to an employment tribunal

If an employee's thinking about making a claim to an employment tribunal, they must notify Acas within the [time limits](#). They have either:

- 3 months minus 1 day – for most claims
- 6 months minus 1 day – for statutory redundancy pay claims

[Notify Acas about making a claim](#)

If an employee transfers to a new employer

TUPE regulations protect employees' rights when they transfer to a new employer. This also applies when the old employer is insolvent.

TUPE stands for Transfer of Undertakings (Protection of Employment).

Who pays any money an employee is owed depends on:

- whether the employer is insolvent
- when an employee is transferred to the new employer

Depending on the situation, either:

- the new employer is responsible for paying money owed
- an employee can make a claim to the government's Redundancy Payments Service

Find out more about:

- [TUPE if an employer is insolvent](#)
- [claiming from the Redundancy Payments Service on GOV.UK](#)

Advice and support for employers

If an employer cannot afford to make redundancy payments, they should contact:

- [the Insolvency Service](#) – for employers in England, Scotland and Wales who might be eligible for financial help from the Redundancy Payments Service
- [Business Debtline](#) – for employers in England and Wales
- [Accountant in Bankruptcy \(AiB\)](#) – for employers in Scotland