

"The company cannot pay wages" director checklist

From LTD Turnaround (ltdturnaround.co.uk). Free to use and adapt. General information, not legal or insolvency advice. Not being able to pay wages is one of the clearest signs a company is insolvent on the cash-flow test. Speak to a Licensed Insolvency Practitioner the same week, not next month.

TODAY

[] Write down the exact position: cash at bank, wages due and when, other payments due in the next 14 days (HMRC, rent, key suppliers).

[] Run the insolvency tests. If the company cannot pay its debts as they fall due, it is cash-flow insolvent.

Tool: <https://ltdturnaround.co.uk/tools/is-my-company-insolvent/>

[] Check your wrongful trading exposure before you take on ANY new liability: <https://ltdturnaround.co.uk/tools/wrongful-trading-checker/>

[] Do not take customer deposits or new credit you doubt the company can honour.

[] Book a call with a Licensed Insolvency Practitioner. Missing payroll is the point at which advice stops being optional.

THIS WEEK

[] Tell employees the truth about the delay, factually and briefly. Silence breeds panic and resignations; false promises are worse.

[] Do not selectively pay some creditors (or repay director loans) while wages and HMRC go unpaid. In a later liquidation such payments can be challenged.

[] Check whether the position is a one-off timing gap (a late receipt due within days) or structural (losses every month). Be honest about which it is.

[] If a rescue looks realistic, ask the IP about a CVA, administration or funding. If it does not, ask about a creditors' voluntary liquidation (CVL).

IF THE COMPANY ENTERS FORMAL INSOLVENCY: WHAT EMPLOYEES CAN CLAIM

Verified 27 July 2026 at gov.uk. When an employer is insolvent, employees can apply to the government (Redundancy Payments Service) for:

- a redundancy payment
- holiday pay
- outstanding payments such as unpaid wages, overtime and commission
- statutory notice pay

Applications are made online at <https://www.gov.uk/claim-redundancy> and need the CN

(case reference) number issued by the insolvency practitioner or official receiver;

"You cannot claim without the CN number." Claims for redundancy, wages and holiday must be made within 6 months of dismissal. RPS helpline: 0330 331 0020.

Source: <https://www.gov.uk/your-rights-if-your-employer-is-insolvent>

DIRECTORS: YOUR OWN POSITION

[] If you are on payroll under a contract of employment, you may have your own redundancy claim: <https://ltdturnaround.co.uk/tools/director-redundancy-calculator/>

[] Keep minutes of every decision from today onwards (template: <https://ltdturnaround.co.uk/templates/board-minutes-insolvency/>).

THE WARNING THAT MATTERS

Continuing to trade and rack up debts after the point where insolvent liquidation was inevitable is wrongful trading (Insolvency Act 1986, s.214) and can make directors personally liable. Taking advice early, and acting on it, is the protection.

Source: <https://www.legislation.gov.uk/ukpga/1986/45/section/214>

Guide: <https://ltdturnaround.co.uk/cant-pay-staff-wages/>