

## INQUIRY INTO LIQUIDATORS AND ADMINISTRATORS

This inquiry is long overdue. As with Financial Planning, this industry has not been subject to appropriate independent scrutiny.

Over many years equity investors and trade creditors of failed companies have complained about the behaviour and performance of liquidators and administrators.

The complaints include

- Too slow to understand the troubled company.
- Hence too slow to act to maximise the value of the company.
- Poor communication with creditors and shareholders.
- Arrogant and domineering attitude to creditors and shareholders.
- Abuse of statutory powers entrusted to them.
- Excessive fee charging.
- Coupled with excessive fee levels, slowness to act is sometimes seen as a deliberate attempt to extract the maximum amount of fees from their appointment, leaving nothing for creditors and shareholders.
- Assets often sold below fair market value to friends and affiliates.
- Sweetheart deals done before any general advertising is undertaken (a form of insider trading). Advertising done at the last minute merely to comply with statutory obligation to advertise (examples of advertisements can be provided).

Anecdotally and in the experience of executives involved with BizExchange there have been numerous examples of dishonest or inappropriate behaviour by liquidators and administrators to the detriment of creditors and shareholders – the people who provide the finance for businesses to operate.

Apart from establishing an independent ombudsman for the industry, we would make the following recommendations:

- 1) That the sale of distressed businesses or assets of distressed businesses be advertised at the earliest opportunity (say one week after appointment) to attract the widest possible market.
- 2) That advertising in the print media is no longer adequate public disclosure – advertising on the internet should be mandatory in order to attract the widest possible audience.