



To: The Leader  
Report by: Director Of Resources  
Relevant scrutiny committee: Strategy & Resources Scrutiny Committee 15/10/2012  
Wards affected: All Wards

## **GENERAL DEBTS - BAD DEBTS FOR WRITE-OFF**

### **FOLK FESTIVAL ONLINE TICKETING**

#### **Not a Key Decision**

#### **1. Executive summary**

The purpose of this report is to inform the Executive Councillor and Members of the Scrutiny Committee of General Income Accounts where there are amounts that are deemed not to be collectable and require passing for write off.

This report outlines the items recommended for write-off in the financial year ending 31 March 2013.

#### **2. Recommendations**

The Leader is recommended to write off 1 debt totalling £618,801 as summarised in 'Appendix A' to this report.

#### **3. Background**

Officers have concluded that there is no further practicable recovery action available to the Council for the recovery of these amounts.

## **4. Implications**

### **Financial Implications**

The Council maintains a provision for the write off of bad debts as a consequence of such circumstances as bankruptcy or liquidation of the debtor concerned. In some cases debts are written back to the originating service provider's budget and may result in a budget variance at the year-end.

Specific provision has already been made as part of the Council's provision for bad debts in respect of this debt.

## **5. Background papers**

These background papers were used in the preparation of this report:

N/A

## **6. Appendices**

Appendix A: Schedule of debts to be written off

Exempt Annex 1 – Wilkin Chapman Grange letter 25 June 2012

## **7. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact:

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## SCHEDULE OF GENERAL DEBTS RECOMMENDED FOR WRITE OFF:

<b>Secure Ticket (UK) Ltd</b>	<b>Folk Festival Online Ticketing</b>
<b>£618,801</b>	

The 2008 Folk Festival was held between 31 July and 3 August 2008. This was the second year for which tickets were made available to purchase online.

The contractor who provided online ticket sales in 2007 (SecureTicket (UK)) was engaged for 2008. The contract with the company provided that proceeds of the ticket sales would be kept in a client bank account for onward transmission to the Council on or before 11 August 2008.

No payment was received by the due date and Council officers chased the company for the money without success. Consequently, at the beginning of October 2008 the Council instructed specialist insolvency and debt recovery lawyers (Wilkin Chapman) to advise on the steps open to the Council.

Hampshire Police investigated possible offences committed by directors of Secure Ticket (UK) Ltd and made an arrest in March 2011; however, in August they announced that the Crown Prosecution Service had ruled that there was not enough evidence to bring a prosecution.

In November 2010 one of the directors of the company, Michael Barnard, was disqualified from being the director of a company for nine years, following an investigation by the Insolvency Service. Action against the other directors has been subject to an adjournment of proceedings until later in the autumn. However, disqualification proceedings will not lead to the Council recovering money, but are intended to protect others from unacceptable behaviour by directors.

From the outset, the Council took legal advice about the steps open to it to recover the money owed. In the early stages, the Council was advised that it could not take action to seize (or freeze) assets of the company, and that the action it should take was to apply in the High Court for a winding up order against the company. Immediately prior to the High Court hearing of the Council's application, the company put itself into voluntary liquidation.

This had the effect of placing the company's affairs in the hands of the receiver appointed, RSM Tenon. The power to take legal or other recovery action vested in the liquidator and the City Council has not, since the liquidation, been in a position to bring legal proceedings in its own right. There are a number of other creditors, owed a significant amount of money, and who would have an equal and proportionate entitlement to share in any sums recovered. In the event, the liquidator found that the company had negligible assets, and these were applied to cover the cost of the liquidation.

Having reviewed the position with RSM Tenon, the present situation is that none of the other creditors is prepared to help fund recovery action by the liquidator, the principal director, Mr Qajar is bankrupt and the liquidator has been unable to identify any clear cause of action against anyone connected with the company or identified assets capable of recovery.

Consideration has been given to the Council funding an insolvency practitioner to be appointed as Mr Qajar's trustee in bankruptcy (which the liquidator cannot do owing to a conflict of interest), which may identify assets that creditors (including the Council) could then claim against.

RSM Tenon has said that they could not realistically quantify the cost to the Council in following this approach. Whilst the setting up of the file and all other initial statutory matters will amount to £5,000 plus VAT and disbursements, this would only be sufficient to ascertain if there are actions to be taken. It would only make sense for the Council to consider this course of action if it is prepared to commit further sums of money.

The liquidator has notified the Council that he proposes to close the liquidation unless the Council funds further work, as outlined above.

The external solicitors who initially acted for the Council in this matter were consulted for their assessment of the present position and the scope for further action by the Council. Their reply is attached as Annex 1 (Please treat the content of this note as confidential). The letter concludes that "pursuing this matter further would, in my opinion, simply involve the Council throwing good money after bad". And "I do not think any further activity or expense would prove beneficial and I am afraid that I do not see that there is any prospect of recovery."

There has been some success in persuading regulatory bodies to investigate the behaviour of SecureTicket (UK) Ltd, resulting in a detailed police investigation and action by the Department for Business, Innovation and Skills. However, there does not appear to be a realistic prospect of recovering the sums owed to the Council. As a result it is recommended that the debt is written-off.