If your business is already in distress, please do not wait for this checklist - speak to a qualified professional today.

TIME-SENSITIVE - READ TODAY

The Avoiding Insolvency Checklist

For Company Directors

This will take you ten minutes. It could spare you a conversation you never want to have.

Thousands of UK businesses are heading towards insolvency this year, and a great many of them through absolutely no fault of their own. A bad debt from a customer who let them down. The domino effect of someone else's failure landing on their desk. Costs rising faster than they can pass them on. Margins being squeezed from every direction at once.

For a growing number of directors, the hardest part is not the business at all. It is sitting down with the people they love and explaining why the money has stopped, why the holiday is cancelled, why things have changed.

Ten minutes, answered honestly, could be the difference between catching this early and explaining it later.

How to Use This Checklist

For Questions 1 to 9 and Question 11, choose the answer that feels closest to your business today. Be honest rather than optimistic. This is for you.

Question 10 is advisory only. Capture your answer, but do not include it in your score.

A	B	C	D
1 point	2 points	3 points	4 points

My total score	**____ / 40**	**Completed on**	____________

One thing before you start

One thing before you start. This checklist is written from personal experience, one captain to another. It is not legal advice, financial advice, or a regulated assessment of any kind. If anything you read here raises a serious concern, please speak to a qualified solicitor, accountant, or insolvency practitioner. They are the right people for that conversation. This is simply a plain-English prompt to help you think.

1. Day-to-Day Cash

Score: ____

Over the last few months, which one sounds most relevant to your business?

A. [ ] We pay people calmly and on time. We are not constantly juggling who to pay next. 1 pt

B. [ ] Now and again we have a squeeze, but most months cash feels under control. 2 pt

C. [ ] Most months we are juggling payments and watching the bank balance every few days. 3 pt

D. [ ] Most weeks we are right on the limit, delaying payments and hoping the next receipts hit in time. 4 pt

Watch note: Cash pressure is often the earliest warning sign. If you chose C or D, start with a weekly cash view.

2. Bad Debts and Big Customers

Score: ____

Looking at your top three customers, what would happen if one of them went down and did not pay you?

A. [ ] It would be noticed, but it would not seriously hurt us. 1 pt

B. [ ] It would be painful, but we would still trade normally. 2 pt

C. [ ] We would need to borrow immediately just to get through it. 3 pt

D. [ ] It could finish us. 4 pt

Watch note: If you chose C or D, customer concentration or bad debt exposure belongs near the top of your watchlist.

3. Finance Left Too Late

Score: ____

Which of these sounds most like your business?

A. [ ] We review our finance calmly and ahead of time, while things are still comfortable. 1 pt

B. [ ] We sometimes leave it a little late, but we get there before things get sticky. 2 pt

C. [ ] We tend to put it off until cash is already tight and pressure is building. 3 pt

D. [ ] We only look at finance when we are close to the limit and already missing payments. 4 pt

Watch note: If you chose C or D, timing may be costing you options. Earlier finance conversations are usually better ones.

4. HMRC

Score: ____

Which of these sounds most like your business?

A. [ ] We are always up to date with VAT, PAYE and corporation tax. — 1 pt

B. [ ] We are usually up to date. The odd hiccup, but nothing serious. — 2 pt

C. [ ] We are in an agreed payment plan and keeping to it. — 3 pt

D. [ ] We are struggling to agree or keep to a payment plan. This is a recurring issue. — 4 pt

Watch note: If you chose C or D, treat HMRC as a priority conversation, not something to leave until pressure rises.

5. Suppliers and Lenders

Score: ____

Over the last 12 months, which of these feels closest?

A. [ ] No agreed payments have been missed and suppliers are paid on time. — 1 pt

B. [ ] The business is broadly up to date. It is a struggle, but no payments have been missed. — 2 pt

C. [ ] Payments have been missed or terms have been pushed more than once. — 3 pt

D. [ ] It is a battle. The business has been late, has missed payments, and is under pressure. — 4 pt

Watch note: If you chose D, supplier and lender pressure is a major warning sign. Missed payments can affect future trust and finance.

6. Clear Picture of the Business

Score: ____

Which of these sounds most like you?

A. [ ] I live these figures. I know them at any stage. They are part of me. — 1 pt

B. [ ] I have a good idea of where I am. If you asked me ten questions about the business right now, I would probably get about half right. — 2 pt

C. [ ] I spend my time running the business and leave the rest to my bookkeeper or accounts department. I check in every now and then. — 3 pt

D. [ ] If someone asked about profit or cash today, it would mainly be a guess. — 4 pt

Watch note: If you chose C or D, build a simple weekly report covering cash, debtors, creditors, HMRC, and the next 30 to 60 days.

7. Looking Ahead

Score: ____

How is your next 12 months looking compared with your last 12?

A. [ ] The business is going to make more profit than it did last year. I can see growth, and everyone is positive and content. — 1 pt

B. [ ] I can see us having a better year than last year. I am quietly confident. — 2 pt

C. [ ] We are all working to capacity and busier than last year, but profits are down due to higher costs. — 3 pt

D. [ ] We are all working really hard, but it is tough out there. Costs are getting higher and it is a struggle with cash flow. — 4 pt

Watch note: If you chose C or D, busyness may be hiding margin pressure. Check whether more work is actually producing more cash.

8. Customer Focus

Score: ____

Which of these sounds most like your business right now?

A. [ ] The customer experience is still front and centre, whatever else is going on. — 1 pt

B. [ ] We are stretched, but we still care about getting it right for the customer. — 2 pt

C. [ ] We have slipped into "that will do" more than we would like to admit. — 3 pt

D. [ ] Honestly, the customer has taken a back seat while we firefight everything else. — 4 pt

Watch note: If you chose C or D, firefighting may be pulling attention away from the customer. That can become a hidden leak.

9. Could the Business Run Without You?

Score: ____

What would happen if you had a medical emergency today and could not go anywhere near the business for a month?

A. [ ] The business runs well whether I am there or not. The systems and the team carry it. — 1 pt

B. [ ] It would cope for a while, but a few things would start to slip after a week or two. — 2 pt

C. [ ] It would struggle quickly. Too much depends on me being there. — 3 pt

D. [ ] Honestly, the wheels would come off within days. — 4 pt

Watch note: If you chose C or D, too much may depend on you personally. Write down what only you know before it is needed.

10. Advisory Only: A Few Things Worth Knowing About

Do not score

Are you aware of director loan account risk, repayments to yourself, and paying connected people first when things are tight?

A. [ ] Yes, I know all this, and I always take advice before lending into the company.	Advisory
B. [ ] I am aware of most of this, but I have never specifically taken advice on it.	Advisory
C. [ ] I have lent money into the company and taken it back as a straightforward loan, without advice or any formal arrangement.	Advisory
D. [ ] I was not really aware of any of this until now.	Advisory

Watch note: Do not score this question. If B, C, or D feels close to home, take proper professional advice before acting.

11. The 3 a.m. Test

Score: ____

How often do you wake in the night worrying about the business?

A. [ ] I hardly ever wake up in the night worrying about the business.	1 pt
B. [ ] Now and again I have a broken night over the business. A few times a year.	2 pt
C. [ ] Every month I seem to wake up at least once, worrying about the business in some way or another.	3 pt
D. [ ] I wake up most mornings worrying about the business.	4 pt

Watch note: If you chose C or D, write down the issue that keeps returning. Repeated worry is often trying to tell you where to look.

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Work Out Your Result

Add up Questions 1 to 9 and Question 11. Do not include Question 10. Your total score should be between 10 and 40.

My total score	____ / 40	**Completed on**	____________

Calm waters 10 to 20	Calm to Choppy 21 to 31	Rough seas 32 to 40
Comparatively strong. Protect what is working and keep visibility over cash, customers, suppliers and systems.	Broadly sound, with early warning areas worth tightening while the sea is still manageable.	A level of risk worth taking seriously. Prioritise cash, HMRC, lenders, suppliers and major customer exposure.

Your Result Band Explained

Use the band below as a starting point. It is not a verdict on the business. It is a way of deciding where your attention should go first.

Calm Waters

10 to 20

What this means: Your answers suggest the business is in a comparatively strong position. The job now is not to relax completely, but to protect the habits that put you here.

Keep the numbers close. Maintain a weekly view of cash, debtors, creditors, HMRC, supplier pressure, and the next 30 to 60 days.

Stress-test the obvious shocks. Ask what would happen if a major customer paid late, costs rose again, or a key person was unavailable for a month.

Do not let calm become complacency. Good businesses can still be hit by someone else's failure. Use stable conditions to make the business harder to knock off course.

Calm to Choppy

21 to 31

What this means: Your answers suggest the business is broadly sound, but there are early warning areas worth tightening while the sea is still manageable.

Start with every C or D answer. For each one, ask what would move it one step healthier over the next 30 days.

Watch cash and information flow. If cash is being juggled or the numbers sit mainly with someone else, build a simple weekly report and review it at the same time each week.

Act before pressure hardens. The best directors rarely wait for a crisis. They make small corrections while they still have options.

Rough Seas

32 to 40

What this means: Your answers suggest the business is carrying a level of risk worth taking seriously. This does not mean disaster is inevitable, but it does mean the warning signs deserve attention now.

Prioritise cash visibility. Know what is due in, what must go out, what is overdue, and what is genuinely available week by week.

Protect the fastest-moving conversations. HMRC, lenders, key suppliers, and major customers should not be left vague or unmanaged.

Get a qualified second opinion. If the same issue is waking you up at night, speak to a qualified solicitor, accountant, or insolvency practitioner before decisions narrow.

What to Look at First

If you selected C or D on any scored question, that answer deserves attention. It does not mean the business is failing. It means that area may be showing pressure before the wider business does.

Q2 C/D: major customer or bad debt exposure.

Q4 C/D: HMRC pressure or a payment-plan issue.

Q5 D: supplier and lender pressure.

Q1 C: regular cash juggling.

Q6 C: day-to-day numbers sitting too far away from the director.

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