

# Business crime: UK Insolvency service closes businesses for misleading sales practices

Three companies based in Bolton in the north of England which used misleading sales practices to solicit sponsorship from businesses have been wound up in the High Court following an investigation by Company Investigations of the Insolvency Service.

Fairchild Publications Ltd, Hogan-Reynolds Publications Ltd and Smithson Publications Ltd produced booklets covering child safety issues. They solicited sponsorship for the booklets, typically charging GBP200 for 30 booklets, which were then sent to schools.

The schools did not request the booklets and did not know in advance that they would be receiving them.

The Court heard that the companies operated under the control of the Fearn family (namely Susan Fearn, Wayne Fearn, Gareth Fearn and Eddie Fearn).

In the case of each company, nominated company officers not belonging to the Fearn family were appointed while members of the Fearn family were engaged in some other capacity.

The appointed company officers were found to have little knowledge of the day to day running of the businesses.

The companies used a host of misleading sales practices to obtain payment from sponsors, including deceiving businesses into believing that they had previously agreed to sponsor booklets; representing that the booklets were of benefit to schools when, in fact, the booklets were compiled from information freely available on the internet and were unsolicited by schools; and representing that they were acting for a charitable purpose or cause when, in reality, they were private companies operating for profit.

The misleading sales practices were compounded by aggressive and persistent debt collection tactics causing numerous businesses to pay for sponsorship that they had not agreed to.

Fairchild Publications Ltd had received payments from sponsors of at least GBP636,000 and Hogan-Reynolds Publications Ltd received payments of at least GBP107,000. Little of this money was spent on the production and distribution of booklets. Instead it was used to fund payments to those in control of the companies and their telesales staff, with the companies adopting wage payment methods which facilitated tax evasion, such as the systematic use of cheque cashing services and the use of false employee names to withdraw cash from the companies.

Fairchild Publications Ltd and Hogan-Reynolds Publications Ltd ceased trading and were abandoned during the investigation and were succeeded by Smithson Publications Ltd, which was promoted to continue the same business.

The Court found that the companies had continued a method of trading which was contrary to the public interest and which represented an abuse of limited liability status.