

Directors' responsibilities on resignation: Do you know yours?

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When Rishi Sunak removed Suella Braverman from her cabinet post, she took a defiant stance, with an open letter criticising the PM for renegeing on promises and calling for a leadership election.

It was a defiant, headline-grabbing move that may inspire other discontents looking to speak out against their bosses. But the path for a dissatisfied cabinet minister may not translate into the corporate world so easily.

While resignation may mean general duties no longer bind a company director, their corporate responsibility can continue long after stepping down from the board.

Under the [Insolvency Act 1986](#), if a director has allowed a company to continue trading when there is no reasonable prospect of avoiding insolvency, they could be personally liable, even after resigning.

Similarly, a director who has acted negligently, fraudulently, or in breach of their duties during their time may be held personally liable for any losses later incurred by the company.

Neither will resignation be any protection if a conflict of interest arises through the use of any property, information or opportunity gained during a time as director. And if a director has made personal guarantees to secure company loans or debts. In that case, these remain binding, regardless of whether they have resigned.

Importantly, directors looking to resign must ensure that the company's finances and other corporate responsibilities are well managed to minimise any risk of personal liability later on. Compliance with the [Companies Act 2006](#) requires directors to exercise reasonable care.

Partner and head of our company and commercial team, [Victoria Holland](#), said:

"Even where a director leaves the business in a position of financial stability, if the company were later to become insolvent, then any director who served during the three years running up to the insolvency could be subject to investigation."

"The impact of this could be far-reaching. For example, where a director has played a role in the company's difficulties in those three years, they could be disqualified from being a director for up to fifteen years, which could prevent them from continuing in any subsequent role as a director."

Partner and head of our employment team, [Karen Cole](#), added:

"For an MP, the resignation or dismissal may be very high profile, but it's effectively a clean break. For a director, it's important to be sure that any resignation takes account of the whole picture and they ensure that financial management and other corporate responsibilities are all in good order before they sign the exit paperwork, if they want to minimise any future risk of personal liability."

For employment advice and corporate queries, contact [Karen Cole](#) or [Victoria Holland](#) today.

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