

## **Predatory PwC (Private Eye, 26 October 2009, p. 29)**

**THERE's no shortage of work right now for advisory accountants who help companies in financial difficulty. What a pity the bigger beancounting firms prefer not to help such clients get back on their feet but break their legs instead so they can pick up their usurious fees (more than £400 an hour for a partner) performing corporate surgery.**

One company that hit choppy commercial waters last year was a Leeds motor sales business called Premier Motorauctions. The ten-year-old firm, owned and run by managing director Keith Elliott, boasted a turnover of £160m and annual profits of £2.5m, much of that derived from a contract with the DVLA to auction unusual number plates. The only hitch was an abortive attempt to sell the business for £38m, which incurred a £2.4m hit in 2007. Otherwise, said its bankers, it was "a great auction business".

To help it through its temporary difficulty the company, on its bank's advice, brought in a PricewaterhouseCoopers director, Irving Warnett, as a financial adviser. For an unspectacular but handy fee of £15,000, he duly negotiated the required extension of the company's bank loan with some standard securities for the bank. But as soon as this was agreed, the bank – for whom PwC was also acting as an adviser – wrote to Elliott seeking his agreement to administration of the company and the sale of the business "with vigour".

Elliott, fearing the loss of his business, refused to agree to PwC becoming administrator and

set about looking for his own buyers, which he found three months later in Scottish Motor Auctions Group (SMAG). The deal would introduce all the funds the company needed and, crucially, would avoid an administration which, a SMAG director told Warnett, "would lead to an immediate and irrecoverable value destruction for all stakeholders in PML [Premier Motorauctions]". All that was needed was the consent of the bankers.

But that's when any hope for a good deal for all concerned evaporated. PwC for some reason failed to put the deal to the bankers, whose lawyers later confirmed that "the only offer from SMAG was to purchase the business and assets from administrators", leaving Premier no alternative but to agree to administration. And who did the bankers give the subsequent administration contract, so far worth £1.2m in fees?

To none other than PwC, of course, in the person of partner Ian Green. Only several weeks later did it emerge that Green was, ahem, Warnett's boss and that the PwC financial adviser had been working for the firm's insolvency section all along.

Even so, an administration of a company can only be justified if the business's assets aren't worth enough to pay its

creditors. When Premier's assets came to be sold to SMAG for £7.2m, a £300,000 shortfall was achieved by selling its equipment at what looks like well below its true value. A batch of five-year old car transporters which were selling on the market for around £30,000 went for £3,000 a piece, for example. Other assets including valuable number plates were given away. In the process, creditors including small firms of builders, architects and, through HM Revenue & Customs, the taxpayer was short-changed. PwC – sponsor of its profession's annual "transparency awards" – isn't too keen to talk about the case. Its press office refused to give a statement. Green didn't return calls and Warnett hung up on the *Eye's* hack when asked about his role!

Accountancy remains a self-regulated profession and although multiple conflicts of interest (in this case PwC acted as company adviser and bank adviser, then administrator) offend the Institute of Chartered Accountants' avowed ethics, action is rarely taken. So there is little reason for predatory firms not to stalk ailing businesses with a view to the multi-million pound fees that accompany administration contracts. Yet a government claiming to help business in the downturn shows no sign of addressing the scandal.

PS: Despite the big fees, PwC, who refused to talk to the *Eye*, can't manage to file Premier's accounts on time. The latest are already two months overdue.