

Liability for Redundancy Compensation

Your business may be in the unfortunate position of having to make some or all employees redundant. Those employees will be entitled to be paid for a notice period and accrued annual leave entitlements. Some may also have entitlements to redundancy compensation. What if you can't afford it?

These are contractual commitments to employees under the relevant employment agreements, so you do have an obligation to pay. If you are unable to pay these debts when they are due then your business is insolvent.

If they are not paid, employees may sue to recover their entitlements, which is likely to increase the total liability with interest and costs on top of pay and redundancy compensation.

If you are closing the doors and winding up the business then you may well have other creditors too. If any creditor puts the business into receivership or liquidation then the question of who gets paid and in what priority will ultimately be determined by the receiver or liquidator.

However if you are only laying off some employees and intend to continue operations with remaining staff, then it would be wise to negotiate with the redundant employees, to reach agreement for you to pay by instalments.

For further advice please contact:



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