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## **J.S. BASS GROUP OF COMPANIES**

This is a story of unprecedented greed and incompetence. It shows that the insolvency practitioners are answerable to no one. The regulatory system excels in buck-passing and the Department of Trade and Industry (DTI) is busy imitating the three unwise monkeys. The result is loss of jobs, wealth creation, **anxiety** and homelessness for innocent people. In the real world, the J.S. Bass story is being repeated many times.

Everything mentioned on this page is backed by extensive documentation. AABA can put serious researchers and journalists in touch with Barry Chapman, former director of the Bass Group of Companies.

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This story of 'insolvent abuse' has been the subject of TV programmes. The J.S. Bass Group of Companies was placed into receivership in 1988. Barry Chapman is still waiting for justice. The Institute of Chartered Accountants in England & Wales (ICAEW) has fobbed him off. After more than ten years of referring complaints to it, he is still waiting for the ICAEW to pull its finger out. The chances of the ICAEW biting the hand that feeds and controls it are nil. So small businesses continue to be ripped-off and jobs continue to be lost. Governments do not care as Ministers continue to indulge the insolvency industry and provide a consultancy job for their retirement.

**Further evidence about the the information on this page can be secured from Barry Chapman.**

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### **J.S. Bass Group of Companies**

The Manchester based J S Bass & Co Ltd Group of companies was owned by the Chapman family. It employed 130 people and consisted of J S Bass & Co Limited, Southern & Darwent Limited, James Mann (Newhey) Limited and T. Ashcroft & Son Limited. The Group dealt in timber and barrier foil products, manufacture of timber mouldings and packing cases and also ran a garage. The parent company, J S Bass, was 150 years old, and the Group had banked with Barclays Bank for 80 years.

The J.S. Bass Group had a history of successful trading. The name of Southern & Darwent was known, in the Northwest of England, as the specialist centre for timber mouldings and in 1988 was trading at record levels of activity. James Mann (Newhey) Ltd had always been profitable. The pioneering Barrier Foil packaging business of J S Bass & Co was growing by over 50% each year for five consecutive years, and was now exporting to over a dozen countries. The timber packaging activity of Bass was being downsized at the cost of 13 redundancies. Its key property in Manchester was surplus to needs and was to be sold. T. Ashcroft was a small garage servicing company. The general level of profitability is indicated by the following audited pre-tax profits.

Profit (£000)	1984	1985	1986	1987
Southern & Darwent	56.3	40.2	55.6	108.5
James Mann	68.5	41.7	109.0	44.3
J S Bass/T Ashcroft	(41.4)	132.7	(149.9)	(151.5)
Group Profit(Loss)	83.4	214.6	( 14.7)	(1.3)

In September 1988, Barclays Bank asked Bass directors to appoint consultants from Ernst & Whinney (now part of Ernst & Young) to undertake a study of the Group to advise the Bank on the Group's viability. The directors agreed and the next day two representatives of Ernst & Young arrived. They allegedly spent a total of one hour within the company with access to Directors and Members. Within the next 48 hours, their report was ready and circulated. The report, allegedly, contained adjustments, all of which were negatively inclined towards the Group. Chapman also queried the weight given to the possibility of re-financing the Group, or comment on the Group's future viability, which some consider to be the major objective of preparing a reporting accountants' report. The report recommended that the business be placed into administration.

On 13 October 1988, Mr N. Hamilton and Mr J. Warren of Ernst & Young wrote to Mr R B Chapman, the current Group Chairman and Managing Director of J S Bass & Co Ltd informing him that upon the petition of Barclays Bank they had been (the previous day) appointed Administrators by the High Court (no particular court stated). The letter was accompanied by a copy of an Administration order for J S Bass & Co made out to Manchester District Registry and stamped by Leeds High Court. Mr. N. Hamilton and Mr J. Warren of Ernst & Young assumed the position of Administrators of the entire Bass Group. They sacked all the directors and some staff and proceeded to sell the assets of the Group over the next few months. The Administrators appointed Ernst & Young as liquidators for J.S. Bass & Co.; Ernst & Young and Grant Thornton as joint liquidators for Southern & Darwent and James Mann (Newhey) Ltd. Grant Thornton were also appointed liquidators for T. Ashcroft.

The information filed by the Administrators at Companies House shows that at 15th May 1989, the Bass Group had creditors of £1,397,540.

<b>Creditors</b>	<b>Amounts</b>
Preferential	£ 122,926
Non-Preferential	£ 926,614
Bank Overdraft	<u>£ 348,000</u>
	<b><u>£1,397,540</u></b>

The fees taken by the Administrators over the period 12 October 1988 to the date of Liquidation (approximately 5 months) are as follows

<b>Company</b>	<b>Professional Fees</b>	<b>Date of Liquidation</b>
J S Bass & Co Ltd	£222, 094	May/June 1989
Southern & Darwent Ltd	£157, 363	April 1989
J Mann (Newhey) Ltd	<u>£ 79, 212</u>	March 1989
	<b><u>£458, 669</u></b>	

At the same time, the sale of assets (excluding properties in Cyprus) produced £2,752,319. As of 26 May 1989, £1,219,192 of creditors had been paid, as shown in the Administrator's statements filed at Companies House, leaving a surplus of £1,532,127 to pay the remaining creditors of £178,348. By December 1995, the liquidator ran up fees of £555,233. As late as 1998, the information sent by the liquidators to Companies House (S192 reports) indicates that some creditors have still not been paid in full.

Barry Chapman was unhappy with the administration and liquidation of the Group. He objected to the numerous unexplained adjustments made to his accounts by Ernst & Young. The adjustments depleted the trading accounts and resulted in lower profit and asset figures. He also felt that Ernst & Young's original report failed to adequately discuss the future viability of the Group, as itemised in the letter of instructions. Since Chapman ceased to be a director of the companies, he did not have any legal entitlement to see the books, to enable him to ask further searching questions.

Ernst & Young argued that they did not owe a 'duty of care' to the company, or members, or directors of Bass. In a court hearing at the High Court, (R B Chapman v Ernst & Young), His Honour Judge Gower QC in his judgement of 11 July 1995, stated, "That having regard to all the relevant circumstances the defendants owed the plaintiff a duty to use reasonable care and skill in the preparation of the report. That they failed to discharge it in that they founded the report's recommendations upon inaccurate information as to the company's financial position whereas with the exercise of reasonable care and skill they would have discovered the true facts".

Almost ten years into the administration/liquidation process, Barry Chapman discovered that the Administration Order given to him in 13th October 1988 may have been problematical. For an Administration Order to be made, first a petitioner petitions the Court requesting an Administration Order and proposing Administrators. This petition is given a number by the receiving court, which becomes the Administration Order if the court subsequently grants the order. In the

Bass case, Barclays Bank were the petitioners, and N. Hamilton and J. Warren of Ernst & Young their designated Administrators.

The court records appear to be incomplete and invite further scrutiny. To clarify this point further, it would be helpful to briefly explain the six Court record keeping procedures for Administration Orders.

#### Court Records and Recording Procedures

(1) The Court File: A court file is opened for every case and is an accountable and independently audited document. All court documents and records relating to a case reside within the court file.

(2) The Court Record Book (also called Court Fee Book): This is a book in which every court event and interaction within a court is recorded. This is an accountable and independently audited document.

(3) The Administration Book. All cases in which an Administration petition are received by a Court are logged within the Court's Administration Book and numbered sequentially. If an Administration Order is granted, the Order is assigned the number of the petition. It is noted that if the petition is transferred to another court, on transfer it would be given a different number dependent upon its position within the new Court's Administration Book. In addition, the letter 'A' would be added after the petition number by the receiving court to denote it had been transferred. Thus, a petition No. 5, say, first lodged in Manchester and subsequently transferred to Leeds, would be assigned a number 3A by the Leeds Court, but only if the last petition lodged at Leeds was numbered 2. Manchester, as an original court in which a petition was lodged, would not number a petition with an 'A' designation.

(4) The Court Clerk's Notes: This is a record of court cases and judgements as recorded by the court clerk. It is not an accountable document, and is not checked or audited. For entries within this document to have any authority and standing, it must be checked and validated against the Court Book and File

(5) Vice-Chancellor's Notes: A presiding V.C's will usually make his/her own case notes within his notebook.

(6) Vice-Chancellor Clerk's Notes: Each V-C has his/her own personal clerk who takes his own case notes.

Note: Of the above six sources, the Court Record and Court File are the main source documents within a court, and are audited to prevent abuse.

Further inquiries by Barry Chapman have failed to find any court files at Leeds relating to J S Bass & Co Ltd, Southern & Darwent Ltd, or James Mann (Newhey) Ltd. There is no recording within the Court Record Book at Leeds relating to J S Bass & Co Ltd, Southern & Darwent Ltd, or James Mann (Newhey) Ltd. The number of the J S Bass Administration Order sent by Ernst & Young to Mr Chapman on 13 October 1988 was 5A Petition No 5 of Leeds District Registry. It relates to a debtor company called Forlines Ltd, which was dismissed on 11 October 1988. Barry

Chapman has been unable to find an entry within the Administration Book at Leeds or Manchester for either J S Bass & Co Ltd, Southern & Darwent Ltd, or James Mann (Newhey) Ltd.

An entry exists within the Court Clerk's Note Book recording that at 3.30 p.m., an urgent application for an Administration Order was heard by the V.C. on 12 October 1988. It also records that an Administration Order was granted for J S Bass and its two subsidiaries within the Director's consent. This document has no standing or legal status without confirmation from the Court Record and Court File. No such confirmation has been forthcoming. It should also be noted that, (i) the requirement for the clerk's notes to be validated against the audited Court Record and Court File is a mechanism to prevent malpractice. (ii) Blank spaces within the clerk's notes are not unusual. As a consequence, such space provides the opportunity for subsequent additions in text. (iii) In the case of the J S Bass & Co entry in the Court Clerk's Notes, the first two lines are written in Black, consistent with most of the Notes, but the subsequent seven lines reporting the Administration Orders are written in blue, possibly suggesting a later entry. (iv) The handwriting of the Clerk's Notes is the same as that which appears on the alleged Court Notes indicating an Administration Order was granted as drafted, and numbered 5A. (v) Unusually, the entry for the Bass Group does not appear to contain any Court number.

Enquiries by the Court Services have failed to find an entry within the VC's Notebook relating to J S Bass & Co Ltd, to Southern & Darwent, or to James Mann (Newhey) Ltd. The Vice-Chancellor's Clerk has been contacted by Court Services, and has been unable to find records of any hearing concerning J S Bass & Co Ltd, Southern & Darwent Ltd and James Mann (Newhey) Ltd.

The Insolvency Act 1986 requires that if a court makes an Administration Order then it shall give notice of that to the Administrator and the Registrar of Companies. Ernst & Young claim that they do not have any papers relating to proceedings 5 of 1988 at Leeds. After making inquiries, Barry Chapman claims that no statutory notice of appointment for the Administrators of any of the Bass Group of companies appears within the Court, and that no such notice is found upon discovery to be within the possession of Ernst & Young. At the same time, the records of the Registrar of Companies show that no notification of the Administration Order has been lodged with them.

When an Administration Order is granted by the Leeds Court (or any Court), the petition for the discharge of the Order would first have to be filed at the Leeds (or granting) Court. No record exists within the Court Record or the Court File at Leeds relating to any such petition re J S Bass & Co, Southern & Darwent Ltd or James Mann (Newhey) Ltd.

On 19th May 1989, the Administrators of the Bass Group petitioned the High court in Manchester to have J. Warren appointed as compulsory liquidator of the parent company J.S. Bass Limited. A Court Order, number 731 of 1989, was duly presented and J. Warren was appointed liquidator. Barry Chapman has been unable to find a record within the Manchester or Leeds court confirming a petition to dissolve the Administration, or seek liquidation. The quoted court order number 731 of 1989 seems to refer to another case which has no connection with the Bass Group.

From the outset Barry Chapman was unhappy with the conduct of the Administration, unexplained adjustments to his accounts, excessive fees and disposal of assets, which he considered to be at values below the market prices and without proper advertising and professional advice. In December 1988, Barry Chapman lodged a complaint with ICAEW. A long period of silence resulted in reminders and requests for action. In October 1992, a spokesperson for the ICAEW stated that he hoped to reach a conclusion before too long. In July 1993, the spokesperson for the ICAEW stated that Mr J Warren had recently retired on health grounds, and following discussions with Ernst & Young, he did not see how the complaint could be pursued any further. It would be recalled that fees were paid to Ernst & Young. This attempt to shelve the complaint led to some press publicity (for example, the Independent on Sunday 12 September 1993). After exposure on a radio programme (BBC File on Four, 21 June 1994), the ICAEW was pursued and in January 1995, it claimed that the complaint was being actively progressed. In September 1996, some 8 years after the initial complaint, the ICAEW changed the person handling the complaint, who was again changed in October 1997. On 12 October 1997, the 9th anniversary of the collapse of the Bass Group and aided by BBC TV's 'Here and Now' TV Programme, a birthday cake was presented to the Office of the ICAEW to commemorate their nine years of "investigative inactivity". This publicity prompted a reaction from the ICAEW and it claimed that "there was no prima face case to answer".

In keeping with the ICAEW procedures, no reason or justification for this view was given. Barry Chapman referred the matter to the ICAEW's Reviewer of Complaints (selected, appointed and remunerated by the ICAEW), a Mr. Anthony Surtees. For ten months nothing was heard from him. A revised complaint submitted to the ICAEW Reviewer on 13 January 1999 included a considerable volume of fresh supporting evidence, including for the first time questions about the inconsistencies in the court records. In April 1999, after 15 months of silence, the ICAEW Reviewer, Mr Surtees was replaced by a Mr S J C Randall. This Reviewer eventually reported in early 2000 saying that he could see no problems with the conduct of the administration and liquidation. However, the Reviewer's files, correspondence and evidence are not available for scrutiny.

Barry Chapman has made numerous attempts to raise his case with the ICAEW and the DTI. His case has been raised during radio and television programmes and in the House of Commons debates (Hansard, House of Commons Debates, 15 July 1997). Despite voluminous correspondence, Barry Chapman has been unable to persuade the regulators to investigate his case. The DTI and the ICAEW are adept at passing the buck. The ICAEW's Reviewer of Complaints can find no fault with the ICAEW or any of the accountancy firms. The DTI has refused to launch an independent investigation. Barry Chapman cannot refer the matter to an independent ombudsman because there isn't any. He has been unable to get legal aid to have his concerns aired in the courts.