BEFORE IT'S TOO LATE

When Company Liquidation Starts Affecting Your Mental Health

Why directors may experience fear, shame, grief and exhaustion, and how to regain enough clarity to deal with what happens next

An educational article for directors, business owners and individuals in England and Wales

Navigate Business Recovery Limited

Liquidation can feel personal, even though the company is a separate legal entity

For many directors, a company is not simply a legal structure. It may represent years of work, personal sacrifice, family money, employees who trusted them and an identity built around being the person who solves problems.

When the company begins to fail, the director may experience the process as a personal failure. That can create shame, guilt, fear, anger, grief and exhaustion. Some people also experience relief when the uncertainty finally ends.

These reactions are human
Experiencing distress during financial crisis or liquidation does not by itself mean that someone has a mental health condition. It does mean the pressure should be taken seriously, particularly where it begins to affect sleep, concentration, behaviour or the ability to make decisions.

Why business owners often suffer silently

Directors may believe they must protect employees, customers, lenders and family members from the truth. They may fear judgment, reputational damage or being told that they should have acted sooner.

That can produce a dangerous pattern: the director becomes more isolated at the precise point when independent information and support are most needed.

- Letters and emails remain unopened
- Calls from creditors are avoided
- Financial information is not updated
- The director tells different people different versions of the position
- Sleep reduces and decisions are made late at night
- The director becomes irritable, withdrawn or unusually optimistic
- Important deadlines are missed
- Personal money is injected without a clear plan
- The business continues because stopping feels emotionally unbearable

How stress can affect the decisions directors make

Poor mental health and intense stress do not only affect how a director feels. They can affect the quality and timing of decisions when the company is already under pressure.

- Agreeing unaffordable repayment plans simply to stop immediate pressure
- Paying the loudest creditor without considering the wider creditor position
- Relying on hoped for funding or sales without testing the evidence
- Continuing to trade without reliable cash flow information
- Taking new deposits when performance is uncertain
- Ignoring personal guarantees, conflicts or directors' loan accounts
- Failing to record why important decisions were made
- Avoiding advisers because the director fears hearing bad news

A practical insight
Clarity about the process often reduces fear. The unknown can feel worse than the actual options. A structured review can separate urgent legal issues from problems that can be dealt with later.

Common emotions during liquidation

Fear

Directors may fear losing their home, income, reputation or professional future. Some fears may be justified, while others arise from confusing company debts with personal liabilities. Personal guarantees, overdrawn loan accounts, tax debts and separate claims must be identified rather than assumed.

Shame and guilt

A director may feel they have failed employees, family or creditors. Those feelings can remain even where the failure resulted from market changes, customer default, illness or events outside the director's control.

Grief

The closure of a company can involve the loss of identity, routine, relationships and future plans. It may feel similar to bereavement.

Anger

Anger may be directed at customers, lenders, fellow directors, advisers or the director personally. It can make correspondence more hostile and settlement more difficult.

Relief

Relief is also common. A formal process can end months of uncertainty and creditor pressure. Feeling relieved does not mean the director did not care.

What can help when everything feels overwhelming

1. Deal first with immediate Court, statutory and insolvency deadlines.
2. Ask an adviser to separate urgent matters from those that can wait.
3. Tell one trusted person what is happening rather than carrying the position alone.
4. Use a written action list so every problem is not held mentally at the same time.
5. Avoid major decisions while exhausted, panicked or under the influence of alcohol or substances.
6. Delegate tasks that do not require the director's personal involvement.
7. Maintain basic routines around sleep, food, movement and prescribed medication.
8. Speak to a GP or qualified mental health professional where symptoms are persistent or interfere with daily life.

Understand what liquidation does and does not mean

Liquidation deals with the company's affairs. It does not automatically make a director bankrupt, seize the director's home or prove misconduct.

However, personal consequences may arise where there are guarantees, overdrawn directors' loan accounts, personal tax liabilities, jointly owned assets, misfeasance allegations or director disqualification issues.

The best way to reduce fear is to identify each category separately.

- Company debts
- Personal debts
- Secured liabilities
- Personal guarantees

- Directors' loan accounts
- Potential office holder claims
- Employment and income
- Home and family finances
- Future business and directorship restrictions

Do not let shame create avoidable legal risk

Avoidance may feel protective for a few hours or days, but it can make the position more serious.

- A Winding Up Petition may progress
- A statutory demand may expire
- Bank accounts may be frozen
- Records may become harder to reconstruct
- Creditors may lose confidence in genuine proposals
- Directors may continue trading without understanding the creditor position
- Opportunities for sale, restructuring or an orderly closure may disappear

Looking after employees while you are struggling

A distressed director may also be responsible for employees who are anxious about wages and jobs. The director does not need to disclose every confidential detail, but communication should be accurate and controlled.

False reassurance can increase mistrust. Silence can create rumours. Where redundancies or closure are possible, employment law and consultation duties may require specialist advice.

You do not have to deal with this alone

If you are suffering silently while trying to hold your business together, it may help to have a confidential conversation with someone who understands both the financial pressure and the personal strain it can create.

You may be worried about whether the company can continue, whether liquidation is becoming unavoidable, whether bankruptcy could affect you personally, or whether an independent business review might identify another route.

Speaking to someone does not commit you to liquidation, bankruptcy or any other process. It can help you understand the position, separate the urgent issues from the noise and decide what needs to happen next.

Book a confidential meeting with Vee: www.navigatebr.com/book-a-meeting-with-vee/

Telephone: 0330 236 9938

Urgent mental health support

Where distress feels urgent, professional help should be obtained immediately.

- If you or someone else is in immediate danger, call 999 or go to Accident and Emergency.
- For urgent mental health support that is not an emergency, call NHS 111 and select the mental health option.
- Samaritans provides free confidential listening support at any time on 116 123.
- You can also speak to your GP or use NHS Talking Therapies where appropriate.

The key takeaway
Asking for business help and asking for mental health support are not signs of weakness. They are two

different forms of taking control.

Key official sources

- NHS guidance on urgent mental health support
- NHS guidance on help for suicidal thoughts
- NHS Every Mind Matters
- The Insolvency Service Director Information Hub
- GOV.UK guidance on company liquidation and personal bankruptcy

Disclaimer

This article is provided for general information and educational purposes only. It does not constitute legal advice, insolvency advice, financial advice, tax advice or advice on the merits of any particular matter.

Every situation is fact specific. The appropriate course will depend on the relevant documents, evidence, contractual terms, financial position, procedural stage and the conduct of the parties.

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The article concerns the law and procedure of England and Wales. Different rules may apply in Scotland, Northern Ireland and other jurisdictions.

The legislation, rules and official guidance referred to in this article were checked as at 1 July 2026. They may change after publication.

Navigate Business Recovery Limited is not a medical practice or a provider of mental health treatment. Nothing in this article is a diagnosis or a substitute for medical or psychological support.

Anyone experiencing persistent or severe distress, or who feels unable to keep themselves or another person safe, should seek urgent professional help. In an emergency call 999 or attend Accident and Emergency. For urgent mental health support that is not an emergency, call NHS 111 and select the mental health option. Samaritans can be contacted free at any time on 116 123.

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