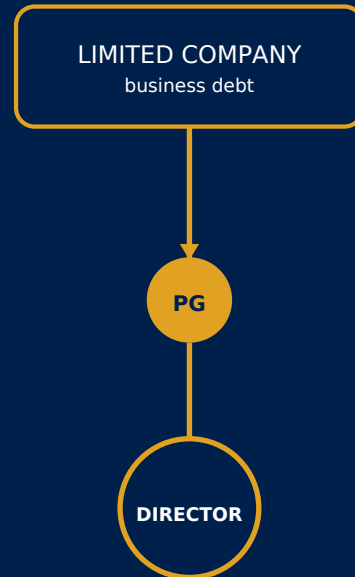


PERSONAL GUARANTEES

THE COMPLETE GUIDE
FOR UK COMPANY DIRECTORS



Understand your liability.
Protect your position.
Know your options.

[Visit Stop Your Debt UK](#)

Important: how to use this guide

This guide is educational information, not a substitute for advice on your specific documents. Personal guarantees are contractual. Their effect can turn on the exact wording, execution formalities, the underlying facility and the facts surrounding enforcement.

Jurisdiction

The court and enforcement sections principally describe England & Wales. Scotland and Northern Ireland use different court, enforcement and personal-insolvency procedures. Obtain advice appropriate to the relevant jurisdiction.

Stop Your Debt UK

Stop Your Debt UK is not an SRA-authorised law firm and is not an FCA-authorised debt advice firm. We provide information and practical support within our permitted scope. Reserved legal work or regulated debt counselling should be carried out by an appropriately authorised professional.

The three boxes you must keep separate

1. COMPANY DEBT

The limited company owes the creditor.

2. PERSONAL GUARANTEE LIABILITY

A director or other guarantor may have assumed a separate contractual obligation.

3. DIRECTOR CONDUCT LIABILITY

Separate exposure can arise under company or insolvency law because of conduct - for example misfeasance, wrongful trading or fraudulent trading.

Do not assume: liquidation cancels a PG; resignation releases it; a lender must always pursue the company first; lack of independent legal advice automatically invalidates it; or every guarantee expires after six years.

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Personal guarantees in 60 seconds

The central idea

A limited company is a separate legal person. Its debts are normally its own. A personal guarantee can create a separate personal promise by a director or other guarantor to answer for specified company obligations if the contractual trigger occurs.



Why lenders, landlords and suppliers ask for PGs. They reduce the creditor's risk by adding another potential source of recovery. They are especially common where a business is young, has limited trading history, weak security or is seeking a material facility.

The critical rule: there is no universal PG wording. The guarantee, any indemnity, the facility agreement and later variations should be read together. Demand and default wording can affect when liability becomes enforceable.

Limited company protection vs a PG

WITHOUT A PERSONAL GUARANTEE

Company borrows £80,000.

The company is the borrower. If it cannot pay, the creditor claims against the company and uses available company/insolvency remedies.

The director is not automatically liable merely because they are a director.

WITH A PERSONAL GUARANTEE

Company borrows £80,000.

The company remains the borrower, but the director may also have a separate obligation under the PG.

That exposure is governed by the guarantee wording, not by the director title alone.

A PG does not make every company debt personal. If you guaranteed one bank facility, that does not automatically make you personally liable for HMRC, trade creditors, rent or other company debts. Separate legal bases must be identified.

Keep the liabilities separate

COMPANY DEBT: owed by the company.

PG LIABILITY: contractual liability of the guarantor.

DIRECTOR LIABILITY: may arise separately because of misconduct, misfeasance or insolvency law.

Confusing these categories is one of the fastest ways to misunderstand a director's real exposure.

Secured, unsecured, capped and unlimited

SECURED

The guarantee/security package is supported by a specific asset, for example a charge over property. The creditor may have a direct security route over that asset, subject to the security document and law.

UNSECURED

No specific asset is necessarily charged at the outset. But an unsecured creditor can still sue, obtain judgment and use enforcement routes that may ultimately affect assets.

CAPPED

Liability may be limited to a stated amount or facility. Check whether interest, costs and enforcement expenses sit inside or outside the cap.

UNLIMITED / ALL MONIES

Some forms are drafted broadly to cover all amounts owed now or in the future. Continuing language may extend to renewals or future advances. Read the exact scope.

Do not read the headline figure in isolation. A guarantee described informally as “£50,000” may contain separate provisions for accrued interest, default interest, legal fees or indemnity costs.

Joint and several guarantees

Where several directors guarantee the same debt, do not assume the creditor must divide the claim equally between them.



Key point: joint and several liability can allow the creditor to pursue one guarantor for the full guaranteed liability, subject to the contract. That guarantor may then have contribution rights against co-guarantors, but that is a separate matter from the creditor's claim.

MYTH vs FACT

MYTH: "There are three directors, so the debt is automatically split into thirds."

FACT: Not necessarily. Joint and several wording may give the creditor a choice of whom to pursue and for how much, within the guarantee.

Guarantee vs indemnity

GUARANTEE

Usually a secondary obligation: the guarantor answers for the debt or default of another person. Certain guarantee formalities and surety principles may be relevant.

INDEMNITY

Can create a primary obligation: a promise to compensate the creditor for specified loss. Commercial documents often contain both guarantee and indemnity clauses.

Why this matters. A document titled “Guarantee and Indemnity” may deliberately contain overlapping obligations. A defence that might affect the guarantee limb may not necessarily dispose of an independently drafted indemnity.

Document review checklist

1. What is the principal debt?
2. Is there an indemnity as well as a guarantee?
3. Is liability capped?
4. Is it continuing/all-monies?
5. What is the default or demand trigger?
6. Are future variations pre-authorised?
7. What law and jurisdiction apply?

Before you sign: negotiate the risk

A PG is easiest to control before money is advanced. Ask what the lender actually needs and whether the risk can be narrowed.

CAP

Fixed maximum liability

EXPIRY

Automatic end date

FACILITY

Specific loan only

REDUCTION

Cap falls as debt reduces

RELEASE

Exit on sale/resignation if agreed

COSTS

Clarify interest and legal costs

Independent legal advice

Independent advice is often commercially sensible and may be particularly important where property is being charged, another person's obligations are being guaranteed, or there are relationship/undue-influence concerns. But lack of independent legal advice does not automatically make every PG unenforceable.

Execution: signatures, deeds and witnesses

ELECTRONIC SIGNATURES

Do not assume a guarantee is invalid because it was signed electronically. Electronic signatures can satisfy legal signature requirements in appropriate circumstances. The execution method and document form still matter.

DEEDS

Where the guarantee is intended to operate as a deed, deed formalities matter. For an individual, signature in the presence of an attesting witness and delivery as a deed are important statutory elements.

A witnessing defect does not automatically answer the whole case. The legal effect may depend on whether the document is capable of taking effect in another contractual form, whether consideration exists, and what the parties actually executed.

Keep the evidence

Save the signed PG, facility agreement, lender terms, emails, signing certificate/audit trail, witness details, variations, statements and any release correspondence. If enforcement begins, these documents may become critical.

When the company starts to struggle

A PG problem often begins before the guarantee is formally called. Use this stage to understand both the company position and your personal exposure.

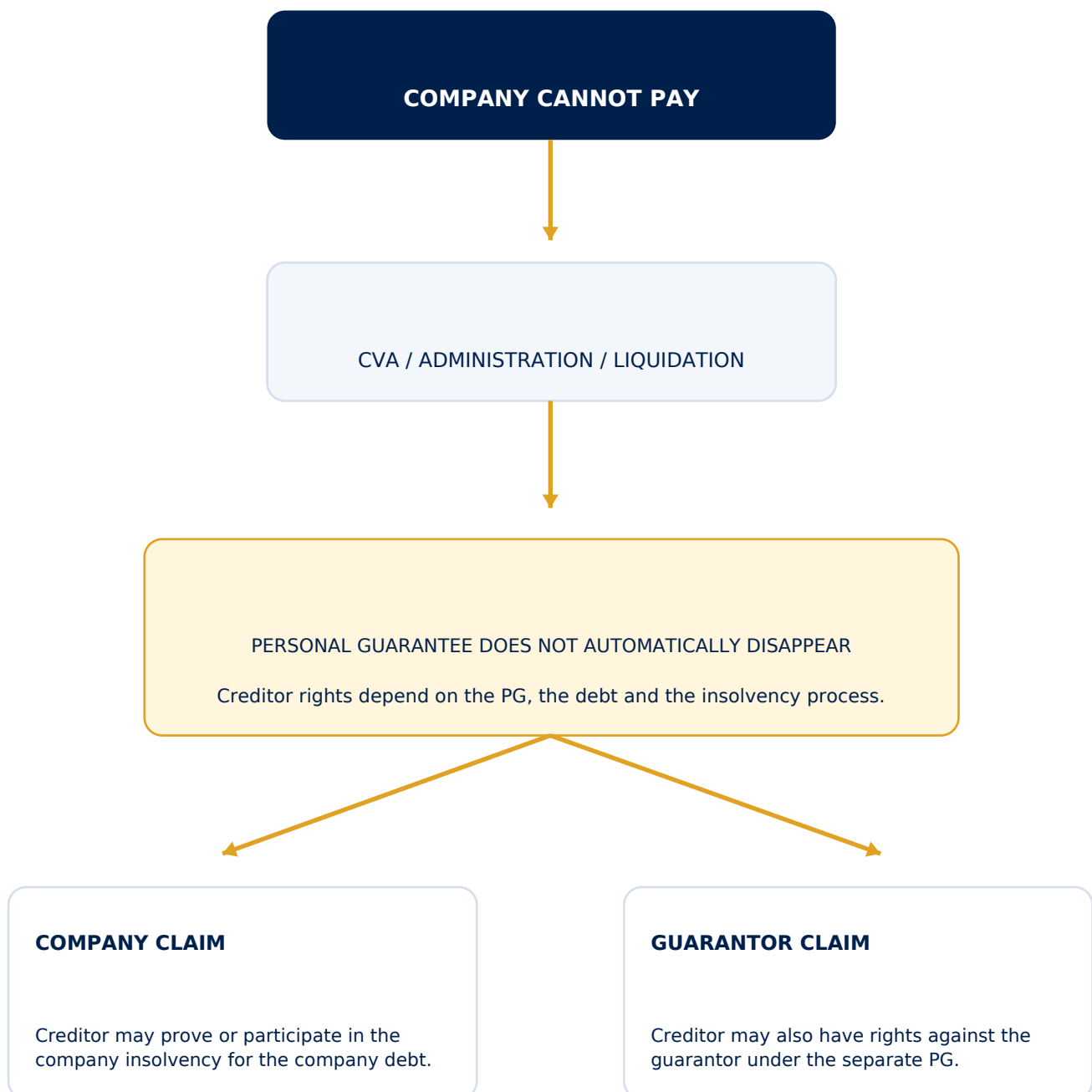


What to gather now

- Every PG and indemnity you signed
- Current lender statements and arrears notices
- Facility agreements and variations
- Security documents / charges
- Company cash-flow and creditor position
- Details of jointly owned assets and existing personal liabilities

Do not use company funds to protect yourself personally without considering director duties.

Company enters insolvency: what happens to my PG?



No double recovery: recoveries from the company and guarantor must be accounted for according to the contractual and insolvency position; the creditor cannot lawfully recover more than it is entitled to.

Source note: GOV.UK insolvency guidance; Insolvency Service personal guarantee guidance.

Resigning, selling or dissolving the company

RESIGN AS DIRECTOR

Does not by itself release a separate PG.

SELL / TRANSFER SHARES

Does not by itself rewrite the guarantee contract.

DISSOLVE THE COMPANY

Is not a substitute for formal insolvency and does not automatically cancel personal contractual exposure.

WRITTEN RELEASE

The safest evidence of agreed release is clear written confirmation from the creditor.

PG release audit before a company sale

List every lender, landlord, supplier and finance provider. Ask each one whether a PG exists, what it secures, the current exposure and what is required for a formal release. Do not assume a Companies House change ends it.

Bounce Back Loans: PG myth vs director liability

The key distinction

For limited-company borrowing under the Bounce Back Loan Scheme, lenders were not permitted to take personal guarantees. That does not mean directors can never face personal consequences connected with a BBL.

BBL COMPANY DEBT

Debt owed by the company.

NO ORDINARY PG

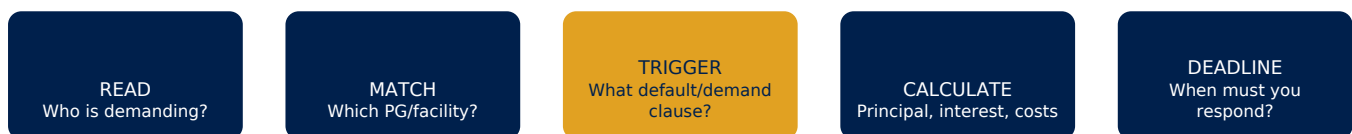
Scheme prohibited a conventional director PG for limited-company BBL borrowing.

SEPARATE CONDUCT ISSUES

Misuse, false applications or misfeasance can create different director consequences.

Why this matters: saying “there was no PG” answers only the contractual guarantee question. It does not determine whether a liquidator, the Insolvency Service or a court may pursue a director under a different legal route.

When a personal guarantee is called in



Do not assume a demand is correct simply because it looks formal. Check the guarantor name, company, facility, signed document, claimed balance, contractual trigger, interest and costs. Equally, do not ignore it because you hope the company insolvency will deal with it.

Urgent documents to locate

- Signed guarantee / guarantee & indemnity
- Underlying facility agreement
- Any variations, renewals or refinancing documents
- Current statement / redemption figure
- Default notices or prior demands
- Emails about release, limits or restructuring
- Company insolvency documents if relevant

Upload a demand to LetterChekr™

LetterChekr™ can help you understand what a creditor letter says in plain English. It does not decide whether a guarantee is legally enforceable.

[Open LetterChekr™](#)

LetterChekr™ : understand the demand

ILLUSTRATIVE EXAMPLE - NOT A REAL LEGAL DOCUMENT

Hawthorn Commercial Finance Ltd

To: Alex Morgan
Re: Northbridge Kitchens Ltd

"We demand £47,850 under your Personal Guarantee dated 14 February 2025. Payment is requested within 14 days."

What the tool should identify

Claimed amount: £47,850
Stated response period: 14 days
Creditor: Hawthorn Commercial Finance Ltd
Company: Northbridge Kitchens Ltd

Then compare the letter against the underlying guarantee and facility.

PERSONAL GUARANTEE DEMAND
Upload the letter

LETTERCHEKR™
Plain-English scan

KEY TERMS
Amount + deadline

NEXT STEP
Know what needs attention

Open LetterChekr™

Important: A plain-English explanation is not a ruling on enforceability. Where liability, execution, limitation, undue influence or litigation is disputed, legal advice may be appropriate.

Letter Before Claim to County Court claim



Where a business claims a debt from an individual, the Pre-Action Protocol for Debt Claims can be relevant. The precise pre-action framework depends on the nature of the claim. Its purpose is to exchange information, understand the dispute and explore resolution before proceedings where possible.

If a claim form arrives

Do not leave it unopened. Note the issue and service dates, identify the response deadline and obtain the particulars of claim. Decide whether you admit the whole claim, admit part, dispute liability or need advice.

A PG demand is not itself a CCJ; a CCJ follows a court judgment.

CCJ and enforcement lifecycle



Credit-file point: a County Court judgment is normally registered for six years. If paid in full within one month, it can generally be removed from the register once the court is notified; later payment usually allows it to be marked satisfied while it remains for the registration period.

CONTROL

bailiff / enforcement agent route

CHARGING ORDER

security over property interest

THIRD PARTY

bank / money owed

EARNINGS

where legally available

Can a PG put your home at risk?

Yes, potentially - but not automatically. The route depends on whether the PG/security is secured from the outset or unsecured.

ROUTE A - SECURITY ALREADY EXISTS

Property may already be charged as part of the security package. The creditor's rights depend on the charge and underlying documents.

ROUTE B - UNSECURED PG

Creditor may first need to establish liability and obtain judgment. A charging order can then secure a judgment debt against the debtor's interest in property. An order for sale is a further court step.



Joint ownership matters. Enforcement and bankruptcy generally concern the debtor's beneficial interest rather than simply treating the co-owner's entire share as the debtor's property. Beneficial ownership can itself become disputed.

Judgment enforcement: the main routes

WRIT / WARRANT OF CONTROL

Enforcement against goods under the applicable court and enforcement rules.

CHARGING ORDER

Secures a judgment debt against a debtor's interest in property or certain assets.

THIRD PARTY DEBT ORDER

Can target money owed to the judgment debtor, commonly funds held by a bank.

ATTACHMENT OF EARNINGS

May deduct from employment earnings where the statutory route is available; it is not a universal remedy for self-employed people.

ORDER TO OBTAIN INFORMATION

Court process to obtain information about a judgment debtor's finances.

ORDER FOR SALE

A separate application that may follow a charging order; not automatic.

Statutory demand to bankruptcy



What bankruptcy can affect

Bankruptcy can expose non-exempt assets and beneficial interests, including savings and investments. The treatment of pensions is nuanced: many qualifying pension rights are excluded from the estate, but pension income and money already withdrawn can require separate analysis. Income contributions may be sought where there is sufficient surplus income.

Do not treat these periods as a DIY strategy. Statutory-demand and bankruptcy procedure is technical. If a debt is genuinely disputed or there are grounds to challenge the demand, urgent legal advice may be needed.

Can a personal guarantee be challenged?

Sometimes - but there is no universal “get out of a PG” argument. A proper review starts with the document and evidence.

IS THE CLAIM DOCUMENTED CORRECTLY?

EXECUTION / SIGNATURE

Review exact wording and evidence.

SCOPE / CAP / DEMAND

Review exact wording and evidence.

VARIATION / RELEASE

Review exact wording and evidence.

MISREPRESENTATION

Fact-sensitive legal analysis may be needed.

UNDUE INFLUENCE

Fact-sensitive legal analysis may be needed.

LIMITATION

Fact-sensitive legal analysis may be needed.

COURT OUTCOME

If liability is disputed and cannot be resolved, enforceability may ultimately be decided by a court. Do not present a potential defence as a guaranteed cancellation route.

Limitation, variation and release

LIMITATION IS NOT “SIX YEARS FROM SIGNING”

Simple-contract claims commonly engage a six-year limitation period; specialty/deed claims can engage a twelve-year period. But the key question is when the cause of action accrued, which can depend on the PG and demand/default wording.

ACKNOWLEDGMENT / PAYMENT

A written and signed acknowledgment, or a qualifying part payment, can affect limitation in circumstances governed by the Limitation Act. If limitation may genuinely be an issue, obtain advice before making admissions or payments.

VARIATION OF UNDERLYING DEBT

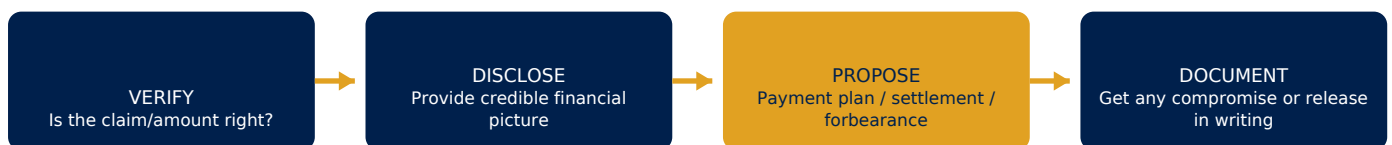
Material variation without guarantor consent can matter under surety principles. Modern PGs often contain advance-consent provisions designed to preserve liability despite amendments or extensions.

RELEASE / WAIVER

A clear contractual release can be decisive. Keep written lender confirmation. Informal assumptions based on resignation, sale or repayment of a different facility are not a substitute for evidence.

Practical rule: calculate nothing from the signature date alone. Identify the nature of the instrument, the trigger for liability, any demand requirement and every later acknowledgment, payment or variation.

Negotiating after the PG is called



Possible commercial outcomes

- Time to pay
- Temporary forbearance
- Reduced instalments
- Refinancing
- Full-and-final settlement
- Sale/refinance of an asset

Availability depends on the creditor, evidence, affordability and legal position.

What strengthens a proposal

- Fast response
- Accurate income/expenditure
- Evidence of assets/liabilities
- Realistic payment source
- Clear timescale
- Written terms

Do not promise money you cannot pay simply to stop immediate pressure.

No guaranteed reduction: a creditor is not obliged to discount an enforceable PG. A negotiated settlement is a commercial outcome, not an entitlement.

When the director cannot meet the PG

INFORMAL / RESTRUCTURING

Where affordable, negotiation, refinancing, asset sale or a structured payment arrangement may avoid formal personal insolvency. Suitability depends on the complete financial picture.

FORMAL PERSONAL INSOLVENCY

An IVA or bankruptcy may be relevant in some cases, but each has eligibility, cost, asset, income and credit consequences. Advice from an appropriately authorised or licensed professional is appropriate.

PG liability can be part of the director's personal debt position. The company's insolvency and the director's personal insolvency remain separate processes.

Questions to answer before choosing an option

1. Is the PG enforceable and what is the actual balance?
2. What other personal debts exist?
3. What assets and beneficial interests exist?
4. What income is available after reasonable household costs?
5. Is there a credible settlement or refinance route?
6. What would each formal option do to assets, income and future plans?

The director insolvency trap

DO NOT SIMPLY PAY THE PG CREDITOR FIRST

to protect yourself when the company is insolvent

The Insolvency Service's guidance published on 20 July 2026 expressly warns directors of insolvent companies not to repay personally guaranteed debts ahead of other creditors. It also warns against prioritising connected parties or selected suppliers.

WHY THE CONFLICT EXISTS

Repaying the PG creditor can reduce the director's personal exposure while leaving less money for other company creditors. That personal benefit is exactly why the decision needs careful insolvency-law scrutiny.

PREFERENCES

Section 239 Insolvency Act 1986 can apply where the statutory conditions for a preference are met, including circumstances involving a company creditor, surety or guarantor. Transactions may be challenged by an office-holder.

When insolvency is likely

Protect company assets, avoid worsening creditors' position, keep proper records and obtain insolvency advice. Director duties and PG strategy must be considered together - not as two unrelated problems.

Your personal guarantee action plan

IF A PG IS CALLED

1. Keep the envelope/email and note the date received.
2. Find the signed PG and facility agreement.
3. Identify the lender, company, facility and claimed amount.
4. Check demand/default wording and deadline.
5. Separate company debt, PG liability and any director-conduct issue.
6. Gather statements, variations and release correspondence.
7. Do not transfer assets or prefer company creditors to protect yourself.
8. Consider specialist advice where liability or insolvency is disputed.
9. Respond within the relevant deadline.
10. Record any settlement/release in writing.

COMMON MYTHS

"Liquidation wipes out the PG." Usually no.

"I resigned, so it ended." Not automatically.

"The bank must chase the company first." Not necessarily.

"No legal advice means it is void." Not automatically.

"Six years from signing and it disappears." Dangerous oversimplification.

"Unsecured means my home can never be affected." Wrong.

"A PG means I definitely lose my home." Also wrong.

Check a letter with LetterChekr™

Has a lender called in your personal guarantee? Upload the letter to LetterChekr™ to help identify the amount, deadline and next action in plain English.

[Open LetterChekr™](#)

Sources, help & next steps

PRIMARY / AUTHORITATIVE MATERIAL USED FOR THIS 2026 EDITION

1. Insolvency Service - Personal guarantees
<https://www.gov.uk/guidance/personal-guarantees>
2. Insolvency Service - Understanding personal and company debts
<https://www.gov.uk/guidance/director-information-hub-understanding-the-difference-between-personal-and-company-debts>
3. Insolvency Service - Director duties upon insolvency
<https://www.gov.uk/guidance/director-information-hub-director-duties-upon-insolvency>
4. Insolvency Service - Misconceptions about being a director (20 July 2026; updated 28 July 2026)
<https://www.gov.uk/government/publications/director-information-hub-misconceptions-about-being-a-director>
5. Civil Procedure Rules - Pre-Action Protocols / Debt Claims
<https://www.justice.gov.uk/courts/procedure-rules/civil/protocol>
6. Civil Procedure Rules - Part 70 Enforcement
<https://www.justice.gov.uk/courts/procedure-rules/civil/rules/part70>
7. Civil Procedure Rules - Part 72 Third Party Debt Orders
<https://www.justice.gov.uk/courts/procedure-rules/civil/rules/part72>
8. Civil Procedure Rules - Part 73 Charging Orders
<https://www.justice.gov.uk/courts/procedure-rules/civil/rules/part73>
9. Limitation Act 1980
<https://www.legislation.gov.uk/ukpga/1980/58/contents>
10. Insolvency Act 1986 - including preference provisions
<https://www.legislation.gov.uk/ukpga/1986/45/contents>
11. Law of Property (Miscellaneous Provisions) Act 1989
<https://www.legislation.gov.uk/ukpga/1989/34/contents>
12. FCA - Personal guarantees and business loans super-complaint response
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13. UK Supreme Court - BTI 2014 LLC v Sequana SA [2022] UKSC 25
<https://www.supremecourt.uk/cases/uksc-2019-0046>
14. GOV.UK - Bankruptcy: your money and income
<https://www.gov.uk/becoming-bankrupt/your-money-and-income>
15. GOV.UK - Statutory demands
<https://www.gov.uk/statutory-demands>

Received a personal guarantee demand?

Use LetterChekr™ to understand the letter in plain English and identify what needs attention.

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