

What is a creditors' voluntary liquidation?



Creditors Voluntary Liquidation ("CVL")

When should the process be considered?

Insolvency

The company is insolvent and cannot continue to operate in its current form

Rescue

Other options have been considered and a rescue or restructuring process is not feasible

Continued trading

The company's debts will continue to increase if trading continues

Creditors Voluntary Liquidation

What is CVL?

- > CVL is a process used when a business is insolvent and ceases to trade
- > The process requires the involvement of a licensed insolvency practitioner who will act as liquidator
- > The liquidator sells the company's assets, settles any costs of the process, agrees creditor claims and distributes any surplus to creditors
- > Employee claims can be paid by the Redundancy Payments Service
- > Leases/onerous assets and contracts can be disclaimed

Creditors Voluntary Liquidation

The voluntary winding up process

- > CVL process is started at a board meeting – the directors formally agree that that the company is insolvent and cannot continue to trade
- > Licensed insolvency practitioner is required and will generally prepare the necessary documentation
- > The board then convenes a members meeting
- > Quorum of members and 75% of shareholders are required to pass the winding up resolution
- > Creditor agreement to the process is typically secured by way of deemed consent

Creditors Voluntary Liquidation

Impact of liquidation

- > Trade and the director's powers cease upon appointment of a liquidator
- > The liquidator is required to carry out an investigation into the conduct of the directors and report to the insolvency service
- > The liquidator can pursue rights of action for the benefit of creditors
- > Prohibited name restriction applies pursuant to S216-217 of the Insolvency Act 1986. Those involved in the formation or management of the company must not trade under a similar name unless certain requirements are complied with
- > On completion of the liquidation, the company is dissolved

Our Team

Please feel free to reach out to any of the advisory team in our Teesside office who will be happy to provide you with free of charge initial advice



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