

Creditors Voluntary Liquidation - Case Study



New Thinking. Leading.

Earlier this year, the owner of a Suffolk-based manufacturer approached Leading Corporate Recovery for advice to help move his business forwards following a reduction in sales and overall profitability.

An initial consultation with the director identified that the business had been successfully trading for over 10 years and, until late 2013, was regularly winning contracts and diversifying into new sectors, including the domestic, offshore, marine and agricultural industries.

Towards the end of 2013, several factors began to impact the business:

- Aggressive, lower-cost competition from internet-based suppliers
- Fierce competition from overseas manufacturers
- The failing health of the owner which impeded his ability to manage the company operations

Following a particularly turbulent period, the director's accountant advised him to seek professional advice from a Licensed Insolvency Practitioner to determine how to proceed.

In the first instance, Jamie Playford, Licensed Insolvency Practitioner conducted a full review of the company's financial position where he determined that the liabilities exceeded its assets and that there were insufficient funds to pay existing supplier debts or the company's VAT meaning it was therefore insolvent.

A variety of insolvency procedures were explored, including a Company Voluntary Arrangement, Administration and a Creditors' Voluntary Liquidation. As the director had recently received a job offer and did not want to trade the business in future, it was decided that the most viable and beneficial solution would be a CVL and Leading were instructed to place the company into liquidation.

Leading instructed a chattel agent to arrange for the company's existing assets to be valued and sold. The director's new employer made a reasonable offer and the stock and machinery was sold to them.

Leading supported the director with calling the meetings of members and creditors required to place the company into liquidation and also collated the information required to prepare the information pack required by creditors at the meeting, including Statement of Affairs (the insolvency terminology for a balance sheet). Leading also corresponded with all creditors of the company and assisted the director with the redundancies of the six staff, helping them to complete their claim forms to get paid by the Redundancy Payments Office.

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Two creditors were aggrieved at losing money and so attended the creditors meeting. Leading briefed the director on the legal and technical issues and on how to conduct himself during the meeting and Jamie conducted the meeting on behalf of the director. Once the company entered liquidation, Leading dealt with queries that the director raised regarding the sale of the stock and the employees' claims. We liaised with all creditors to accurately agree what they were owed and, due to the price achieved for the assets, we paid a healthy dividend to creditors.

After the creditors meeting, the purchaser of the stock also offered jobs to two of the employees to support the director his new position.

Having sought advice from Leading, the director was able to consider and determine the sustainability of the company's future and act accordingly on the advice given. In this case, the liquidation enabled the creditors of the company to be paid a dividend from the available assets, which may not have been the case if any creditor had taken action with bailiffs to remove goods before liquidation.

How can a CVL help you and your business?

A CVL is the most widely used form of liquidation in the UK. It is generally used when the Company's directors choose to voluntarily close the business in a way that is efficient and professional. Often a CVL will be used in situations where the company has little or no funds to pay its debts as and when they become due, meaning it is technically insolvent.

What are the main benefits of a CVL?

-  It quickly stops pressure from your creditors.
-  It can allow the business to trade under a new entity.
-  It allows Directors to be professional, proactive and contribute to the closure strategy.
-  It stops any further legal action being taken.
-  It allows your employees to claim any wages or redundancy pay from the government.
-  A Liquidator will deal with the Company's affairs, leaving you to focus on your next steps.



If you are looking for practical advice to help move your business forwards, the first step is to speak with one of our Licensed Insolvency Practitioners who will conduct a full review of your company's financial position. This will determine whether a CVL is your best option as there may be other suitable rescue alternatives depending on the circumstances.

If a CVL is the most appropriate solution, upon engaging our services the team will liaise with the creditors on your behalf and will begin the formal part of the process for you, providing all of the documentation that is required. Our experienced team will be on hand to guide you through the Liquidation procedure, ensuring you can focus on getting your life back on track.

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