

Your guide to Creditors Voluntary Liquidation



It's never too late to start your new beginning.

Struggling to keep your business on track?

Need help to decide how to move forward?

Leading Corporate Recovery can help.

We know that it is often difficult for business owners to make the decision to shut a firm that is experiencing financial difficulties. In many cases, you will have already struggled to manage cash flow, retain employees or keep your creditors at bay, no doubt leaving you stressed and overwhelmed.

That's why our team of experts are on hand to listen to your unique set of circumstances before guiding you through the process of a Creditors Voluntary Liquidation.

What Is a Creditors Voluntary Liquidation?

A Creditors' Voluntary Liquidation (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. Generally 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.

What are the main disadvantages of a CVL?

- The Liquidation is permanent, in that the Company is dissolved once the Liquidation is complete.
- It is likely that the value of the goodwill of the existing business will dramatically reduce, often to nothing.
- The Liquidator is required to investigate the conduct of Directors prior to the Liquidation and report the findings to the Insolvency Service.

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How does a CVL work?

The first step is to speak with one of our experienced team, who will usually be a Licensed Insolvency Practitioner, who will conduct a full review of your company's financial position in order to determine whether a CVL is your best option, as there may be other suitable rescue alternatives depending on your circumstances.

In cases where a CVL is appropriate, you engage the Insolvency Practitioner as your proposed Liquidator who will liaise with your creditors and start the formal side of the process, providing all of the documentation that is needed. The Insolvency Practitioner will arrange for a meeting of shareholders to be called in order to formally place the company into liquidation. The Insolvency Practitioner will also write to your creditors, HMRC, the company's bankers and others to advise that the company will be placed into liquidation. Our team will advise you whether a creditors meeting will be required, or whether a different route can be used where no creditors meeting is necessary.

Creditors are given notice of the liquidation (and whether there is to be a creditors' meeting). If there is to be a meeting, in practice it is rare that anybody other than the directors and the insolvency practitioner will attend. The liquidation will also be advertised in the London Gazette (a statutory notices newspaper which banks and other financial institutions will read).

Prior to the liquidation, the Insolvency Practitioner will work with the directors to prepare a pack of information that will outline the company's position and how it has reached the point of insolvency, including a summary of the company's assets and liabilities. If there is a meeting, the Insolvency Practitioner will conduct the meeting on behalf of the directors and present the information pack. If any creditors do attend, this will often be by telephone conference call and they will be given the opportunity to ask questions, and the Insolvency Practitioner will discuss with you before the meeting if this is likely to happen and what to expect. The Liquidator is appointed if creditors representing more than 50% of the value of claims voting are in favour for the proposed liquidator.

Once the Liquidator is formally appointed, it is their job to realise the assets of the company in order to pay a dividend to the creditors. Other duties include:

-  Liaising with creditors regarding the progress of the liquidation.
-  Liaising with employees and the Redundancy Payments Office to agree claims.
-  Carrying out investigations on the causes of insolvency and the conduct of directors.
-  Submitting a report to the Insolvency Service regarding the Directors conduct.
-  Agreeing the creditors' claims and paying any dividend from assets available.
-  Closing down the bank account, HMRC account and arranging the dissolution of the Company.

It is important to note that Directors of the Company must carefully consider and document any decisions made during trading that continues after they realise the Company is insolvent. If the directors continue to trade after this point, and a creditor challenges their actions, this can result in a prosecution and financial claim for wrongful trading which may put the Directors personal assets at risk. We will advise you on minimising these risks.

What is the cost of a CVL?

At Leading Corporate Recovery, we understand that when you have reached the point where you need to seek professional advice regarding your options, it may seem impossible to find the fees usually charged by professional advisors.

That is why we always provide a free, no obligation consultation to discuss your options and should you choose to instruct us, will offer a flexible payment arrangement that enables you to get the assistance you require.