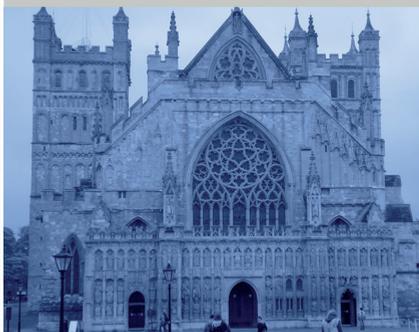


Creditors Voluntary Liquidations

(CVLs)



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Insolvency Practitioners
Forensic Accountants



ICAEW
LICENSED INSOLVENCY
PRACTITIONERS (UK)

The Insolvency Act 1986

Creditors Voluntary Liquidations (CVLs)

Description

Where there are insufficient assets to meet all liabilities and a rescue of a company is not possible a CVL may be the best solution.

Following shareholders' and creditors' meetings a Liquidator, who must be a Licensed Insolvency Practitioner, is appointed to realise all the assets and after costs pay creditors in the order set out in legislation. The residual debts are written off and the company is eventually struck off the register.

Disadvantages

- Directors lose control of the business and assets after liquidation
- Liquidators have a duty to examine company transactions prior to liquidation
- The actions of those who were directors in the 3 years before the liquidation are reported upon under the Company Directors Disqualification Act 1986
- There are restrictions on the use of the Company's name, or similar name, after liquidation
- Creditors are unlikely to be paid in full

Advantages

- **Trading is swiftly brought to a close taking the pressure off directors**
- **The Insolvency Practitioner advises the Directors from instruction to Liquidation**
- **Creditors' claims are dealt with by the liquidation process**
- **Employees are made redundant and claims are dealt with under the Employment Rights Act by the Redundancy Payment Fund**
- **Assets are dealt with and sold**
- **The Liquidator becomes responsible for all affairs to closure of the liquidation**

Suitability

- Where it is not possible to rescue the business
- Where creditor pressure is very intense with legal actions pending or in progress
- Where there is no purpose in continuing the business
- Suitable for charitable companies and those limited by guarantee
- Requires 75% by value of voting shareholders to agree

Procedure

- Initial meetings are held with the Insolvency Practitioner
- Calling of a meeting of shareholders
- The Directors are required to seek a decision of the Company's creditors on the nomination of the Liquidator on a decision date by Deemed Consent or at a Virtual Meeting of creditors both by way of correspondence
- 14 days' notice to shareholders unless 95% agree to short notice
- The creditors' decision date for the nomination of a liquidator in a CVL should be on a business day and not earlier than 3 business days after notice of the decision date is delivered to them but not later than 14 days after the winding up resolution is passed by members
- The Insolvency Practitioner assists directors in preparing a statement of affairs, a deficiency statement and preparing accounts and statutory details (SIP6 Report)
- The directors prepare a company history
- For practical purposes in terms of preparing a pack of information in a statutory format a 2-3 week period is required to put a company into CVL
- If a decision via the deemed consent procedure is the chosen route but is objected to by more than 10% in value or number of creditors or 10 creditors then a physical meeting of creditors will be held
- At the Decision Date the shareholders' nominee remains as Liquidator unless a majority in value of creditors appoint an alternative at a physical meeting held at creditors' request
- A Liquidation Committee may be appointed to assist the Liquidator
- The Liquidator takes office to realise assets, distribute funds and to investigate the affairs of the company

Fees and Costs

- Prior to instruction a fixed fee for advice and assistance with the preparation of the statement of affairs and meeting documentation is agreed and normally paid in advance
- The fees of the Liquidator are agreed by creditors and are paid from the assets of the company

For more in
depth advice,
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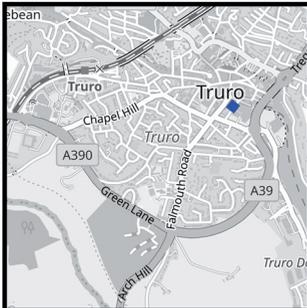
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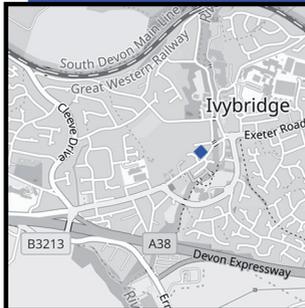
good reasons to contact us first:

- 1** Consultation up to one hour free of charge at either our Truro or Ivybridge or Exeter offices or at your or your client's premises
- 2** Complete independence
- 3** Confidentiality
- 4** Comprehensive experience in all insolvency matters
- 5** Competitive fees
- 6** Established local practice

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