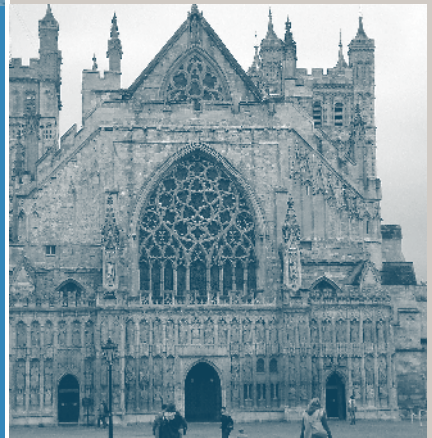
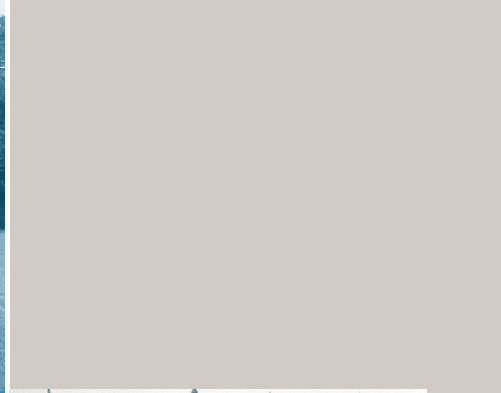


# Creditors voluntary liquidations

(CVLs)



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Chartered Accountants  
Insolvency Practitioners

# The Insolvency Act 1986

## Creditors voluntary liquidations (CVLs)

### Description

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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.

### 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

### Disadvantages

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- 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

### Suitability

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- 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

For more in  
depth advice,  
ask for:

Giles Frampton (Principal)  
Norma Foster (Senior Manager)  
Hamish Adam (Senior Manager)

Ivybridge  
**(01752) 690101**

Truro  
**(01872) 261132**

## Procedure

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- Initial meetings are held with the Insolvency Practitioner
- Calling of meetings of shareholders and creditors
- 14 days notice to shareholders unless 95% agree to short notice
- 7 days clear notice to creditors
- The Insolvency Practitioner assists directors in preparing a statement of affairs, a deficiency statement and preparing accounts and statutory details
- The directors prepare a company history
- At the creditors' meeting the shareholders' nominee remains as Liquidator unless a majority in value of creditors appoint an alternative
- 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

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- 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

**Website:**

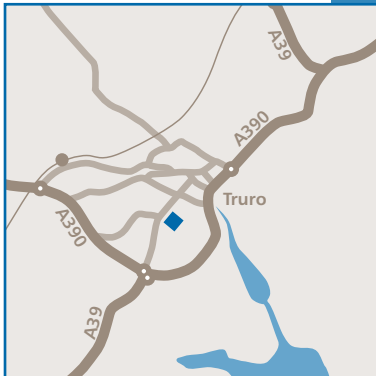
[www.richardsmith.com](http://www.richardsmith.com)

Email: [info@richardsmith.com](mailto:info@richardsmith.com)

# good reasons to contact us first:

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

16 Lemon Street, Truro



53 Fore Street, Ivybridge

