

a brief guide to administrations

Administrations (ADMs) are for insolvent companies that can benefit from legal protection whilst a restructuring plan or sale is put in place. They are useful where there is an advantage in continuing to trade or selling the business and assets as a going concern.

Administrations can be used to rescue a company to achieve a better outcome for creditors than in a

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summary

Most administrations are made by the directors using a quick and straightforward procedure. Debenture holders, typically a bank, can also appoint their choice of administrator. There is also a Court procedure which involves an application and a hearing.

advantages

- ▲ Unlike other insolvency processes creditors do not get any prior notice of the appointment of an administrator so do not get an opportunity to jump the gun.
- ▲ Roughly one third of all administrations are used to conduct pre-packaged sales of the business and assets at a premium.
- ▲ Administration comes with more protection from creditors and more powers to retain and sell financed assets – thus aiding going concern sales.

starting it

The first step is to have detailed discussions with an Insolvency Practitioner to assess all the options and decide on administration. The process usually starts with the board of directors deciding that the company should go into administration. A five business day notice of intention to appoint is filed in Court if there is a floating charge holder and then a notice of appointment is filed. Administrators can also be appointed by a floating charge holder or by the directors/creditors/shareholders making an application to Court.

what next?

The administrator takes over the running of the company from the board of directors and will set about achieving one of the statutory purposes. Administrators have to report and make proposals to creditors within eight weeks. If those are approved then they will guide what happens next. An administrator has power to pay secured and preferential but not unsecured creditors without Court approval. If there are funds to pay a dividend to unsecured creditors then, if the proposals allow for it, the administrator can move the company into creditors' voluntary liquidation by filing a form at Court/Companies House.

how it ends

By moving into creditors' voluntary liquidation (see above), by moving into dissolution or automatically after 12 months if not extended by creditors for up to 12 months or by application to Court.

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