# a brief guide to creditors' voluntary liquidations

Creditors' voluntary liquidations (CVLs) are for insolvent companies that have come to the end of their lives and need to be wound up. It is by far the most common insolvency process and is used to draw a line on an ultimately unsuccessful corporate venture, and allow all concerned to move on.

MCTEAR WILLIAMS WOOD

experienced at taking the stress out of critical business situations

www.mw-w.com

a brief guide to

# creditors' voluntary liquidations

## summary

A creditors' voluntary liquidation is probably the most common – if you like the bread and butter approach – insolvency procedure. It is used when a company cannot trade on, the assets need to be realised and the proceeds distributed to creditors. However, with the clarification a few years ago that TUPE does not apply in liquidations, it can and is used to effect sales of business and assets as going concerns.

## advantages

- The directors and shareholders initiate and control the process up to the point a liquidator is appointed.
- The directors get their own choice of Insolvency Practitioner.
- Quick – from when the notice is sent to creditors it can take as little as five business days.
- TUPE does not apply so it can be used to sell a business and assets without any employee liabilities transferring.
- Once the assets are realised after costs the money gets paid to creditors.
- It brings finality.

## starting it

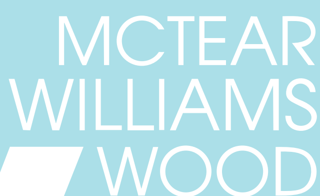
The process starts with the board of directors deciding that the company should be wound up, calling a meeting of shareholders and initiating a statutory decision procedure of creditors. Your choice of Insolvency Practitioner will guide you through the whole process and will have standard board minutes, notices and resolutions that will do the job. However, creditors will get the final say and can request a physical creditors' meeting choosing a different liquidator – although that is relatively rare.

## what next?

Once appointed the liquidator will realise the assets and if there are sufficient funds available after costs will pay a dividend to creditors. The liquidator also has to carry out a basic investigation to identify potential assets and has to provide information to the Insolvency Service on directors' conduct. The liquidation will continue until all the assets are realised and any dividends paid. It cannot end until absolutely every last thing has been dealt with and so can go on for years but a straightforward liquidation can usually be wrapped up in under 12 months. On each anniversary the liquidator has to issue an annual progress report to creditors.

## how it ends

The liquidator issues a final progress report to creditors and eight weeks later if no objections are released this is filed at Companies House. Three months after that the company will be dissolved.



Download a more detailed guide to creditors' voluntary liquidations

Click for further guidance from R3

Click for for our top ten FAQs

MCTEAR WILLIAMS WOOD

## here to help

At McTear Williams & Wood our aim is to help you deal with a difficult situation, remove some of the stress and worry and obtain the best possible outcome for you. But early contact is the key. The sooner you get in touch the more we will be able to do to help.

For an informal free of charge telephone call contact

**0800 085 5070**