

Creditors Voluntary Liquidation

The liquidation or 'winding up' process can allow a company's assets to be used to pay off its debts – with any money left over being paid to its shareholders. If your business is unable to pay its debts, it is important to act fast to prevent putting directors at risk of facing action for wrongful trading.

It is important to appoint an insolvency practitioner such as Lynn Gibson at Gibson Hewitt, who will guide you through the liquidation process, which is as follows:

1. Determine which type of liquidation is right for you

If your company cannot pay its debts, you may need a *creditors' voluntary liquidation*. If your company is solvent and you simply want to close your company, you may need a *members' voluntary liquidation*. If you take no action, you may be forced into *compulsory liquidation*.

2. Appoint a licensed insolvency practitioner as liquidator

It is often best to appoint a licensed insolvency practitioner at an early stage for advice from the outset. A licensed insolvency practitioner will give you advice on what action the directors should take and also how to keep the directors' safe from claims for wrongful or fraudulent trading or preferences.

3. Board of Directors resolve to wind up the company

The Board of Directors will pass a Board Minute resolving to place the company into creditors' voluntary liquidation. Gibson Hewitt will be appointed to assist them in doing so and will provide all the necessary documentation.

5. Agree to a 'winding up resolution' with your shareholders

Your advisor will notify all shareholders and will ask them to vote on the resolution to place the company into creditors' voluntary liquidation (CVL) and to appoint a liquidator of their choice. The passing of the resolution by 75 per cent of shareholders voting places the company into CVL and appoints the liquidator.

4. A Statement of Affairs and Director's Report will be prepared

Your insolvency practitioner will ask you to give the current market values of the company's assets and give full details of everyone the company owes money to. This information will be used to help you prepare a Directors' Estimated Statement of Affairs. You will need to provide a trading history of the company for your Director's Report to creditors.

6. Seek approval from your creditors

Creditors must be advised within 14 days of the winding-up resolution. Creditors will vote to ratify your liquidator by a simple majority of votes. Usually immediately after the shareholders resolution.

7. The liquidator will take charge of liquidating your company

The liquidator will then be in control of the company, realising assets, agreeing creditors' claims and carrying out all necessary procedures required by the Insolvency Act and Rules, reporting to creditors and shareholders by way of progress reports.