



FOCUS
INSOLVENCY GROUP

A Guide to Company Voluntary Arrangements

**Licensed Insolvency Practitioners
& Business Recovery Professionals**

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Introduction

A Company Voluntary Arrangement is a rescue tool and is often referred to as a 'Voluntary Arrangement' or simply just a 'CVA'.

A CVA is an insolvency procedure which allows a financially troubled company to reach a binding agreement with its creditors about payment of all, or part of its debts over an agreed period of time.

The CVA is based on the principle of preserving the company and enabling it to continue trading to rebuild turnover and profit, paying back what it can afford over the agreed period of time (usually 5 years). The directors remain in control and it gives the company the greatest possible chance of survival.

A CVA can be an excellent solution to solve a company's debt problems and once the arrangement has been completed, any outstanding debt will be written off.

Is my company insolvent?

There are three insolvency tests to establish if your company is insolvent.

Cash flow test.

Can the company pay its debts as and when they fall due?

If you are finding that the company is suffering from poor cashflow and as a result it is unable to meet payment terms of its creditors or maybe it is not paying national insurance and income tax contributions for directors or staff, then your company is more than likely insolvent.

Balance sheet test.

Does the company owe more than it owns, or in other terms are the company's assets exceeded by its liabilities? If the answer is yes, then the company is more than likely insolvent.

Legal action test.

If a creditor has taken legal action and has obtained a county court judgment (CCJ) or a statutory demand against the company, this may indicate the company's insolvency and allow the creditor to petition to wind it up.

Therefore if your company has one or more CCJs and/or a statutory demand, it is more than likely insolvent.

If you believe that your company has failed any of the above tests, it is crucial that you take immediate action to address the company's insolvent situation.

Directors of a company have a legal obligation to seek appropriate advice or take action if they believe the company has insufficient cashflow to pay its debts as and when they fall due? If they don't, then Directors can find themselves personally liable for the debts that they have accrued since they should have taken those steps. The 'Company Director Disqualification Act 1986' deals harshly with Directors who ignore the early warning signals and continue to trade.

When is a CVA appropriate?

A company must be considered insolvent as outlined in the previous page or already be in administration to be eligible to enter into a company voluntary arrangement.

Where it may be possible to trade out of the situation, or continue in business if payments to debts can be reduced a company voluntary arrangement (CVA) needs to be considered as a possible solution.

A Company Voluntary Arrangement may be appropriate where:

- A company wants to avoid liquidation.
- A company that knows it can be successful and profitable in the future but needs a bit of time.
- Companies need to re-structure.
- Profitable companies that have experienced late payers or bad debts which have affected the short term cash flow of the company.
- Companies that have tried to negotiate new terms with their creditors themselves but have failed.
- Creditor pressure is preventing the company moving forward.

Advantages of a Company voluntary Arrangement

A Company Voluntary Arrangement can have a number of major advantages for directors and shareholders of a company that has overwhelming debt problems.

The main advantages of a CVA are:

- Stop pressure from creditors, including HM Revenue & Customs.
- Quickly improve company cashflow.
- One monthly payment that the company can afford.
- Write off unsecured company debt that it cannot afford to repay.
- Not advertised locally or in the London Gazette.
- Directors and Shareholders retain supervised control of the company.
- Creditors are legally bound by the terms of the CVA.
- Significantly lower costs than Administration or Compulsory Liquidation.

When you enter into a Company Voluntary Arrangement with Focus Insolvency we will become the point of contact for your creditors, this means that you do not have to take anymore harassing phone calls and any threatening letters can simply be sent to our office for us to deal with.

Company Voluntary Arrangement Process

Stage 1:

An Insolvency Advisor at Focus Insolvency Group will help you explore your options. They will discuss the company's financial position with you, review the company's viability, financial forecasts and background and explain the various insolvency procedures, such as a voluntary liquidation, CVA or Administration and discuss which would be appropriate for your company.

Our consultation and advice is completely free of charge.

Stage 2:

A Company Voluntary Arrangement proposal is drafted by the company directors with the assistance of one of our Insolvency Practitioners, known as the Nominee. The proposal is sent to the company creditors outlining the CVA and giving them notice of the creditors meeting.

Stage 3:

At the creditors meeting at least 75% (in value) of the voting creditors must approve the CVA for it to be passed. The approved CVA legally binds everyone to the arrangement whether they voted or not.

Stage 4:

During the CVA the company makes a single monthly payment to Focus Insolvency and this is distributed to the creditors. The fees charged by Focus Insolvency will be agreed with the creditors and deducted from these payments.

Final Stage:

The CVA will come to a successful conclusion on or before its 5th anniversary and any outstanding unsecured debt will be written off and the company is legally free from debt.

Why choose Focus Insolvency Group?

Focus Insolvency has successfully established itself as a top 20 Insolvency firm. We pride ourselves on having the correct blend of expertise, experience and professionally qualified staff to deliver all the necessary services and products that you would normally expect from larger national firms, but with the traditional bespoke personal service of a local and friendly company at a competitive cost.

We understand that a company can find itself in financial difficulty for a variety of different reasons and we will take time to meet with Directors and key management to understand what has happened within the company and how we can help. We provide this service completely free of charge and without obligation.

Our team work with management to identify the available options, understand their implications and agree a course of action designed to result in the best possible outcome.

Our Company Values.....

Our success and progression has been built on a number of core company values;

- INTEGRITY –** We have strong ethics and are always open, honest and reliable.
- QUALITY -** Delivering excellent standards consistently from our experienced and qualified directors and staff.
- SERVICE –** We take pride in delivering the highest standard of service possible.
- VALUE –** We strive to deliver exceptional value to our Referrers and their clients.
- INNOVATION –** We strive to be better every day and we take steps to make this happen.
- ACCOUNTABILITY –** We accept that we have an obligation to take responsibility and account for our actions and will do so willingly.
- POSITIVITY –** We have a 'can do' attitude and are passionate about our business.

Further Information

If you would like further information or guidance on anything that you have read in our guide Focus Insolvency is here to help you. With extensive experience in helping people and companies regain control of their finances; our immediate aim is to provide you with free advice and assistance and to structure the correct solution to your problem.

The expert advice we will offer will always be the 'best advice' for you, dependant on you or your companies' circumstances and financial situation.

Rest assured that we will not charge anything until a debt solution is in place!

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