



FOCUS
INSOLVENCY GROUP

A Guide to Creditor's Voluntary Liquidation

**Licensed Insolvency Practitioners
& Business Recovery Professionals**

**Call: 0800 157 7330
or 01257 251319**

www.focusinsolvencygroup.co.uk



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Introduction

Voluntary liquidation is often referred to as creditors' voluntary liquidation, CVL, business bankruptcy or simply just liquidation.

Sometimes a company is not able to trade out of cash flow problems and does not have enough money to pay its debts as and when they fall due. In these circumstances the company is insolvent and the only appropriate course of action is for the directors to cease trading and seek professional advice.

A voluntary liquidation is the most common way for directors and shareholders to deal voluntarily with their company's overwhelming debts.

A voluntary liquidation would stop demands from company creditors and allow the company to write off 100% of its debts. It would also enable the directors to close the company as soon as possible.

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 voluntary liquidation appropriate?

With a voluntary liquidation the company will cease to trade, its assets are realised (sold) and employees dismissed.

Where it may be possible to trade out of the situation, or continue in business, other insolvency procedures such as a company voluntary arrangement (CVA) need to be considered. It is for this reason that directors should contact Focus Insolvency Group who can guide you through your options.

Voluntary liquidation will be appropriate where:

- **The company is insolvent.**
- **A CVA is not appropriate.**
- **The company does not appear to be viable even if restructured.**
- **The directors do not feel they have the finances or determination needed to rescue the company.**

In some circumstances, it may be possible for the directors to form a new company and have this company buy back some or all of the assets of the old one, so as to ensure the business survives and continues trading from a position of strength having been restructured. Focus Insolvency assess every situation and provide directors with the best options available to them

Solutions

Advantages of voluntary liquidation

Voluntary liquidation can have a number of major advantages for directors and shareholders of a company that has overwhelming debt problems

The main advantages of voluntary liquidation are:

- **Make a fresh start, free from crippling debt.**
- **Write off 100% of what the company owes.**
- **Minimise director's exposure to wrongful trading action.**
- **Provide peace of mind to the directors.**
- **Stop demands from creditors.**
- **You no longer have to deal with creditor's letters and phone calls.**

When you enter into voluntary liquidation 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.

It is the Liquidators duty to deal with all creditors and realise the assets. The directors are removed from office and free to make a fresh start.

Liquidation 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 even Administration and discuss which would be appropriate for your company.

Our consultation and advice is completely free of charge.

Stage 2:

Our Insolvency Practitioner will act as the advising member and proposed liquidator. At this stage all creditors and shareholders are written to and informed of your wishes to put the company into voluntary liquidation. We then become your creditor's point of contact and any threatening calls or letters can be referred to us.

Stage 3:

The Insolvency Practitioner writes to the creditors and shareholders informing them of a creditors meeting. The Director(s) act as chairman and the insolvency practitioner conducts the meeting. In most cases no creditors attend the meeting but if they do, questions may be asked over the cause of failure of the company. A statement of affairs that has been prepared by the Insolvency Practitioner with the help of the Directors, is given to the creditors at the meeting. The creditors officially agree the appointment of the liquidator at this time.

Stage 4:

The liquidation commences properly at this point. The assets of the company are sold, the outcome of this sale is reported to the creditors and if any value is left after the liquidation process, payment is made for settlement of the creditor's claims.

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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