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A Guide to Company Voluntary Arrangements

A formal proposal that may allow a viable company to address creditor liabilities while continuing to trade under agreed terms.

Talk it through with a licensed insolvency practitioner

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What a Company Voluntary Arrangement is

A Company Voluntary Arrangement, or CVA, is a formal proposal by a company to reach an arrangement with its creditors. It may be considered where the underlying business could be viable but the company cannot meet all of its liabilities when due.

An authorised insolvency practitioner considers the proposal in the nominee role. If the proposal is approved through the required creditor and member decision process, a supervisor oversees the arrangement. The directors ordinarily continue managing the company, but they remain subject to the arrangement, applicable law, and any other insolvency process. Approval, continued trading, and successful completion are not guaranteed.

When a CVA may be considered

A CVA should be considered only after an evidence-based assessment of the business, the causes of its financial difficulty, its current cashflow, liabilities, creditor action, tax position, contracts, employees, funding, and realistic trading prospects.

It is not a way to ignore debts or avoid current obligations. The company needs a credible basis for funding ongoing trading and the proposal. Informal restructuring and other formal insolvency options should also be considered before a course of action is chosen.

Evidence to assemble

Directors and their advisers should assemble current and complete information, including:

- management accounts, cashflow forecasts, bank information, and tax records;
- details of assets, liabilities, security, guarantees, and contingent or disputed claims;
- creditor action, leases, contracts, employees, pensions, and litigation;
- funding needs, proposed contributions, key assumptions, and contingency options.

Incomplete or optimistic information can undermine the assessment and any proposal. Material changes should be raised promptly so that viability and available options can be reconsidered.

Proposal and approval

A proposal should explain the company's position, the treatment offered to affected creditors, how the arrangement will be funded, how long its terms are intended to operate, what information will be provided, and what happens if assumptions or performance change.

The nominee and the company follow the applicable process for putting the proposal to creditors and members. Voting rights, approval requirements, modifications, and the position of secured or

preferential creditors depend on current law and the facts of the case. Until an arrangement is approved, a proposed CVA does not by itself guarantee protection from a petition, enforcement, or other creditor action.

Operating under an approved CVA

If a CVA is approved, the company must comply with its exact terms, provide the required information, make agreed contributions when due, and continue dealing with liabilities and obligations that fall outside the arrangement.

The supervisor monitors and administers the arrangement in accordance with its terms. Supervision does not guarantee profitability, continued trading, debt write-off, or a successful rescue. A breach or material deterioration can have consequences under the proposal and may lead to termination or another insolvency process, depending on the terms and circumstances.

Potential benefits and limitations

A properly supported CVA may provide a structured way to address affected liabilities while a viable company continues trading. Creditors can assess the proposal against the outcomes and risks of the available alternatives.

Depending on the terms creditors approve, an arrangement may:

- replace separate demands from the creditors bound by it with the contributions set out in the proposal;
- bind creditors who were entitled to vote on the proposal, whether or not they voted in favour, although secured and preferential creditors keep their rights unless they agree;
- leave the directors managing the company, subject to the arrangement's terms and the supervisor's oversight;
- deal with interest and charges on the liabilities it covers on the basis creditors approve;
- make trading relationships and employment easier to preserve than a liquidation would.

The result depends on accurate information, creditor decisions, sustainable funding, compliance, and future trading. A CVA can impose reporting, contribution, funding, and operational requirements. It does not treat every liability or creditor in the same way, remove directors' duties, or make a proposed outcome certain.

Preparing to seek advice

Early, complete records allow the company's position and options to be considered before creditor pressure or cashflow problems narrow the available choices. Directors should raise uncertainty about liabilities, claims, tax, funding, contracts, employees, records, or future costs promptly.

If the company cannot support ongoing trading or a credible proposal, a CVA may not be available or suitable. Case-specific insolvency and legal advice should be obtained before action is taken.

General information

This guide provides general information only. It is not legal, tax, or financial advice and does not determine whether a CVA is available, suitable, capable of approval, or likely to succeed. Current case-specific advice should be obtained before action is taken.

Discuss the company's options

A CVA is only one possible route. Seek case-specific insolvency and legal advice based on current records, creditor action, and realistic forecasts before deciding what to do. Call or email and we will go through the position and the options with you.

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