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A Guide to Creditors' Voluntary Liquidation

A voluntary process for winding up an insolvent company, initiated by its members following consideration by the directors and carried out by an appointed liquidator.

Talk it through with a licensed insolvency practitioner

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What a Creditors' Voluntary Liquidation is

A Creditors' Voluntary Liquidation, or CVL, is a formal process used to wind up a company that cannot pay its debts. The directors first consider the company's position and available alternatives. The company's members are then asked to decide whether it should be wound up voluntarily, and an insolvency practitioner may be appointed as liquidator.

The liquidator conducts the winding-up process, deals with company assets and creditor claims, and reviews the company's affairs. The exact steps and outcomes depend on the circumstances and the law applying at the time.

When a CVL may be considered

A CVL may be considered where the company is insolvent and continued trading, rescue, or restructuring is not realistically available. It is not the right process for every company, and alternatives should be assessed using current financial information.

Directors should seek case-specific professional advice promptly. Delaying a decision can reduce the options available and may worsen the position of the company and its creditors.

Potential benefits

Where a CVL is the right route, it may:

- provide a defined statutory process for closing an insolvent company rather than leaving matters unresolved;
- pass responsibility for dealing with company assets and creditor claims to the appointed liquidator;
- be funded from company assets, such as cash at bank, book debts, or asset realisations, where those are sufficient;
- be part of acting promptly once the company is insolvent, which the liquidator and any review of the directors' conduct will take into account;
- allow employees, and in some cases directors, to claim arrears of pay, holiday pay, notice pay, and redundancy from the National Insurance Fund, subject to eligibility and statutory limits.

Each depends on the company's assets, liabilities, records, and conduct, and on the liquidator's findings. Appointment does not release a director from a personal guarantee or settle any question about the conduct of the company's affairs.

Roles and practical consequences

Directors are responsible for the company's decisions and conduct before a liquidator is appointed. Appointment of a liquidator does not automatically release a director from a personal guarantee or determine the outcome of any review of the company's affairs.

A liquidation can affect employees, contracts, customers, suppliers, assets, and creditors. The company will normally stop trading unless limited activity is required for the winding-up. Asset realisations and any payment to creditors depend on the assets, costs, claims, and priorities in the particular case; no distribution or other outcome is guaranteed.

Preparing to seek advice

Before seeking advice, gather the clearest current information available:

- recent accounts, cash-flow information, and tax records;
- details of assets, liabilities, security, guarantees, and creditor action;
- payroll, employee, property, finance, and key contract information;
- any immediate deadlines, court action, enforcement, or funding pressure.

Complete and accurate records allow the company's position and available alternatives to be considered on evidence rather than assumptions.

General information

This guide provides general information only. It is not legal or financial advice and does not determine whether a CVL is available, necessary, or suitable for a particular company. Current case-specific advice should be obtained before action is taken.

Discuss the company's circumstances

Whether a CVL is appropriate depends on the company's current position and the available alternatives. Seek case-specific professional advice promptly. Call or email and we will go through the position and the options with you.

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