

OCTOBER 2026 EDITION

Pre-pack Administration Guide

In a pre-pack the business is valued and its sale agreed, funded and ready to sign before the administrator is appointed, and the sale completes on the day of the appointment. The business keeps trading, so its customers, goodwill, as many jobs as possible and the contracts its new owner takes on carry through.

Talk it through with a licensed insolvency practitioner

01257 257035

corporate@focusinsolvency.co.uk · focusinsolvency.co.uk

What a pre-pack administration is

A pre-packaged administration works like a normal administration, but the process is a great deal faster. Administration exists as an alternative to winding a company up, so that where possible the company, or at least its business, can be rescued.

What makes it a pre-pack is that the sale of the business is arranged before the administrator is appointed rather than after. The valuation is obtained, the price is agreed, the purchaser's funding is in place and the contracts are drafted in advance, so the sale is ready to complete the moment the company enters administration. In practice it completes on the day of the appointment, or very shortly after.

The purchaser is often a new company formed by the directors, sometimes a third party already in the market. Either way the business carries on: the same people doing the same work for the same customers the next day. The debts that made the old company insolvent stay with the old company for the administrator to deal with, subject to the main qualifications set out below: employees, personal guarantees and re-using the company's name.

How it differs from a normal administration

Administration is the formal insolvency procedure. A pre-pack is not a separate procedure; it describes when the sale is arranged. In a normal administration the administrator takes control first and markets the business afterwards, and that takes time. Time is expensive: trading losses mount, customers place the next order somewhere else, key staff accept other jobs, and the value of whatever is eventually sold falls.

A pre-pack front-loads that work. Because the business keeps trading, its goodwill, order book and workforce are still intact when it changes hands, which is often the difference between a business that continues and one that is broken up and sold piece by piece.

Why directors choose a pre-pack

For a business that is viable underneath its debt, a pre-pack can offer:

- a quick and comparatively smooth transfer of the business;
- protected goodwill, because customers and suppliers see continuity rather than a business that has stopped;
- more jobs saved than a normal administration or a closure would save;
- a shorter procedure and lower costs, which are met from the company's assets and can mean a better return for creditors;

- the opportunity for the directors or a third party to buy the business as a going concern and run it without the burdens that sank it, such as loss-making contracts, surplus premises or an over-large payroll;
- the statutory moratorium that comes with administration, which restricts creditor action and enforcement against the company from the moment the administrator is appointed;
- one point of contact for creditors: once we are appointed, the letters and the phone calls come to us rather than to you.

What is achievable in a particular case depends on the business, its assets and the offers on the table. A pre-pack is not right for every company. If the company could trade out of trouble, a Company Voluntary Arrangement may suit it better; if the business is no longer a going concern, liquidation may be the honest answer. We will tell you which of those we think you are looking at.

How a pre-pack comes together

1. We review the company's position with you: cashflow, assets, liabilities, viability and the realistic options, including whether a Company Voluntary Arrangement or a liquidation fits the company better than administration.
2. The business is marketed as SIP 16 expects, it and its assets are independently valued, a sale price is negotiated and agreed, the purchaser's funding is confirmed and the contracts are drafted.
3. The purchaser is settled, whether that is a new company formed by the directors or a third party, along with what is being bought: the business as a going concern, some or all of the assets, or both. Where the purchaser is connected to the company, it obtains a written report from an independent evaluator on whether the price and the grounds for the sale are reasonable, so that the sale can complete on the day.
4. The appointment paperwork is filed at court, the administrator takes office and the company enters administration. Creditor action against the company is restricted from that point.
5. The pre-arranged sale completes on the day of the appointment, or very shortly after, and the business and assets transfer to their new owner.
6. The administrator reports to creditors on the sale and why it produced the best outcome reasonably available, which is the disclosure required by SIP 16, and deals with the old company from there.

What to check before you go ahead

A pre-pack is a well-established insolvency tool, not a way of walking away from everything. These points decide how well it works in practice:

- **Employees.** Employees of the business usually transfer to the purchaser with their existing terms and continuous service under TUPE, and the purchaser takes on their employment from

completion. Certain debts owed to them before the transfer, such as arrears of pay, holiday pay and statutory notice pay, are met by the National Insurance Fund up to statutory limits instead of passing to the purchaser. Any amount above those limits does transfer to the purchaser, so it needs to be priced into the deal.

- **Personal guarantees.** A guarantee a director has given to a bank, landlord or supplier is a personal contract. It is unaffected by the company's administration and can still be called on.
- **Re-using the name.** If the old company later goes into insolvent liquidation, as it often does after a pre-pack, anyone who was a director in the 12 months before is restricted for five years from running a company with the same or a similar name, at the risk of a criminal offence and personal liability for that company's debts. Where a new company buys the whole, or substantially the whole, of the business from the administrator, a notice to creditors and in the Gazette within 28 days of completion allows the directors it names to use the name. We build that into the timetable.
- **A connected purchaser.** Where the buyer is connected to the company, its directors for example, and a substantial disposal happens in the first eight weeks of the administration, the law requires either creditor approval or a written report from an independent evaluator before the sale. Creditor approval can only be sought once the administrator is appointed, so for a pre-pack that completes on the day the evaluator's report is the practical route. It is a safeguard rather than an obstacle, but it has to be built into the timetable.
- **The administrator's duties.** The administrator is a licensed insolvency practitioner with statutory duties to the creditors as a whole, and must be satisfied that the sale is the best outcome reasonably available. The evidence for that is assembled before the appointment, which is precisely why a pre-pack is prepared in advance.
- **Funding.** The price has to be paid or properly financed at completion, and that is often what decides whether a pre-pack is achievable.

Acting in time

If the company cannot pay its debts as they fall due, or it owes more than it owns, it is insolvent and the directors' duty shifts towards the creditors. Continuing to trade and to take credit once there is no reasonable prospect of avoiding an insolvent liquidation or administration risks personal liability for wrongful trading, and in serious cases disqualification as a director. Taking advice early is the protection against both.

It also protects the business. A pre-pack needs a purchaser, funding, a defensible valuation and a business still worth buying. Every week of delay takes something off that list.

This guide is general information and not legal or financial advice. Whether a pre-pack administration is available and right for a particular company depends on that company's own circumstances.

Talk to a licensed insolvency practitioner

If the company cannot pay its debts as they fall due, the sooner we look at it the more of the business there is to save. Call us and we will go through the position and the options with you.

01257 257035

corporate@focusinsolvency.co.uk

focusinsolvency.co.uk

This guide reproduces the page at <https://focusinsolvency.co.uk/solutions/pre-pack-administration/> as published in October 2026.

Anthony Fisher FIPA, FABRP is licensed to act as an Insolvency Practitioner in the UK by the Insolvency Practitioners Association. Focus Insolvency Group is a trading style of Debtfocus Business Recovery & Insolvency Ltd, registered in England and Wales, company number 06831646.

Debtfocus Business Recovery & Insolvency Ltd maintains professional indemnity insurance with CNA Insurance Company Limited under policy number 10581504. The policy covers England and Wales.