

OUR GUIDE TO STARTING AN INSOLVENT (CREDITORS' VOLUNTARY) LIQUIDATION FOR DIRECTORS

The stages of the liquidation

You cannot legally liquidate a company on your own. You need a licensed insolvency practitioner to help you. Rob Sadler at Sadlers is licensed to act as a liquidator.

The process has three main stages:

Stage 1: directors

The directors need to meet and agree by a majority that the company is insolvent and needs to be placed into liquidation. They then choose a liquidator. There is no notice needed for this directors' meeting and directors can attend by phone or video link.

Stage 2: shareholders

A shareholders' meeting is called to pass a special resolution to liquidate the company. This must be passed by 75% of shareholders – but only the shareholders who bother to vote count for this 75%.

This meeting is usually held with at least 14 days' written notice, but with the consent of more than 90% of all shareholders it can be held on short notice or even immediately.

Stage 3: creditors

You cannot call a physical meeting of creditors anymore. Companies now only have two options and your proposed liquidator will help you decide which is the most appropriate:

1) Call a virtual meeting of creditors with at least three days' notice, giving them details of how to virtually attend (by video conference or by telephone). The director may still attend on the day of the meeting to meet with the insolvency practitioner and be present to answer any creditor questions and then sign off all the paperwork.

A creditor who attempts to attend on the day will be sent away and asked to telephone in to hear what's going on.

2) Send creditors a notice of deemed consent, again, with at least three days' notice. Deemed consent means there is no meeting whatsoever. Instead there is a specified date by which, if no-one objects, the company is deemed to have gone into liquidation.

If, however, 10% of creditors (by value or in number) want an actual physical meeting that they can attend, they can request one and one must be held. This will cause at least a further three day delay to call an actual meeting.

You can give notice to creditors of either process above by email if they are known email users, otherwise by post.

Stages 2 and 3 above (calling the shareholders' meeting and giving notice to creditors) can be simultaneous. Therefore, the fastest possible time a company can be put into liquidation is effectively four days.

Report and statement of affairs

A report must be sent to all creditors before the virtual meeting or deemed consent, setting out a company history, a statement of affairs (which shows the company's assets and liabilities), plus other statutory information.

The statement of affairs must be posted to creditors. Everything else can be emailed or posted online with access details given to creditors. Creditors will, therefore, have a chance to look over any documents in advance of a meeting.

If you're considering liquidation for your company, talk to Sadlers today.