

My limited company is Insolvent - what happens next?

It depends on whether there is a business worth saving or not. If not worth saving and you just want to close it there are three options as follows:-

1. Creditors Voluntary Liquidation – the directors ask a Licensed Insolvency Practitioner such as David Kirk of Kirk Hills (Tel 01392 494904) to assist them in following the correct legal procedure to place the company into liquidation including calling the meetings of creditors. This will take the pressure off you right away.
2. If a creditor (someone you owe money to) starts winding up proceedings by issuing you with a Statutory Demand then presents a petition in court to have your company wound up, this is called Compulsory Liquidation. The directors can themselves petition for winding up if there are insufficient assets and not enough funds to pay a Licensed Insolvency Practitioner. In some cases you may not want this to happen – then you would negotiate with the creditor or possibly apply for an Administration order (which freezes winding up).
3. If you have insufficient assets and your creditors agree, you may informally wind up the company. We would assist you with this and deal with all your creditors. It is only appropriate where you have a smaller number of creditors and a low value of debt.

If the business is worth saving and you want to keep working the solutions are usually as follows:-

1. Administration – this is a court order appointing a Licensed Insolvency Practitioner to run the business and usually give time for a solution to be found. This may lead to an immediate sale to the existing management or a new management team or may result in the company sorting out its finances and being handed back to the directors to run or entering into a CVA.
2. A Company Voluntary Arrangement (“CVA”) – this is a binding agreement with your creditors which freezes the debt and allows you to carry on trading, usually paying back a proportion of what you owe. You need a Licensed Insolvency Practitioner to monitor this type of scheme to make sure it is fair to the company and fair to creditors.
3. Raising new external funds or coming to an agreement with creditors about paying them back over a period of time.

In all cases it is worth taking professional advice as soon as possible as there are numerous offences in continuing to trade a company whilst insolvent and the directors can become liable for the debts. Additionally the later you leave it the less options there will be to save the business.

I am always happy to have an initial free meeting so please do call for advice on **01392 494904** and ask for me, David Kirk.

Barnstaple office

30 Bear Street, Barnstaple,
Devon EX32 7DD
Tel: 01271 372529
Fax: 01271 322129

Exeter Office

5 Barnfield Crescent,
Exeter EX1 1QT
Tel: 01392 49 49 04
Fax: 01392 49 43 49

