

# My self-employed business is Insolvent - what happens next?

This help sheet applies to sole traders and partnerships.

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

1. Bankruptcy – you contact your local County Court and ask for a 'Bankruptcy Pack'. They will send you all the forms you need to complete to make yourself bankrupt. You should only make yourself bankrupt after taking professional advice.
2. If a creditor (someone you owe money to) starts bankruptcy proceedings by issuing you with a Statutory Demand then presents a petition in court to have you made bankrupt. In some cases you may not want this to happen – then you would negotiate with the creditor or possibly apply for an IVA (see below) which stops the bankruptcy.
3. If you have insufficient assets and your creditors agree, you could reach an agreement with them to pay them back some of what you owe by instalments over a period of time.

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

1. An Individual Voluntary Arrangement ("IVA") – 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 you and fair to your creditors.
2. Raising new external funds or coming to an agreement with creditors, paying them back over a period of time. I have helped a number of businesses to do this and know what can normally be agreed between the parties.

In all cases it is worth taking professional advice as soon as possible as there are numerous risks in continuing to trade a business whilst it is insolvent. 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.

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