

# business recovery & insolvency

## creditors voluntary liquidation...

A Creditors Voluntary Liquidation is when the shareholders, usually at the request of the Directors, decide to put a company into Liquidation because it is insolvent.

The definition of insolvent is where a company is unable to pay its debts when they fall due or when the liabilities are greater than the assets.

The purpose of a Liquidation is to appoint a Licensed Insolvency Practitioner to collect in the company's assets and distribute them to its creditors in accordance with the law.

In order to place a company into Liquidation meetings of the shareholders and creditors need to be called. Prior to the meeting one or more of the directors are required to swear a Statement of Affairs which summarises the assets and liabilities of the company, including a schedule of the company's creditors. At the meeting of creditors a report will be presented which includes the Statement of Affairs and details of the circumstances leading to the Liquidation. It is at this meeting that the Liquidators appointment is confirmed.

Once appointed the Liquidator has a duty to investigate the affairs of the company and the conduct of the office holders.

If the Liquidation takes longer than a year to complete, within 3 months of the first anniversary and any succeeding years, the Liquidator must summon a meeting of creditors, send out a receipts and payments account and a report setting out his conduct of the liquidation. A report must also be sent out and a meeting called when the Liquidation is ready to be finalised.

For further information please contact us on 0845 555 8844 or email us on [recovery@dains.com](mailto:recovery@dains.com).



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