



Administration Fact Sheet

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① Administration is a true "rescue" process, aimed at saving the company itself. If a company cannot be saved, Administration can be used where it will produce a better outcome for the creditors than Liquidation.

① Historically, Administration was considered complicated and expensive and was often only used for very big companies and football clubs. This has changed.

① The Administration procedure was radically overhauled in 2003 to simplify the process and make it more accessible to smaller companies. It is intended that Administration will eventually replace "Administrative Receivership" entirely.

① Entering Administration is now a straightforward process which can often be commenced in a matter of hours, without any Court hearings.

① It is the directors who decide to put the company into Administration and who choose the Administrator. If the company has given a debenture to their bank, the bank has to be given prior notice and has the right to select a different Administrator, although they often do not do so.

① The Administrator has to issue a report to the creditors and shareholders of the company within 8 weeks of his appointment, explaining what he considers to be the best way forward and how much money they are likely to receive.

① The Administrator has very wide powers. He can dismiss or appoint directors, stop hire purchase creditors from repossessing their good and sell assets subject to bank security, if he considers it to be in the best interest of the creditors to do so.

① The Administrator must act in the interests of the creditors as a whole, but with a view to saving the company, if possible. Usually, he will need to reach some form of agreement with the creditors to compromise their debts if the company is to be saved.

① Administration is a flexible process which can produce a variety of different outcomes. These include proposing a Company Voluntary Arrangement ("CVA"), liquidating the company or simply dissolving it at the end of the Administration.

① Administration is often used to provide time and protection from creditor action whilst a CVA proposal is put together. A CVA is a deal offered to creditors where they are asked to accept a proportion of their debt in final satisfaction.

① A CVA usually requires the company to make a monthly payment from their trading profits into a pot which is then shared out proportionately to the creditors.

① Alternatively, it is sometimes possible to agree the sale of the company prior to placing it into Administration. The sale can then be completed by the Administrator once he has been officially appointed. This option (known as a "pre-pack") can only be used where it is in the best interests of the creditors.

① Occasionally, the process of Administration may return a company to solvency without the need to compromise its debts. If this is achieved, then the company is handed back to its directors.

① **It is more likely that a company can be saved from Liquidation where professional advice is taken as early as possible. Even if a company cannot be saved, its core business may still be able to be sold.**