



Voluntary Liquidation Fact Sheet

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- ① Voluntary Liquidation is the legal process used when a company's directors decide themselves to wind-up the company's affairs.
- ① It can be used by both solvent or insolvent companies and in both cases is commenced with a board meeting, followed by a meeting of shareholders.
- ① The shareholders and creditors have to be told in advance that a meeting is being held to place a company into Liquidation. Usually 14 days notice is required.
- ① A company can be placed into Voluntary Liquidation in a matter of hours if 95% of the shareholders agree and there is an urgent need to do so.
- ① The shareholders choose which Insolvency Practitioner they want to deal with the matter and will generally choose the practitioner that the directors have instructed.
- ① If the company is insolvent, the creditors can decide to appoint a different Insolvency Practitioner if they are not happy with the shareholders choice. But this does not happen very often.
- ① Unlike "Compulsory Liquidation", the Courts are not generally involved in placing a company into Voluntary Liquidation, neither is the Official Receiver involved in a Voluntary Liquidation.
- ① Liquidation will mean that the company ceases to trade and its staff laid off. However, it is sometimes possible for a new company to take over the business.
- ① The Liquidator must sell the company's assets for the best possible price, but this does not stop him from selling the assets to the directors, provided that the best price is obtained and the transaction is disclosed to the creditors.
- ① Liquidation generally protects the company from further action being taken by any single creditor. The Liquidator is there to ensure that the sale proceeds of the company's assets are shared out fairly amongst its creditors.
- ① There are restrictions upon directors re-using the name of a company which has been put into Liquidation, and they can be penalised if they do so.
- ① It is possible for directors to re-use a restricted name in certain circumstances, although specialist advice should be sought before doing so.
- ① Directors who continue to trade whilst they know their company is insolvent can be made personally liable under the "wrongful trading" provisions for any further debts which their company incurs.
- ① The Liquidator must produce a disqualification report on each of the company's directors. Many different factors are taken into account and reported upon and a negative report can lead to prosecution and disqualification from acting as a director for up to 15 years.
- ① Obtaining and following specialist professional advice at an early stage is one of the best ways that directors can avoid potential liability for wrongful trading or disqualification.
- 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.