

SFP



Your **CVL** Solution



CVL Guide

Is your Company **Insolvent** &
Should you be Considering a CVL?

Read on for more information on CVLs and why you
should speak to SFP Group about how they can help.

Is My Company Insolvent?



The technical definition of Insolvency is:



You have more
liabilities than assets

and/or



You can't pay your
debts as they fall due

If you satisfy one or both of these definitions, then your company is technically insolvent.

As a director of an insolvent company, you must seek professional advice on your options to reduce any ongoing exposure to all stakeholders.

What is a CVL?

- CVL stands for Creditors' Voluntary Liquidation and is also known as just "Liquidation".
- CVL is an insolvency process that can be used to wind up the affairs of an insolvent company.

Is a **CVL** Right for Your Company?



If one or more of the following apply



You have more liabilities than assets



You can't pay your debts as they fall due



You are trading at a loss



You have ceased trading with liabilities you can't settle



Your company is no longer viable

..... then a Creditors' Voluntary Liquidation (CVL) might be right for your company

Are there Alternatives?

Yes, the main alternatives to a CVL are:

- Successfully turning the business around so it no longer needs to be placed into insolvent liquidation
- Finding sufficient funds to settle all the company's outstanding liabilities
- A different insolvency process which could result in a far better outcome for all stakeholders
- Compulsory Liquidation which is normally when a creditor takes legal action against the company forcing it to be wound up through the Court
- Dissolution which might be an option when the company has insufficient funds to proceed with a CVL and creditors are unwilling to pay the cost to wind up the business through the Courts

What is the Process?



Overview of the CVL Process

STAGE 1

DIRECTORS HOLD BOARD MEETING

The Director(s) instruct an Insolvency Practitioner to advise this is the correct regime and assist with the necessary paperwork.

The Director(s) hold a Board Meeting to resolve to place the company into CVL and nominate their choice of Liquidator.

The Board Meeting will also resolve to convene a meeting of the company's members to seek the appropriate winding up resolutions.



STAGE 2

NOTICES SENT TO CREDITORS AND MEMBERS

Notice of the proposed Liquidation is sent to creditors and members.

The company's articles will state the notice period required to be given to members, however the meeting can be held at shorter notice if members consent.

The creditors are provided with 3 business days' notice for the decision on the appointment of the Liquidator



STAGE 3

CREDITORS PROVIDED WITH STATEMENT OF AFFAIRS

The creditors will receive a report detailing events leading to the Board meeting and a statement of affairs showing the company's present financial position.

The nominated Liquidator assists the Director(s) to prepare these.

What is the **Process?** (continued)

STAGE 4

HOLD MEMBERS' MEETING

At the members' meeting they will be asked to pass a resolution placing the company into Liquidation and to appoint a Liquidator.



STAGE 5

CREDITORS DEEMED CONSENT TO LIQUIDATOR'S APPOINTMENT

Deemed consent is sought from creditors to confirm the Liquidator's appointment

IF THERE ARE NO OBJECTIONS

MEMBERS' CHOICE OF LIQUIDATOR RATIFIED

If the creditors raise no objections to the members' choice of Liquidator, the appointment is ratified.

PHYSICAL MEETING REQUESTED

MEETING NEEDED TO DECIDE VARIOUS MATTERS INCLUDING SEEKING ALTERNATIVE LIQUIDATOR

The creditors may instead ask for a physical meeting to be convened.

At that meeting they may be able to seek to replace the nominated Liquidator with their own choice.

Whether or not the creditors can seek a physical meeting and/or have their own choice of Liquidator is determined by statutory rules.



Are there any **Risks** Involved with a CVL?

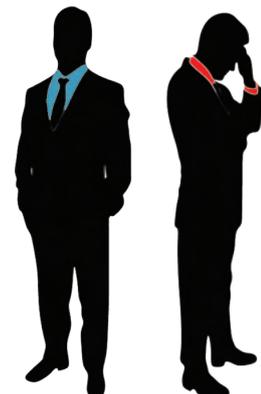


Any insolvency process should always be considered carefully with a qualified insolvency practitioners that can explain the pros and cons.

Proceeding down the route of a CVL does carry risk and although unlikely in the vast majority of cases, it could result in one or a number of actions being taken including:

- ⚠ Disqualification – you could be disqualified from acting as a director in the future for a set period of time.
- ⚠ Compensation Order – if you are disqualified, then you could face a Compensation Order making you personally liable for certain company debts.
- ⚠ HMRC action – HMRC does have the power to pursue directors personally in certain circumstances.
- ⚠ Certain company transactions pre liquidation can be challenged and potentially overturned.

It's important to discuss all these points with an insolvency specialist before deciding if a CVL is the right step. The sooner that you seek advice, the better are your prospects of avoiding these pitfalls.



How Much Does a CVL **Cost**?



The cost of a CVL depends on a number of factors including:

- How many creditors you have
- Whether the company has assets
- If there is a business to sell
- How complex or straightforward the winding up will be



SFP can confirm the cost of your CVL based upon your circumstances, within a brief phone call.

Call one of our experts now on: **0203 800 0626**

Why Choose **SFP** Group?



Our Service

- ✓ We will guide you through the options / alternatives and only recommend CVL if it is right for your company.
- ✓ We ensure a very smooth, joined-up approach giving you peace of mind that you are in professional hands.

Our Reputation

- ✓ SFP are very proud to have provide award winning service to 1000's of clients. Having confidence and trust in your Insolvency Practitioner is essential to ensure your CVL is handled correctly.
- ✓ We are an award-winning Restructuring firm and are the preferred licensed Insolvency Practitioners to the majority of the top contractor accountants in the market, as well as a significant number of Chartered Accountancy firms across the UK.

**Five Times Winner - Business Moneyfacts Awards -
Best Business Recovery Specialist**



Preferred Partner of:



Contact us

For more information



cvl@sfpgroup.com



0203 800 0626



Ensign House, Admirals Way, Isle of Dogs,
London E14 9XQ



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