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CREDITORS' VOLUNTARY LIQUIDATION (CVL)

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A Creditors' Voluntary Liquidation (CVL) is a procedure whereby a company puts itself into liquidation to facilitate an orderly wind up of the company's affairs.

The decision to initiate a CVL process is usually when the company has run out of cash, is unable to pay its debts on time and the directors believe the business is no longer viable.

OBJECTIVES OF A CVL

It is designed to realise the assets of the company and distribute proceeds to creditors.

WHO CAN APPOINT A LIQUIDATOR UNDER A CVL?

- The directors of the company resolve to put the company into liquidation and will instruct a proposed liquidator to convene meetings of members and creditors in accordance with Section 98 of the Insolvency Act 1986 to place the company into liquidation.

The shareholders' meeting places the company into liquidation and the creditors meeting passes certain resolutions, including voting on the choice of liquidator and the basis of the liquidator's remuneration.

The meetings are usually held on the same day but the creditors' meeting must be held within 14 days of the shareholders' meeting. In the intervening period, the liquidator appointed at the shareholders' meeting has limited powers.

PROCEDURE FOR A CVL

- Directors consult a licensed insolvency practitioner
- On conclusion by the directors at a board meeting that the company is insolvent and that there is no alternative to liquidation, they convene meetings of the shareholders and creditors
- The shareholders – prior to the Section 98 meeting – resolve to place the company into liquidation with their recommended choice of insolvency practitioner
- A statement of affairs, a report on the business's history and reasons for its failure are presented at the Section 98 meeting
- At the Section 98 meeting, creditors vote to confirm the choice of liquidator and may, if there is a majority in value of those qualified to vote propose an alternative insolvency practitioner.
- Creditors may request the formation of a creditors' committee to be informed of the progress of the liquidation and agree the liquidator's fees.

THE LIQUIDATOR'S ROLE

- The liquidator takes control of the company's affairs and almost all the powers of the directors are ceased
- Disposal of the company's assets
- Distribute monies after liquidation costs and expenses to the creditors
- Compile and make a submission on the directors' conduct, in accordance with the Company Director Disqualification Act 1986, giving their view on the conduct of those persons who had been a director of the company in the period of three years prior to the liquidation
- Prepare annual reports on the conduct of the liquidation until a final meeting of creditors can be convened
- Provide creditors with a final account and report of the liquidation.

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