

Knowledge Bank 5



COMPULSORY LIQUIDATION

Compulsory liquidation is an order made by the court. It is usually the result of a winding-up petition being presented to the court by a creditor.

It is the only way an unsecured creditor can bring about liquidation of a debtor company.

OBJECTIVES OF COMPULSORY LIQUIDATION

- In the majority of cases, the issuing by a creditor of a winding-up petition is a last resort to try to get their debt paid
- Once a petition is advertised it usually leads to the company's bank account being frozen and forces the company to cease to trade and, through the appointment of a liquidator, enables a comprehensive investigation into the affairs of the company and the conduct of its directors.

WHO CAN PETITION FOR A COMPULSORY LIQUIDATION?

- In most cases, it will be a creditor who is owed at least £750 and has outstanding debt at the date of the court hearing
- In less frequent cases, a petition could be presented by:
 - an administrator
 - an administrative receiver
 - the company itself, the directors
 - a supervisor of a Voluntary Arrangement
 - the Secretary of State for Business
 - the Financial Conduct Authority
 - the Clerk of a Magistrates Court
 - the Official Receiver
 - a member state liquidator.

PROCEDURE FOR COMPULSORY LIQUIDATION

1. A petition is raised and served on the company
2. A certificate of service is filed with the court including a statement of truth
3. Date for the hearing is set by the court
4. The petition is advertised
5. A winding-up order is made by the court
6. The official receiver (OR) becomes liquidator of the company and has a duty to investigate the company's affairs and send a report to creditors.

FOLLOWING APPOINTMENT

7. The OR advertises the order
8. The OR may call a meeting of creditors to appoint an insolvency practitioner as liquidator in his place. This may also happen without a meeting if there's a majority of creditor support to appoint an insolvency practitioner
9. If the OR retains the case, a creditors' meeting will be held within four months of the winding-up order
10. The liquidator – be it the OR or an insolvency practitioner – realises assets, agrees creditors' claims and distributes funds by way of dividends before calling a final meeting of creditors to provide an account and report of the liquidation.

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