

# Liquidation Guide: The Facts and Your Options





## Beware of Unqualified Advice

Unqualified advice continues to plague the corporate insolvency industry which is why company directors must be on-guard and seek qualified and reputable advice from licensed insolvency practitioners.

In recent years, we've seen unfortunate growth in the number of rogue advisers – particularly online – who often purport to be regulated firms with licensed IPs but are often merely lead generation websites that demand upfront fees and act as middlemen before passing your enquiry onto rogue 'advisory' firms with no reputation or regulation.

Our approach couldn't be more different. We act as standard-bearers for the corporate insolvency industry with 70 licensed insolvency practitioners across the country handling more corporate insolvency appointments in 2014 than any other firm.

In many cases, we advise directors who have become exasperated by their experience with rogue advisers. Many of these concerns are common themes and act as a huge warning sign of a rogue, unlicensed or untrustworthy corporate insolvency firm.

- Charging up-front fees before any work has been carried out
- Charging up-front fees by a middleman who then passes you to an insolvency practitioner
- Overbilling for 'time spent' which doesn't represent the amount of work carried out

- Exuberant promises that debts would be written off without even understanding my company's level of debts or whether debts were personally guaranteed
- Pushiness on the phone towards a particular service when other services would be more beneficial
- Poor or no communication after a fee had been paid
- Failure to explain the chosen process, e.g. Creditors' Voluntary Liquidation, clearly
- Creditors still hounding you, despite being under the protection of a formal insolvency solution, which your practitioner should have contacted them about
- Unhelpful about redundancies and how it would affect your workforce
- The process seemed very slow and/or the adviser did not return your calls

If any of these strike a chord with you from your experience with a 'corporate insolvency adviser', we would urge you to speak with one of our licensed insolvency practitioners today. We offer a free initial consultation to all directors and can advise on a range of corporate solutions including HMRC arrears, winding up petitions, statutory demands, cash flow problems, finance options and more.



**Jonathan Munnery**  
Insolvency Expert

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## Contents

- 1** Liquidation Guide:  
The Facts and Your Options
- 2** Types of Liquidation to Understand
- 3** Can You Stop a Company from Being Liquidated?
- 5** Alternative Options to Consider
- 6** An Overview of Business Recovery and Turnaround
- 7** What Exactly Is Insolvency?
- 8** The Role of a Business Recovery Specialist
- 9** HMRC, VAT, PAYE, Corporation Taxes
- 10** A Winding Up Petition – Every Director’s Worst Fear
- 11** Company Voluntary Arrangement (CVA)
- 12** In Need of a Complete Restructuring?  
An Administration Process May be Best
- 13** Finance and Funding for an Influx of Cash to  
Save a Distressed Business

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## Liquidation Guide: The Facts and Your Options

This guide is intended to help you understand the difference between compulsory and voluntary liquidation, and give you the alternatives you may not be aware of.

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## Types of Liquidation to Understand

There are three ways that a company can be placed into liquidation:

- 1) Members' Voluntary Liquidation (MVL)
- 2) Creditors' Voluntary Liquidation (CVL)
- 3) Compulsory Liquidation

### Members' Voluntary Liquidation

This process enables shareholders to close a **solvent** company (i.e. it holds assets exceed, in value, its liabilities) and extract the remaining assets/cash at a lower tax rate than would normally be applied if this process wasn't used.

### Creditors' Voluntary Liquidation

This process is used when a company is **insolvent** and there is no other option than the company ceasing to trade and is wound up for the benefit of creditors. The assets are realised and sold with a view to paying a dividend to creditors if possible.

### Compulsory Liquidation

This process is the result of the court granting an order to wind up the company following the successful presentation of a petition by a creditor. To petition to wind up the company, the creditor must be owed £750 or more.

Once wound up, the case is passed to the Official Receiver who deals with the company and its assets. They call the director(s) into their offices to conduct an interview and to discuss the affairs of the insolvent business.

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## Can You Stop a Company from Being Liquidated?

If your business is in danger of being issued winding up proceedings, the first thing you should do is contact an insolvency practitioner to discuss your case. Regardless of the scenario, time is ALWAYS of the essence as you only have a limited time before your actions become futile.

**There are 4 main stages leading up to compulsory liquidation that you should be aware of:**

### 1) Creditors are Applying Pressure

At this point you know you're behind on bills and you've been getting emails or phone calls from bailiffs and creditors threatening legal action. If you've violated the terms of a secured loan agreement, you should have even more cause for concern and a greater sense of urgency.

Never assume that a creditor or bailiff is lying or exaggerating. If they have expressed an interest in taking legal action against your company, it's time for you to respond accordingly.

### 2) You've Been Issued a Statutory Payment Demand Notice

A creditor can present a statutory payment demand if they are owed £750 or more. If it has not been disputed or the debt paid within 21 days, the creditor can petition to wind the company up.

### 3) You've Received a Winding Up Petition

Once you have received a winding up petition, a court hearing date has been set. The petition then needs to be advertised no less than 7 days prior to the date of the hearing.

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Once the bank sees this advertisement, they will freeze the company bank account and no further payments will be allowed. Obviously this can cause numerous problems for yourself and the company. It is therefore imperative that you speak to us as soon as the petition has been received. Once the bank account has been frozen, options available are dramatically reduced.

## The Winding Up Order Has Been Granted

At this point the company is placed into liquidation and no further action can be taken to rescue it.

In summary, if you owe any creditor £750 or more and you are struggling to make payment, act quickly and call UK Liquidators!



*Remember, the longer you put off the problem the harder it becomes to make a recovery. If you've already gotten to stage 4 without taking action, then there is nothing further that can be done unfortunately.*

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## Alternative Options to Consider

Sometimes entering into voluntary liquidation is not the best decision, even when there is little or no hope of recovery. Depending on your circumstances, we may suggest that you consider one of the following options instead of voluntary liquidation:

- Administration
- Company Voluntary Arrangement (CVA)

Both are options which can be utilised to recover your business. For further details on these processes, please download our specific guides which can be found on our website.



*We can help you postpone or avoid a compulsory liquidation, and depending on the circumstances, we may even be able to get the business operating lucratively again.*

*For years our licensed insolvency practitioners have utilised a combination of experience and networking skills to successfully help struggling businesses in every industry.*

*It is our responsibility to give you the best and most suitable advice for your company, so call us today on 0800 063 9262 or email [advice@ukliquidators.org.uk](mailto:advice@ukliquidators.org.uk) for more information.*

*Each year hundreds of businesses come to us when they are struggling financially, on the next page is our guide to Business Recovery and Turnaround.*

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## An Overview of Business Recovery and Turnaround

Each year hundreds of businesses come to us when they are struggling financially. Perhaps one or more creditors are threatening to wind up your company and as a director, you simply don't see a way out?

Most owners want to save the business they worked so hard to build which is why they come to us. But is there a viable solution to save a failing corporation?

Most of the time there is a way to fix your dilemma but it's crucial to act quickly!

In this guide, we talk about some of the most common difficulties businesses encounter nowadays in order to give you a basic understanding of the problems themselves and the possible solutions.

There is a light at the end of the tunnel and we can help you find it. First and foremost, let's begin with insolvency because this is one of the fundamental roots of financial distress.



*Most of the time there is a way to fix your dilemma but it's crucial to act quickly!*

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## What Exactly Is Insolvency?

**Insolvency can be defined in two ways;**

- 1) The Balance Sheet Test – the liabilities of the company exceed the company's assets, or
- 2) The cash flow test the company cannot pay its bills as and when they are due.

These days, this could apply to many businesses. If you feel that the company cannot continue trading without worsening its own or the creditors' position, make sure you contact us as soon as possible. We WILL be able to assist!

**Indications that the company has reached this point could be:**

- 1) The company is suffering bad debt which has had an adverse effect on its cash flow;
- 2) A recent CCJ has been served against the company;
- 3) A drop in trade which could have an impact on cash flow;
- 4) Threats of bailiff/High Court Enforcement Officers;
- 5) Inability to reduce or clear historical VAT arrears;
- 6) Inability to reduce or clear PAYE arrears, especially as the new RTI (Real Time Information) scheme gives HMRC full transparency as to what a company owes

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## The Role of a Business Recovery Specialist

Before anything can be done to rectify the situation, a Business Recovery Specialist will take a thorough look at your finances. We work very much the same way as investigative reporters in that we seek to answer the 5 W's: Who, What, Why, Where and When.

Then we take it to the next level to find out how this happened to your company?

For a free consultation, we look at:

- Who is affected by your company's financial problems?
- What exactly is the state of your finances?
- Why you have poor cash flow?
- Where can changes be made?
- When did the problem start?
- How did this happen? Can it be fixed?

One thing you should always keep in mind with insolvent companies is that many solutions need to be handled by licensed insolvency practitioners (IPs). Financial advisers can give you advice a certain degree but are not in a position to undertake certain procedures that an IP can.



*UK Liquidators is an expert team consisting of business recovery specialists, business advisers, accountants and licensed IPs. As you can see, you are in very good hands with us!*

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## HMRC, VAT, PAYE, Corporation Taxes

Dealing with HMRC can be a daunting prospect to many company directors. If you are late paying your taxes or are unable to pay in full, there can be monetary consequences which just escalate.

The taxman does not need to apply to court to seize your possessions for unpaid taxes. He can issue a distraint notice, enter your premises and take possession of your property to be sold at public auction to compensate for what you owe.

This, unfortunately, is just the beginning of what HMRC can do. They can also petition to wind up the company (as can any creditor who is owed more than £750) should they not recover sufficient funds to wipe off their bill.



*Many times UK Liquidators insolvency practitioners have been called out to businesses whilst HMRC Field Officers are making an inventory of property to seize. We've been able to successfully intervene to ensure nothing was taken, by negotiating a solution that was acceptable to the taxman.*

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## A Winding Up Petition – Every Director’s Worst Fear

You can stop a Winding Up Petition but if you do nothing, the company could be placed into compulsory liquidation. Once the business has been wound up, there is no way to reverse the decision.

It is therefore in your best interest to seek professional advice to prevent a petition from being issued and if you have already been served one, you need to act immediately. In the current economy a great number of businesses are struggling to keep on top of their bills, so there is nothing wrong with admitting you need financial help and advice.

Time really is of the essence – it can be your friend or foe and it is up to you as to which one you face. If you receive a winding up petition you need to file a response with the court. If your response has a well-formulated plan to show that your company can satisfy the liability to creditors, then the petition may be adjourned or dismissed.

A licensed IP is best qualified to help determine if your company can be saved and how to go about doing so.



*Just because a creditor has already asked the court to wind up your business, it doesn't mean that UK Liquidators can't try to save your failing company. However, we need to act swiftly to find a positive outcome.*

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## Company Voluntary Arrangement (CVA)

Have you ever tried negotiating informal payment arrangements with your creditors only to find that a month or two down the road they begin requesting payment in full?

There is nothing legally binding with informal arrangements and because of this there is nothing in the law that states the terms must be adhered to. For this reason, it can be in a struggling company's best interest to propose a Company Voluntary Arrangement.

This is a formal agreement between a company and its creditors to repay a proportion of the debts over a certain period of time.



*A CVA follows strict statutory guidelines and is finalised before the court. All parties, upon agreement, are bound by law to adhere to the terms and conditions set.*

*We have worked with thousands of distressed companies over the years and have learned to negotiate the very best terms for our clients. In certain circumstances, creditors may accept a reduced repayment when faced with the probability of receiving nothing at all, should the company cease to trade and be formally wound up.*

*It is therefore logical for creditors to accept lower repayments because if they petition to wind up your company and liquidate your assets, they may not be high priority to receive any payments whatsoever.*

*UK Liquidators understands that your creditors simply want to be paid. We speak their language and can often negotiate an arrangement that is beneficial to everyone involved.*

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## In Need of a Complete Restructuring? An Administration Process May be Best

One of the questions we ask is “How did your business get in such dire straits?” Over time, products outlive their usefulness and directors are not up to the task of operating a business. Sometimes a total new strategy is needed to turn your company around.



*Although there are a number of solutions which can help save a struggling business, placing the firm into administration can draw a fence around your company and keep creditors at bay.*

*A company can be placed into administration by either a Floating Charge Holder (i.e. the bank if they have registered a charge at Companies House); the company Director(s), or any creditor via court. Once the process is commenced by a charge holder, then the company can either continue trading and be marketed until a buyer is found, or the assets are sold and the company is placed into liquidation; or some other form of process once the administration has ended.*

*If the directors initiate the process, then this may be done by means of a Pre-Packaged route and involves the business being sold immediately after the company is placed into administration. This is on the basis that a better result can be achieved for creditors as a whole; or simply to allow sufficient funds to be realised to pay the secured or preferential creditors.*

*We have dealt with many administration processes for hundreds of struggling businesses throughout the UK and are experts in restructuring the company to attain a positive outcome. If an administration process is the best solution for your needs, we can see you through the entire process.*

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## Finance and Funding for an Influx of Cash to Save a Distressed Business

### Are you struggling to pay your debts because of poor cash flow?

Even distressed businesses can find finance and/or funding with proper advice. UK Liquidators insolvency specialists can analyse your books to see where the problem lies. Believe it or not, the most common problem many businesses experience is having difficulties collecting outstanding invoices.

Factoring and Invoice discounting allows you to take a loan against business debts that are owed to you. If outstanding invoices are causing you to operate without adequate cash flow, you may wish to contact a Factor or Discounter. However, we won't know until we've looked at your accounts!

As part of the recovery process, our insolvency specialists and financial advisers can help determine if financing is the best route to bring you back to solvency. Sometimes a little bit of cash is needed to fill a large order, so we may suggest Trade Finance.

If a lack of operating capital is at the heart of your financial trouble, we can quickly determine which solution best suits your needs.



*If you are the director of a company that is struggling to stay afloat, don't hesitate to give us a call for a free consultation. There are a number of ways to save an insolvent company from going bust and we can help to find the right option which best suits your particular situation and needs.*

*It costs next to nothing to make a quick phone call but doing nothing at all could cost you everything. Speak to an expert insolvency specialist today on 0800 063 9262. If there is a solution, you can count on us to find it!*

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