



Companies House
— *for the record* —

Liquidation and Insolvency

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Liquidation and Insolvency

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This is a guide only and should be read with the relevant legislation.

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Introduction

This booklet is a simple guide to liquidation and other insolvency procedures. It summarises some of the rules that apply to voluntary arrangements, administration orders, receivers and voluntary and compulsory liquidations. Please also refer to the relevant legislation, which you will find in the Companies Act 1985 (as amended in 1989 and later), the Insolvency Act 1986 and the Insolvency Rules 1986.

Please remember that if your company is considering liquidation, or any other measures to deal with insolvency, you should seek appropriate professional advice or consult an authorised insolvency practitioner.

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CHAPTER 1

General information

1. What are insolvency proceedings?

These are formal measures taken to deal with company debt. There are many different types of company insolvency proceedings. All are covered in this booklet.

2. Do insolvency proceedings apply to all types of companies?

The parts of this booklet covering [compulsory winding-up](#) and [receivers](#) (including administrative receivers) apply to registered and unregistered companies (including

[oversea companies](#)).

The parts of this booklet covering [voluntary winding-up](#) and [administration orders](#) do not apply to unregistered companies, which cannot be wound up by these methods.

If the liquidation or receivership began before 29 December 1986, then the law in force at that time will continue to apply.

Remember: Not all companies in liquidation are insolvent.

3. Do all companies have to go through insolvency proceedings before being dissolved?

No. If the Registrar has reason to believe that a company is not carrying on business or is not in operation, its name may be struck off the register and dissolved without going through liquidation. A private company that is not trading may apply to the Registrar to be [struck off](#) the register. **This procedure is not an alternative to formal insolvency proceedings.**

More information about striking off and dissolution of a company is available in our booklet, '[Strike-off, Dissolution and Restoration](#)'.

4. Can anyone supervise insolvency procedures?

All liquidators, administrators, administrative receivers and supervisors taking office on or after 29 December 1986 must be authorised insolvency practitioners.

Receiver managers and Law of Property Act (LPA) receivers do not have to be authorised.

Insolvency practitioners may be authorised by:

- the Chartered Association of Certified Accountants;
- the Insolvency Practitioners' Association;
- the Institute of Chartered Accountants in England and Wales;
- the Institute of Chartered Accountants in Ireland;
- the Institute of Chartered Accountants of Scotland;
- the Law Society;
- the Law Society of Scotland; or
- the Secretary of State for Trade and Industry.

5. What happens to the directors of an insolvent company?

The liquidator, administrative receiver, administrator or Official Receiver has a duty to send the Secretary of State a report on the conduct of all directors who were in office in the last 3 years of the company's trading. The Secretary of State has to decide whether it is in the public interest to seek a disqualification order against a director.

Examples of the most commonly reported conduct are:

- continuing the company's trading when the company was insolvent;
- failing to keep proper accounting records;
- failing to prepare and file accounts or make returns to Companies House; and
- failing to send in returns or pay to the Crown any tax that is due.

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CHAPTER 2

Voluntary arrangements

1. What is a voluntary arrangement?

A voluntary arrangement is when a company makes an agreement with its creditors by proposing a 'composition in satisfaction of its debt' or a 'scheme of arrangement of its affairs'. This means an arrangement, approved by the court, in which the company has formally agreed terms with its creditors for the settlement of its debts.

2. Who may propose a voluntary arrangement?

A voluntary arrangement may be proposed by:

- the administrator, if there is an administration order;
- the liquidator, if the company is being wound up; or
- the directors, in other circumstances.

3. Who considers the proposal?

When the directors have proposed the arrangement, the nominee appointed to supervise its implementation reports to the court within 28 days on whether, in his or her opinion, meetings of the company and of its creditors should be called.

4. How is a proposed voluntary arrangement approved?

The meetings summoned by the nominee decide whether to approve the voluntary arrangement which, subject to certain restrictions, may be approved with or without modifications. It is then binding on all creditors who had notice of the meeting and were entitled to vote. All creditors who had notice of the meeting are bound by the terms of the arrangement.

5. What happens when the arrangement is approved?

If the meetings of members and creditors approve a voluntary arrangement, then the nominee or his replacement becomes the supervisor of the arrangement.

6. What needs to be sent to Companies House?

The supervisor must send a copy of the chairman's report of the meeting.

At least once every 12 months, the supervisor must send an account of receipts and payments, together with a progress report, to all interested parties including the Registrar.

When the arrangement is completed, the supervisor must notify the Registrar, within 28 days after final completion. If the arrangement is suspended or revoked, the Registrar must be notified.

The appropriate forms are:

Form title	Number
Report of a meeting approving a voluntary arrangement	1.1
Order of revocation or suspension of voluntary arrangement	1.2
Voluntary arrangement's supervisor's abstract of receipts and payments	1.3
Notice of completion of voluntary arrangement	1.4

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CHAPTER 3

Administration orders

1. What is an administration order?

It is a court order made to appoint an administrator to manage the company's affairs.

2. What is the purpose of an administration order?

Its purpose may be to:

- save the whole or any part of the company as a going concern; or
- approve a company [voluntary arrangement](#); or
- sanction (agree to) a compromise or arrangement; or
- get a better price for the company's assets or otherwise realise their value more favourably than in a winding up.

3. When may a court make an administration order?

A court may make an administration order when the company is, or is likely to become, unable to pay its debts and the court considers that the making of an administration order

could achieve one of the purposes outlined above.

4. Who may make a petition for an administration order?

This may be done by the company itself, its directors or one or more of its creditors including any contingent or prospective creditors. The administrator appointed by the order must notify the Registrar of the order.

5. What is the effect of the order?

While an administration order is in force, the company cannot be wound up and an administrative receiver cannot be appointed or, if previously appointed, they must vacate office. There are restrictions on enforcing any security over the company's property, selling any goods and starting any legal proceedings. More details about receivers are given in [chapter 4](#).

6. Who must an administrator notify of his appointment?

An administrator must:

- advertise the order in the Gazette and in a newspaper in the area where the company has its principal place of business; and
- send a copy of the court order to the Registrar with [Forms 2.6 and 2.7](#).

What is the Gazette?

The Gazette is published by HMSO and contains various statutory notices and advertisements. It is published daily. References to the Gazette are to the London Gazette in respect of companies registered in England and Wales.

Notices placed by the Registrar of Companies in England and Wales are included in the Company Law Official Notifications Supplement to the London Gazette which is published on microfiche. You may see copies at the Companies House search rooms in Cardiff and London. Some of the larger public libraries also have copies.

7. What are the administrator's duties?

The administrator takes control of all the property to which the company is, or appears to be entitled. He or she prepares proposals for achieving the purpose for which the administration order was made and calls a meeting of creditors to consider those proposals. If the majority of creditors approve the proposals, the administrator then manages the affairs, business and property of the company in accordance with the proposals.

8. Does the administrator need to send anything else to Companies House?

Yes. The administrator must send details of the proposals within 3 months after the order was made.

Then, every 6 months, the administrator must send an account of receipts and payments.

9. How long does an administration order last?

It continues until the court discharges it - in other words, decides that the order is no longer needed.

If there is a court order to discharge the order, or to vary its terms, the administrator must send a copy to the Registrar within 14 days after the order was made.

10. Which forms should be used?

The appropriate forms are:

Form title	Number
Notice of administration order	2.6
Administration order	2.7
Administrator's abstract of receipts and payments	2.15
Notice of discharge of administration order	2.19
Notice of variation of administration order	2.20
Statement of administrator's proposals	2.21
Notice of result of meeting of creditors	2.23

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CHAPTER 4

Receivers

1. What is a receiver?

There are many different kinds of receiver and their powers vary according to the terms of their appointment.

An administrative receiver is a receiver or manager of the whole, or substantially the whole, of a company's property who is appointed by or on behalf of the holders of any debentures of the company secured by a floating charge. He or she has the power to sell (or otherwise realise) the assets covered by the floating charge and apply the proceeds to the debt owed to the charge-holder.

Receivers who are not administrative receivers may be appointed in other circumstances. For example, under powers contained in an instrument or document creating a charge over a company's property, a receiver or manager may be appointed until the debt is recovered. Receivers may also be appointed under the Law of Property Act 1925.

2. Who gives notice of the receiver's appointment?

The person who appoints the administrative receiver, receiver or manager, or has them appointed under the powers contained in an instrument, is responsible for informing the Registrar within 7 days of the appointment. An administrative receiver must also publish notice of his appointment in the [Gazette](#) and in an appropriate newspaper.

When the administrative receiver, receiver or manager ceases to act they must notify the Registrar.

3. What must the receiver send to Companies House?

Within 3 months of appointment, an administrative receiver must make a report to:

- the Registrar;
- the company's creditors;
- the holders of a floating charge; and
- any trustees for secured creditors of the company.

The report must explain the circumstances of the appointment and the action the administrative receiver is taking. The report must also include a summary of any 'statement of affairs' prepared for the receiver by the officers or employees of the company.

Statement of affairs

This is a summary of the company's assets, liabilities and creditors. The administrative receiver decides whether it is required and who should prepare it.

All receivers must send an account of receipts and payments for the first 12 months of receivership to the Registrar, and:

- for administrative receivers, at 12-monthly intervals thereafter;
- for receivers and managers, at 6-monthly intervals.

4. Which forms should be used?

The appropriate forms are:

Form title	Number
Notice of the appointment of receiver or manager	405(1)
Notice of ceasing to act as receiver or manager	405(2)
Receiver or manager or administrative receiver's abstract of receipts and payment	3.6
Administrative receiver's report	3.10

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CHAPTER 5

Voluntary liquidation

There are two kinds of voluntary liquidation:

- members' voluntary liquidation (MVL) - which means the directors have made a statutory declaration of solvency;
- creditors' voluntary liquidation (CVL) - which means that the directors have not made such a declaration.

1. When can a company go into MVL?

This can take place when the directors of a company believe that the company is solvent.

A majority of the company's directors must make a statutory declaration of solvency in the 5 weeks before a resolution to wind up the company is passed - see question 3.

2. What is in the declaration?

The statutory declaration will state that the directors have made a full inquiry into the company's affairs and that, having done so, they believe that the company will be able to pay its debts in full within 12 months from the start of the winding-up. The declaration will include a statement of the company's assets and liabilities as at the latest practicable date before making the declaration.

3. When does liquidation actually start?

The liquidation starts when the members, in general meeting, pass a [resolution](#) (usually a [special resolution](#)) to wind up the company voluntarily.

4. Must notice of voluntary liquidation be given to anyone?

Yes. Notice of the special resolution for voluntary winding-up of the company must be published in the [Gazette](#) within 14 days of the general meeting. The company must also send a copy of the declaration and the special resolution to the Registrar within 15 days of the general meeting.

5. When may a CVL be appropriate?

A company may go into CVL when it cannot pay its debts.

6. What must the company do?

The company passes an [extraordinary resolution](#) to say that it cannot continue in business because of its liabilities and that it is advisable to wind up.

The resolution must be:

- advertised in the Gazette within 14 days; and
- sent to the Registrar within 15 days.

A meeting of creditors must be held in the next 14 days after passing the resolution. Notice of the meeting must be sent to the creditors at least 7 days before the meeting. Also, the directors must prepare a statement of affairs for consideration at the meeting, and appoint one of themselves to attend and preside over the meeting.

When the liquidator is appointed, the directors must provide him or her with a statement of affairs and otherwise co-operate with the liquidator.

7. Does the company have to advertise notice of the meeting?

Yes. The meeting must be advertised in the Gazette and in two newspapers in the area where the company has its principal place of business.

8. What are the main duties of a liquidator?

The liquidator is appointed to wind up the company's affairs. The liquidator does this by calling in all the company's assets and distributing them to its creditors. If anything is left over, the liquidator distributes it among the members of the company.

9. Does a liquidator need to notify anyone of his or her appointment?

Yes. Within 14 days of being appointed, a liquidator must publish a notice of appointment in the Gazette and notify the Registrar. If the liquidation is voluntary, the liquidator must also give notice in a newspaper in the area where the company has its principal place of business.

10. What does the liquidator have to send to Companies House?

The liquidator must send a statement of affairs and [Form 4.20](#) to the Registrar within 7 days of the creditors' meeting.

The liquidator must also send a statement, in duplicate, of receipts and payments for the first 12 months of liquidation. After that, statements must be sent every 6 months until the winding-up is complete.

11. Can an MVL be converted into a CVL?

Yes. If the liquidator decides that the company will not be able to pay its debts in full in the period stated in the directors' statutory declaration of solvency, he or she must call a meeting of the creditors which must be held within 28 days. The liquidation becomes a CVL from the date of the meeting.

12. What are the requirements for giving notice in such a case?

The liquidator must:

- post a notice of the meeting to each creditor at least 7 days before the date of the meeting;
- advertise the date of the meeting in the Gazette and in 2 newspapers in the area where the company has its principal place of business; and
- prepare a statement of affairs for consideration at the meeting. A copy of the statement must be sent to the Registrar within 7 days of the meeting.

13. What happens when the company's affairs are fully wound up?

The liquidator presents an account to final meetings of creditors and members of the company. He or she must advertise the meetings in the Gazette at least one month before.

Within one week of the meeting having taken place, the liquidator must send the account to the Registrar and a return of the final meeting.

Unless the court makes an order deferring the dissolution of the company, it is dissolved 3 months after the return and account are registered at Companies House.

14. Which forms should be used?

The appropriate forms are:

Form title	Number
Notice of appointment of liquidator voluntary winding-up (members or creditors)	600

Statement of affairs in conversion from a members' voluntary to a creditors' voluntary liquidation	4.18 & 4.20
Statement of affairs in a creditors' voluntary liquidation	4.19 & 4.20
Liquidator's statement of receipts and payments	4.68
Members' voluntary winding-up declaration of solvency embodying a statement of assets and liabilities	4.70
Return of final meeting in a members' voluntary winding-up	4.71
Return of final meeting in a creditors' voluntary winding-up	4.72

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CHAPTER 6

Compulsory liquidation

1. What is 'compulsory liquidation'?

Compulsory liquidation of a company is when the company is ordered by a court to be wound up.

2. Which courts can order a compulsory liquidation?

The High Court, or a county court with the appropriate jurisdiction, may order the winding-up of a company. This may be, for example, on the petition of a creditor or creditors on the grounds that the company cannot pay its debts.

A company is regarded as unable to pay its debts if, for example, a creditor:

- is owed more than £750;
- presents a written demand in the prescribed form (known as a statutory demand ([Form 4.1](#))) to the company; and
- the company fails to pay, secure or agree a settlement of the debt to the creditor's reasonable satisfaction.

There are other situations where a company is deemed unable to pay its debts. Please read the relevant legislation.

The court may also order the company to be wound up on the petition of:

- the company itself;
- the company's directors or one or more members;

- the Secretary of State for Trade and Industry;
- the Financial Services Authority (formerly the Securities and Investment Board); or
- the Official Receiver.

3. Must the petition be advertised?

Unless the court directs other arrangements, the petition must be advertised in the [Gazette](#).

4. What appears on the company record held by Companies House?

If the petition is successful, the company must send the winding-up order to the Registrar straightaway and it will be placed on the company's public record.

The petition itself is not presented to the Registrar so it will not appear on the public records.

5. Who acts as the liquidator when an order is made to wind up the company?

The Official Receiver becomes liquidator on the making of a winding-up order against a company, unless the court orders otherwise.

6. What are the duties of the Official Receiver as liquidator?

The Official Receiver has a duty to investigate the company's affairs and the causes of its failure.

He also decides whether to call meetings of the creditors and contributories (that is, those people liable to contribute to the assets of the company if it is wound up) for the purpose of appointing a liquidator in his place.

If he decides not to call meetings, he must notify the creditors, contributories and the court of his decision.

On the other hand, if he decides to call meetings, a liquidator may then be appointed in place of the Official Receiver. The liquidator must notify the Registrar of his or her appointment immediately.

If the position of liquidator becomes vacant at any time, the Official Receiver becomes the liquidator for the duration of the vacancy.

7. What happens when the winding-up is complete?

When the Registrar receives notice from the liquidator of the final meeting of creditors or notice from the Official Receiver that winding-up is complete, the Registrar will register it and publish its receipt in the Gazette.

Unless the Secretary of State directs otherwise, the company will be dissolved 3 months after the notice was registered at Companies House.

If the Official Receiver, acting as liquidator, is satisfied that the company's realisable assets (that is, assets which could be sold or disposed of to raise money) will not cover the expenses of winding-up and that no further investigation of the company's affairs is necessary, he may apply to the Registrar for early dissolution of the company. The company will be dissolved 3 months after the application is registered at Companies House.

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CHAPTER 7

Further information

1. Where can I go for help?

Staff at Companies House in Cardiff will be able to advise you on general matters, but if you are considering liquidation or insolvency proceedings you should seek the advice of an insolvency practitioner or the Insolvency Service.

Complaints about the conduct of a licensed insolvency practitioner should be sent, in writing, to:

The Insolvency Practitioners' Section
The Insolvency Service
Area 1.10
PO Box 203
21 Bloomsbury Street
London
WC1B 3QW

They will then forward the complaint to the practitioner's authorising body.

2. Where do I get forms and guidance booklets?

This is one of a series of Companies House booklets which provide a simple guide to the Companies Act.

The following forms (mentioned in this booklet) are available from Companies House.

- 405(1) notice of appointment of receiver or manager;
- 405(2) notice of ceasing to act as receiver or manager; and
- 600 notice of appointment of liquidator voluntary winding up (members or creditors).

All the other forms mentioned in this booklet are insolvency forms and can only be obtained from legal stationers, not Companies House. A list of legal stationers can usually be found in 'Yellow Pages'.

[Statutory forms](#) and [guidance booklets](#) are available, free of charge from Companies House. The quickest way to get them is through this website or by telephoning 0870 3333636.

If you prefer you can write to our stationery sections in [Cardiff](#) or [Edinburgh](#).

3. How do I send information to the Registrar?

- Documents, including court orders, should display the correct company name and registration number, where appropriate.
- Companies House will only acknowledge receipt if you provide a stamped addressed envelope.
- You should supply documents in portrait format (that is, with the shorter edge across the top)

Documents may be delivered by hand (personally or by courier) including outside office hours, bank holidays and weekends to Cardiff or London.

You may also send documents by post or by the Hays Document Exchange service.

If you send insolvency documents, you should address them to:

The Liquidation Department
Companies House
Crown Way
Cardiff CF14 3UZ

DX33050 Cardiff

Please note: Companies House does not accept accounts or any other statutory documents by fax.

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