

## OUR RANGE OF SERVICES

### Corporate

- Administration.
- Creditors' Voluntary Liquidation.
- Company Voluntary Arrangement.
- Compulsory Liquidation.
- Members' Voluntary Liquidation.
- Administrative Receivership.

### Personal

- Individual Voluntary Arrangements (Consumer debt).
- Individual Voluntary Arrangements (Business and/or consumer debt).
- Bankruptcy.

### In addition to dealing with the above procedures our services include;

- Advice to boards of directors.
- Business reconstruction and recovery.
- Investigations for banks and unsecured lenders.

### WHAT TO DO NEXT?

Call us for a free consultation – we will be delighted to help.  
Telephone **01922 722 205**  
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GRIFFIN & KING  
LICENSED INSOLVENCY PRACTITIONERS

MEMBERS VOLUNTARY  
LIQUIDATION

## MEMBERS' VOLUNTARY LIQUIDATION

### WHAT IS IT?

To liquidate a company is to formally wind up its affairs – trade ceases, assets are realised and the liabilities quantified. If there are sufficient assets to pay all of the company debts, interest on debts and costs within a twelve month period the company is solvent. In this situation, it is the members (i.e. the company shareholders) that control the liquidation process. This process is therefore called a Members Voluntary Liquidation.

There are many reasons why directors may wish to wind a company up in these circumstances;

- the loss of a major contract and a realisation that it will not be replaced.
- the retirement of the sole director.
- a disagreement between the directors/shareholders whereby they can part company in an orderly way and the procedure is overseen by a professional.
- completion of a project for which the company was set up.
- tax planning issues.

Taking professional advice and assessing the financial position of the company reasonably accurately is vital before a final decision is made. To commence the procedure the directors need to swear (i.e. before a solicitor) a 'declaration of solvency'.

In practice, the declaration of solvency will have been prepared by an Insolvency Practitioner. It will also be necessary for there to be a shareholders' meeting whereby at least 75 per cent of the members resolve that the company be wound up and a liquidator appointed. Because all the creditors will be paid through this procedure there is not a creditors' meeting.

Should it become clear during the winding up process that all the debts may not be paid a creditors' meeting would be called and effectively the control of the process would pass to the creditors. A statement of affairs would be presented to the creditors and a liquidator appointed.

### DUTIES OF THE LIQUIDATOR

- to maximise the realisation of the assets.
- to bring and defend legal proceedings.
- to agree creditor claims and to pay dividends to the company creditors within 12 months.
- to pay dividends to the company shareholders.



## FREQUENTLY ASKED QUESTIONS

*As a director, what are my duties once a liquidator has been appointed?*

A director is required to co-operate fully with the liquidator in all matters relating to the company.

*What about the re-use of the company's name?*

The use of the same or similar name following a solvent liquidation is permitted without restriction.

*Can the assets be sold to the directors?*

Yes. The liquidator can sell the assets to any interested party. His duty is to maximise the value of the assets.

*How are fees agreed?*

The method of charging fees is fully explained at the outset. All details of fees and costs are agreed with the members (shareholders).

*Can a dividend be paid to shareholders on account?*

Yes – in certain circumstances. The liquidator may require an indemnity from the shareholders in such a situation.

*Does the liquidator report to the Department of Trade and Industry?*

No. All creditors will be paid and there are therefore no reporting matters.