



# GRIFFIN & KING

LICENSED INSOLVENCY PRACTITIONERS

*News and views from the Griffin & King team*

BUSINESS RESCUE, RECOVERY AND TURNAROUND

WINTER 2019/2020



Management team:

Janet Peacock, Cheryl Gray, Tim Corfield, Emma Wallis, Mark Shaw.

## WHAT'S THE DIFFERENCE BETWEEN A CREDITORS' VOLUNTARY LIQUIDATION (CVL) AND A COMPULSORY LIQUIDATION?

by Tim Corfield



**A CVL is a director driven process - the board resolve the company cannot continue to trade by reason of its liabilities and an insolvency practitioner (IP) is instructed to commence the process.**

The IP will carry out various steps and prepare a Statement of Affairs (SOA) of the company. This is a financial "picture" of the company's position - a bit like a balance sheet. The SOA (and other information) will be forwarded to the creditors and a "deemed decision

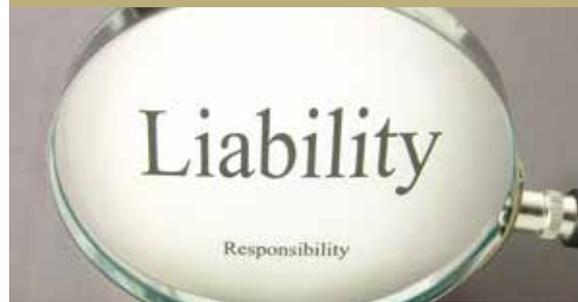
date" will also be notified to creditors at the same time.

In practice, there is a period of 3 days between the sending of the SOA to creditors and the decision date. The decision date is important because at this date the IP will be appointed liquidator and the company will also enter formal liquidation. Should creditors object to the appointment there is a procedure where the "decision date" can be delayed and a virtual meeting take place where creditors can link up to a conference call with other creditors, the IP and the directors. Creditors may use this procedure to appoint an IP of their choosing. This meeting would have to be held within 14 days from the original "decision date".

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### KEEPING YOU INFORMED

- Company Voluntary Arrangements
- Individual Voluntary Arrangements - Consumer Debts
- Liquidation
- Individual Voluntary Arrangements - Business Debts
- Administration
- Bankruptcy Appointments

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[www.griffinandking.co.uk](http://www.griffinandking.co.uk)

The court and the Official Receiver are not involved in this process at all.

A Compulsory Liquidation is a court driven process which can be initiated (or petitioned) by a number of parties;

- **A creditor**
- **A member (shareholder)**
- **An administrator or supervisor of a CVA (company voluntary arrangement)**

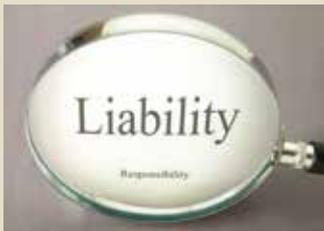
Typically, the timescale for a compulsory liquidation is much longer than a CVL. Assuming a creditor issues a winding up petition against a company it is likely to be around 6 to 7 weeks before it is listed to be heard by the court. At the

hearing the court will issue a winding up order unless there are good grounds not to make the order. Once the order has been made the process is taken over by the Official Receiver. If there appear to be assets belonging to the company the OR will look to have an independent IP appointed to deal with the case - he can do this by;

- **Appointment from the Rota**
- **Appointment following direct consultation with major creditors**
- **Appointment by a formal creditors meeting - which could take at least a further 3 to 4 weeks to convene**

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## WRONGFUL TRADE. WHAT SHOULD DIRECTORS DO TO AVOID PERSONAL LIABILITY?



A director of a company that is wound up because it is insolvent can be made personally liable for the debts of the company, if there has been 'wrongful trading'. There has been

wrongful trading if, at some time before the company enters liquidation, a director knew (or 'ought reasonably to have concluded') that there was no reasonable prospect of avoiding the insolvent company winding up, and did not take 'every step' to minimise the potential loss to the company's creditors.

The aim of the wrongful trading laws is to make directors of companies that are getting into financial trouble, who might otherwise try to trade out of trouble, stop and think carefully about whether they are being overly optimistic about the company's prospects.

So, if a company director is concerned that his company is insolvent, what steps can he take to minimise any risk?

- Ensure he always have adequate and timely financial information.
- Be alert to danger signs, such as pressure from creditors.
- Draw conclusions from the circumstances that a reasonably prudent business person would have drawn.
- Hold regular board meetings to discuss/review the company's situation.
- Ensure he considers the interests of creditors as well as comply with his statutory director's duties.
- If there is a prospect of insolvency, do not incur fresh liabilities as if there was nothing wrong.
- Record conclusions.
- Consider stopping trading and starting appropriate insolvency proceedings before creditors do.
- **BUT MOST OF ALL** - Take specialist, professional advice, consider it carefully and follow it unless there are very good reasons not to.

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## IVA'S. WHAT DEBTS CAN AND CAN'T BE INCLUDED.



We all know what an IVA is. It's an alternative to bankruptcy, which in certain circumstances does work better for the debtor. Below is a reminder of what debts can and can't be included in an IVA.

### Debts that can be included

- Credit cards
- Unsecured loans
- Overdrafts (unsecured)
- Hire purchase on vehicles or equipment no longer needed
- HMRC – VAT, PAYE, personal tax or national insurance
- Money owed to friends or family
- Store cards
- Excess debt on repossessed properties

### Debts that can't be included

- Student loans
- Other educational loans
- Criminal court fines
- Traffic offence fines or parking tickets
- Borrowings secured on property
- Child support debts
- Hire purchase debts on vehicles or equipment needed
- Arrears on rental property which is occupied

Of course, if in any doubt call us. We pride ourselves on explaining, in layman's terms, the pros and cons of the IVA procedure and how it fits into the debtor's circumstances. If we don't think an IVA is right, we'll say!

**If you have any questions or think we might be able to help please call 01922 722205 speak to Tim Corfield, Janet Peacock, Cheryl Gray or anyone of the team. Always happy to help!**

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## STRIKING NUMBERS – January 2020



Type of Personal debt	Total Personal Debt £ billion	Per Household £	Per Adult £
Secured (Mortgages)	£1,443.7 billion	£51,887	£27,373
Unsecured Consumer debt	£225.3 billion	£8,096	£4,271
Of which, Credit card debt	£72.1 billion	£2,592	£1,367
<b>Grand Total (November 2019)</b>	<b>£1,668.9 billion</b>	<b>£59,982</b>	<b>£31,643</b>

Statistics source: <http://www.themoneycharity.org.uk>

### Everyday in the UK...

- The population of the UK grew by an estimated **1,083** people a day between 2017 and 2018.
- On average, a UK household spends **£3.92** a day on water, electricity and gas.
- **336** people a day were declared insolvent or bankrupt in England and Wales in July to September 2019. This was equivalent to one person every **4 minutes and 17 seconds**.
- In Northern Ireland, there were **8** insolvencies per day and in Scotland **38** insolvencies per day.
- Citizens Advice Bureaux in England and Wales dealt with **2,616** debt issues every day in the year to December 2019.
- **14** properties were repossessed every day in Q2 2019 in England and Wales, or one every **1 hour and 40 minutes**.
- The number of UK mortgages with arrears of over 2.5% of the remaining balance fell by **20** a day.
- The number of people unemployed in the UK fell by **175** per day in the year to November 2019.
- **1,264** people a day reported they had become redundant in September to November 2019.
- Net lending to individuals and housing associations in the UK grew by **£140 million** a day in November 2019.
- Government debt increased by **£131.5 million** a day in the year to November 2019.
- Borrowers paid **£140 million** a day in interest in November 2019.
- It costs an average of **£22.92 per day** for a couple to raise a child from birth to the age of 18.
- For a lone parent family, the cost of raising a child comes to **£28.16 per day**.
- **76** mortgage possession claims and **45** mortgage possession orders were made every day in England and Wales in July to September 2019.
- **309** landlord possession claims and **241** landlord possession orders were made every day

### Personal debt in the UK

- People in the UK owed **£1,669 billion** at the end of November 2019. This is up by £46.2 billion from **£1,623 billion** at the end of November 2018, an extra **£876** per UK adult over the year.

## A FEW RECENT TESTIMONIALS



"I cannot speak highly enough of Janet Peacock. I was unable to cope with the stress and worry of my situation and I had put off asking for help as I didn't know how to get out of the deep hole, I was in.

I eventually plucked up the courage to get help and from the moment I spoke to Janet she completely set me at ease. Janet is so knowledgeable and reassured me from day one. Nothing is too much trouble and she was always at the other end of the phone with any questions or worries I had. Janet guided me through the liquidation process step by step, and I could not have coped without her". **SB - 03 January 2020**

"May I take this opportunity to thank you Janet and your colleagues for your efficiency during the process of putting my company into liquidation. From day one you personally have kept me up to date and put me at ease in what was a very worrying situation for me and my family. Due to your handling of the situation a huge burden has been lifted and for that I am so grateful". **MA - 19 December 2019**

"I would like to thank Cheryl Gray for her efficiency, knowledge and compassion at this difficult time. I would recommend her and your company to anyone in the same situation. Many thanks". **PJ - 17 December 2019**

# THE LAST WORD...

## WHAT DO WE DO?

We find solutions for businesses and individuals who have financial problems.

### SERVICES FOR LIMITED COMPANIES

- Creditors Voluntary Liquidation
- Pre-Pack Administration
- Company Voluntary Arrangements
- Administration
- Members Voluntary Liquidation

### SERVICES FOR CONSUMERS, SOLE TRADERS & PARTNERSHIPS

- Individual Voluntary Arrangements (Consumer Debt)
- Individual Voluntary Arrangements (Business and/or Consumer Debt)
- Partnership Voluntary Arrangements
- Bankruptcy Appointments

## Staff Corner



### It's a girl!

Congratulations to Mark & Louise on the birth of Elise Isabel Shaw arrived early hours of Saturday 4th January 2020 weighing in at 5lb 6oz.

### Griffin & King Charity Food Donation December 2019



Stephen Danks of Griffin & King with our donation.

"I have totalled the amount of food donated to the foodbank and it comes to 95.88 kgs of food and 23 kgs of non-food. Thank you so much for your continued support".  
Cherish Taylor,  
Office Coordinator  
Ablewell Advice Walsall.

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GRIFFIN & KING  
LICENSED INSOLVENCY PRACTITIONERS

## GRIFFIN & KING COMPETITION

Win £100 Amazon voucher or Marks & Spencer Vouchers

All you need to do is visit [www.griffinandking.co.uk](http://www.griffinandking.co.uk) and answer the following questions. All correct entries will enter the draw.



*Good luck!*

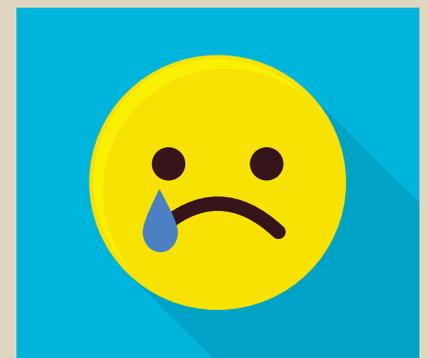
1. In the video gallery how many videos about Creditors Voluntary Liquidation (CVL)? \_\_\_\_\_
2. How many G & K testimonials in November 2019? \_\_\_\_\_
3. How many Videos on the testimonial page of the G & K website? \_\_\_\_\_
4. Name the last three blogs on the G & K website  
\_\_\_\_\_

Competition closes on 29th February, 2020. Please staple your business card with your entry if posting in. Complete your details and either email to: [janet.peacock@griffinandking.co.uk](mailto:janet.peacock@griffinandking.co.uk) or post, clearly marked for: Janet Peacock, Griffin & King, 26-28 Goodall Street, Walsall, West Midlands, WS1 1QL

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## GRIFFIN & KING LAST COMPETITION WINNER



Sadly, there was no competition winner last time.