Insolvency processes comparison – for business

	What is it?	How is it triggered?	What is the process?	What are the outcomes	Advantages
Compulsory liquidation	The company ceases trading, and assets are liquidated – sold to pay creditors.	Usually initiated by a **creditor** (owed over £750) petitioning the Court for a Winding up Order. The Court must be satisfied that the company is insolvent.	If the company has assets, the Secretary of State appoints a Liquidator, or the Official Receiver will convene a creditors' meeting to appoint a Liquidator.	The company's assets are "liquidated" or turned into cash for distribution to creditors. The company ceases trading. The liquidator reports on directors' conduct to IS.	- Prevents legal action - Debts are paid from asset sale or written off. - Relatively low cost - Employees can claim redundancy pay - Leases can be cancelled
Creditors Voluntary Liquidation ("CVL")	The company ceases trading, and assets are liquidated – sold to pay creditors.	Initiated by the **directors** with shareholders passing a resolution to wind up the company and creditors ratifying the appointment of liquidator through a decision procedure.	Insolvency Practitioner appointed as Liquidator by shareholders and creditors.	The company's assets are "liquidated" or turned into cash for distribution to creditors. The company ceases trading. The liquidator reports on directors' conduct to IS.	As above plus: - More control over process than with Compulsory - Less risk of wrongful trading claims - Speed of action provides relief from creditor pressure.
Administration	A process that allows for a company or business to survive as a going concern.	1. By order of the Court after application by director or a creditor. 2. Appointment by a qualifying floating charge holder. 3. Appointment by the company or its directors.	Control of the company passes to the Administrator. The administrator takes an inventory and assesses the situation. After 8 weeks, proposals are sent to creditors detailing the plans and the expected outcomes.	Ensures survival of the company, *or* Realises the company's assets for creditors, *or* Realises the company's property to pay secured or preferential creditors. The liquidator reports on directors' conduct to IS.	- Maximum return for creditors - Prevents creditor action through legal moratorium - Enables restructure - Jobs saved - The company is rescued and continues to trade
Company or Partnership Voluntary Arrangement	A binding agreement between a company (CVA), partnership (PVA) or an individual (IVA) and unsecured creditors to repay all or part of their debt over a fixed time – in 1 to 5 years.	Directors of insolvent businesses will contact an Insolvency Practitioner (Nominee) who will assess the situation and, if the business is deemed viable as a going concern, will consider a proposal to present to creditors.	The Nominee prepares a proposal. If the VA is approved by 75% of unsecured creditors it binds all creditors. The Supervisor monitors the VA to ensure that obligations are met and to distribute funds to creditors.	The debt (or an agreed percentage) is repaid over a set period of time. Directors continue to run the business The Supervisor is not obliged to report to the IS regarding the directors' conduct.	- The directors retain control and continue trading - Prevents creditor pressure or other legal action to recover debt in full - Less costly than other insolvency procedures. - No director investigation
***New* (standalone) Moratorium**	A moratorium pauses all insolvency proceedings and legal processes against the company. Allows breathing space from creditor pressure, enabling the business to operate, restructure or plan a rescue.	The directors file documents at court (the out-of-court process) or the directors make an application to court (the in-court process).	A Monitor is appointed to oversee company affairs. The moratorium provides 20 business days' protection from creditor action. It can be extended for a further 20 business days and may be extended for up to 12 months with consent of creditors and/or a court.	The company continues operating (overseen by a Monitor) and may consider a restructure or rescue plan. Creditors are prevented from taking costly legal action.	- Prevents creditor pressure or legal action - Freezes legal processes - Prevents repossession - Enables restructure - Allows the company to continue to trade