

CVL — Director Guide

A step-by-step explanation of Creditors' Voluntary Liquidation, including risks, timing, and director responsibilities.

A Creditors' Voluntary Liquidation (CVL) is the most common way for an insolvent company to be wound up in the UK. This guide walks you through the process from start to finish, explains what is expected of you as a director, and addresses the concerns directors most frequently raise.

When Is a CVL Appropriate?

A CVL is appropriate when a company is insolvent — meaning it cannot pay its debts as they fall due, or its liabilities exceed its assets — and there is no realistic prospect of trading back to a viable position. Common triggers include persistent cash flow problems, mounting creditor pressure, a winding-up petition from HMRC, loss of a key contract, or simply an accumulation of debts that the business cannot service.

Where insolvency is clear, continuing to trade can increase the risk to directors personally. A CVL allows the company to stop trading in a controlled manner and ensures creditors are treated fairly.

The CVL Process Step by Step

1**Initial Advice**

You speak with a licensed insolvency practitioner (IP) who reviews the company's financial position and confirms whether a CVL is the right option. This initial consultation is usually free and confidential.

2**Board Meeting**

The directors resolve that the company cannot continue trading by reason of its liabilities and that it should be wound up voluntarily. The directors appoint the IP as proposed liquidator.

3**Shareholder Approval**

The shareholders pass a special resolution (requiring at least 75% approval) to wind up the company. This can be done by written resolution or at a general meeting.

4**Deemed Consent / Decision Process**

The IP sends a notice to all known creditors along with a report on the company's affairs. Creditors can request a meeting if they wish, but in practice this is uncommon. In most cases, the appointment proceeds by deemed consent.

5**Liquidation Commences**

The company ceases to trade, employees are made redundant, and the liquidator takes control of the company's assets. The liquidator realises the assets, investigates the company's affairs, and distributes available funds to creditors.

6**Company Dissolved**

Once the liquidation is complete, the liquidator applies to have the company struck off the register at Companies House. The company ceases to exist.

Your Responsibilities as a Director

Once a CVL is underway, your powers as a director cease. However, you have a continuing duty to cooperate fully with the liquidator. This includes providing all company books and records, attending meetings or interviews as requested, completing a statement of affairs (a sworn document listing the company's assets and liabilities), and answering any questions about the company's financial history and trading.

Cooperation is not optional. Failure to cooperate can result in the liquidator applying to the court for an order compelling compliance, and persistent non-cooperation can be reported to the Insolvency Service.

How Long Does a CVL Take?

The initial process from first instruction to the company entering liquidation typically takes between 7 and 14 days. The overall liquidation itself can take anywhere from 6 months to 2 years or more, depending on the complexity of the company's affairs, the nature of its assets, and whether any claims need to be pursued.

What Happens to Employees?

Employees are made redundant when the company enters liquidation. They are entitled to claim redundancy pay, unpaid wages, holiday pay, and notice pay from the Redundancy Payments Service (a government body). These claims are usually processed within a few weeks. The liquidator will provide employees with the information they need to make their claims.

Costs

The costs of a CVL are normally met from the company's assets. Where the company has limited or no assets, many insolvency practitioners (including Insolvency Direct) offer fee arrangements that allow the CVL to proceed without the directors needing to fund the costs personally. This is something to discuss at the initial consultation stage.

Common concern: Many directors worry that entering a CVL will reflect badly on them personally. In reality, placing an insolvent company into a CVL is widely regarded as the responsible course of action. It demonstrates that the director took proper advice and acted to protect creditors' interests.

What Happens After Liquidation?

Once the company is dissolved, its debts are extinguished (except to the extent that they have been paid through the liquidation). Directors are free to start a new business, take up employment, or act as a director of another company — unless they have been made the subject of a disqualification order, which is uncommon where directors have acted properly.

Taking the First Step

If you think a CVL may be the right option for your company, the best thing to do is speak with us. Our initial consultation is free, confidential, and comes with no obligation. We will give you a clear, honest assessment of the position and help you understand what comes next.