What is Liquidation?

The process of winding up a company (liquidation) is set out in the Companies Act 2014. Liquidation may be initiated by the company itself or by external parties, including creditors who are owed money. The three types of company liquidation are:

1. ***Creditors Voluntary Liquidation*** – this is the most common type of liquidation and occurs when a company is insolvent (unable to pay its debts as they fall due), and the company or creditors apply to have the company assets sold to pay all or a portion of their debts. A liquidator is appointed at a duly convened meeting of the creditors.

2. ***Members Voluntary Liquidation*** – This winding up arrangement takes place where a company is solvent, and creditors are fully paid.

3. ***Court liquidation*** – this liquidation occurs when an application is made (by the creditors or the shareholders/directors of the company itself) to the Courts for the appointment of an official liquidator (often preceded by a provisional liquidation application).

The decision to wind up a company is often a very painful one for business owners but in certain circumstances it must be done, and directors have duties to fulfil to the creditors of companies. Similarly, the non-payment of debts due by companies which have gone into liquidation can be devastating for the creditor. We have the experience and expertise to provide the right advice in every situation.