

# What is a Company Voluntary Arrangement (CVA)?

## In a nutshell

This is a confidential and legally binding agreement between your limited company and its creditors. It is used to freeze all the payments due on bank loans not secured, suppliers, HMRC, business rates and employees.

Usually the CVA then offers to pay these creditors back a proportion of the money owed, with interest just written off, over three to five years.

We help by putting the CVA proposal together and by dealing with all of your creditors up to a meeting where creditors vote on whether to accept the CVA, reject it or agree it with modifications.

## What actually happens?

We meet with you and discuss all of the options and make sure that a CVA is the best solution to your company's financial problems.

We prepare all the statutory paperwork needed to propose the CVA to creditors.

A CVA proposal typically includes:-

- a brief company history.
- a summary of the company's assets and liabilities.
- details of all your company's creditors.
- a one year cash flow projection to show you can afford to make monthly payments.
- why a CVA is a good idea.

We send the proposal with a report (called a nominee's report) to the Court.

We then notify all of the company's creditors of a creditors meeting to be held giving them at least 14 days' notice.

We also notify the shareholders of the proposed CVA as they need to agree it as well.

We then attend the creditors meeting with you. It is normal for at least one or all of the directors to attend as well. Most creditors tend to vote by post or fax although some do attend the creditors meeting. All company creditors are allowed to come to that meeting and ask reasonable questions.

For the CVA to be approved at the meeting 75% of creditors by value need to vote to accept it. Only the creditors that vote count towards the 75%. Quite often creditors will vote but with modifications. An example of a modification is that you reduce your directors salary slightly to increase what can be paid to creditors each month.

If we cannot get creditors agreement we can adjourn the meeting for up to 14 days.

Once approved we write and notify all creditors of the outcome. Even those that did not vote are bound by the terms of the CVA and can not pursue the company.

Over the period of the CVA we collect in the contributions that the company makes and pay them to creditors on a pro-rata basis.

## What it is used for

When the company has a short to medium term cash flow problem but wants to carry on trading because it has a good order book, a valuable name and a good reputation. By freezing all debts and continuing to trade there will be a better return to creditors than if it had ceased trading.

## Contact Us

For further information regarding CVA's please contact David Kirk on on **01392 474303**, alternatively email [david@kirks.co.uk](mailto:david@kirks.co.uk) for more information.

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