



What is Compulsory Liquidation?

In a nutshell

A compulsory liquidation is a procedure by which the company is wound up by the courts. The assets of a company are sold and the proceeds are distributed to the company's creditors. At the end of the liquidation, the company is dissolved. It is quite often the result of an unpaid company serving a statutory demand and being unable to pay.

What actually happens?

When a company cannot pay its debts and there are very few assets available to realise we may recommend that an application is made to the court for a winding up petition to place the company into compulsory liquidation.

We instruct a solicitor to draw up the necessary documents and they file the petition at court. At this point the petition is advertised in the London Gazette and this usually means that the company bank account is frozen.

The petition is heard at a later date and the Official Receiver (OR) is first appointed liquidator of the company.

Once the company is formally in liquidation it ceases trading and all employees are made redundant.

The OR then contacts the directors to arrange a meeting to discuss the company assets and liabilities and to collect the books and records. Whilst a director is automatically dismissed from office upon liquidation they are still required to assist the liquidator in matters such as book debt collection.

In some cases an Insolvency Practitioner may be appointed to take over from the OR.

The assets of the company are collected in and sold and after deduction of the OR's fees are distributed to creditors if anything is left.

What it is used for

It is used for either the situation where there are so few assets left that it is the cheapest form of liquidation, or when a company is forced into liquidation by its creditors.

Contact Us

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