

Voluntary Administration

What is a Voluntary Administration (VA)?

A Voluntary Administration is a mechanism that allows for an insolvent or potentially insolvent company to develop a plan to deal with its debts. The purpose of a Voluntary Administration is to maximise the chances of the company, or as much as possible of its business, continuing in existence or if that is not possible, results in a better return for the company's creditors and shareholders than would result from an immediate winding up of the company.

The Voluntary Administrator is a specialist insolvency practitioner who takes control of the company's affairs and has the power to carry on the business and to manage the assets of the company.

Why Appoint a Voluntary Administrator?

During the period of the Voluntary Administration creditors are prevented from taking or continuing with proceedings Against the company, therefore providing "breathing space" for the company to prepare a restructuring plan for the company, or an arrangement as to how it plans to repay or compromise its debts.

Creditors holding personal guarantees are unable to act on them during Voluntary Administration. Therefore, directors can focus on solving the company's financial problems.

How does a Voluntary Administration commence?

A company can appoint a Voluntary Administration in writing, if the directors have resolved that the company is insolvent, or is likely to become insolvent at some future time and an Administrator of the company should be appointed. Therefore, the appointment can occur almost immediately. In certain circumstances, a liquidator or secured creditor can also appoint a Voluntary Administrator.

What does the Voluntary Administrator do?

During the Voluntary Administration, the powers of the directors are suspended and the Voluntary Administrator takes control of the company's business, property and affairs. If possible, the business will continue to trade, usually with the assistance of the directors. The Voluntary Administrator will investigate the company's affairs and any proposal that may be put forward for restructuring/repayment plan.

The Voluntary Administrator will convene two meetings of creditors. The first is held 8 business days after appointment is made, the second is held approximately five weeks from appointment.

The Voluntary Administrator will report to creditors on the results of his/her investigations and provide his/her opinion on whether the proposed restructuring/repayment plan is in creditors best interests or whether the company should be placed into liquidation.

How long does a Voluntary Administration last?

The Voluntary Administration period usually lasts between approximately five and eight weeks. This can be extended in some circumstances.

What is the end result of a Voluntary Administration?

Creditors of the company have the final say as to what the end result of the Voluntary Administration will be. At the second meeting of creditors, creditors are able to resolve one of the following:

1. That the Voluntary Administration ends (which simply returns the company to its pre Voluntary Administration position);
2. That the company be placed into liquidation; or
3. That the restructuring/repayment plan be accepted.