

## Revision Summary Chapter 24

### Corporate rescue, insolvency, and dissolution

- The principal aim of administration is to rescue the company as a going concern. If this is not reasonably practicable, the administrator should aim to achieve a better result for the company's creditors than would be available if the company were to be wound up.
- A company in administration is subject to a statutory moratorium, which prevents creditors from enforcing security, repossessing goods, or continuing any legal process against the company or its property.
- A company voluntary arrangement (CVA) allows the company to enter into a binding scheme or arrangement with its creditors.
- Receivership is a mechanism whereby a secured creditor can recover payment owed.
- Liquidation is the process whereby the assets of the company are collected and realized, its debts and liabilities paid, and the surplus distributed to the members. The company is then usually dissolved.
- A winding up can be ordered by the court (known as a 'compulsory winding up') upon a petition from certain persons. This petition must be made based on defined grounds, the most common of which is that the company is unable to pay its debts.
- A company may voluntarily wind itself up (known as a 'voluntary winding up'). If the winding up is accompanied by a statement of solvency, it will be a members' voluntary winding up. If no statement is made, it will be a creditors' voluntary winding up.
- A liquidator will be appointed, whose task it is to realize the company's assets, pay off the company's debts and liabilities, and distribute any remaining assets to those entitled to them.
- Fixed charge holders can normally recover the charged assets without the liquidator's involvement.
- The liquidator will distribute assets in the following order:
  - liquidation expenses;
  - preferential debts;
  - debts secured by floating charge;
  - unsecured debts;
  - deferred debts; and
  - surplus to the members.