Members' voluntary liquidation (MVL)

Overview

Members voluntary liquidation is a winding up procedure for cases where there is sufficient money to pay everyone in full, which involves similar steps to an insolvent liquidation without the investigative aspects.

How does the procedure work?

A board meeting normally resolves that the company should be wound up and a shareholders' meeting held to pass the necessary resolutions. The directors need to make a statutory declaration of solvency confirming that the company can meet its liabilities in full together with interest within twelve months. This must be made no more than five weeks before the shareholders' resolution to wind up the company.

The shareholders' meeting takes place to pass a special resolution to place the company into liquidation and appoint a liquidator. Twenty one days notice is required for the meeting unless 95% by value of shareholders consent to short notice (possibly 90% shareholder consent in the case of some private companies). A majority of 75% is required for an extraordinary resolution.

The liquidator's duties are to realise any remaining assets, agree any outstanding creditors' claims and pay a dividend to them and then distribute the balance to shareholders. In many cases, the only assets and liabilities are inter-company claims.

An MVL is essentially the same process as a creditors voluntary liquidation (CVL) (ie an insolvent liquidation) involving the convening of a shareholders' meeting to pass the special resolution to appoint liquidators, whose role is to realise assets and distribute funds to creditors and shareholders in the right order. There are the following exceptions:

- The directors need to make a statutory declaration of solvency confirming that the company can meet its liabilities in full together with interest within twelve months.
- There is no creditors' meeting. As a result, the costs tend to be lower.
- The liquidator is not required to report on the directors' conduct.
- The liquidator normally has no cause to scrutinise the events leading up to the company's liquidation.
- Whilst the MVL liquidator still needs to have an insolvency licence like a CVL liquidator, the independence rules allow the company's auditor to undertake an MVL.

There is a process to allow a MVL to be converted into a CVL if it transpires that creditors cannot be paid within twelve months, eg because liabilities are higher than expected. It is however a criminal offence to make a statutory declaration without reasonable grounds for believing it to be true.

This document explains the relevant position only in general terms and omits details less commonly experienced for the sake of brevity. It is not intended to be used as formal advice about your actual situation, for which you should consult us specifically and not rely upon this document. Portland would be pleased to advise you formally and you should contact one of the directors listed on the website at www.portfbs.co.uk to arrange this or telephone our main switchboard on 01489 550440. Portland regrets it is unable to accept any responsibility to anybody who seeks to rely on this document.

© Portland Business & Financial Solutions Limited, 1640 Parkway, Solent Business Park, Whiteley, Fareham, PO15 7AH

PORTLAND
WWW.PORTBFS.CO.UK

Members' voluntary liquidation (MVL)

Advantages	Disadvantages
▪ An MVL is less expensive than a CVL. There is less formal procedure and more scope to delegate to directors. ▪ In an MVL, there is no stigma of being a director of an insolvent company compared to CVL. ▪ There is no report on directors' conduct. ▪ The onus on realising all assets and including all creditors is placed on the liquidator, whereas in a striking-off approach the directors would have to discharge these duties. ▪ It is easier for a liquidator to distribute funds and assets to shareholders than it is for directors. ▪ The company is dissolved after the liquidation is concluded and can normally only be reinstated within two years. (Those pursuing personal injury claims can have it restored at any time.)	▪ There are penalties for overlooking creditors and incorrectly making a statutory declaration of solvency. ▪ The liquidation is advertised, which might attract unwelcome attention. ▪ It is potentially more expensive than a striking off.

This document explains the relevant position only in general terms and omits details less commonly experienced for the sake of brevity. It is not intended to be used as formal advice about your actual situation, for which you should consult us specifically and not rely upon this document. Portland would be pleased to advise you formally and you should contact one of the directors listed on the website at www.portfbs.co.uk to arrange this or telephone our main switchboard on 01489 550440. Portland regrets it is unable to accept any responsibility to anybody who seeks to rely on this document.

© Portland Business & Financial Solutions Limited, 1640 Parkway, Solent Business Park, Whiteley, Fareham, PO15 7AH