

DIRECTORS GUIDE

STRIKING OFF VS CREDITORS' VOLUNTARY LIQUIDATION (CVL)

At DCA Business Recovery, we specialise in providing clear, professional, and tailored insolvency advice to company directors facing financial challenges. As licensed insolvency practitioners, we help businesses navigate complex financial difficulties, ensuring directors understand their options and make informed decisions.

This guide explores the differences between Company Voluntary Liquidation (CVL) and Company Strike Off, two common ways to close a limited company. While strike off may seem like a straightforward, low-cost option, it is not always suitable—particularly if the company has debts.

A CVL, on the other hand, provides a formal insolvency process that protects directors from legal risks and creditor action.

Our role is to ensure directors receive the right guidance at the right time. Whether you are considering strike off or CVL, we can assess your company's financial position, explain your responsibilities, and recommend the most appropriate course of action.

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Striking Off a Company

A company can be voluntarily struck off the Companies House register if it has no outstanding debts and is no longer trading. This is a simpler, lower-cost process designed for companies that have ceased operations with no significant financial issues.

Pros of Striking Off

- ✓ **Low Cost:** Striking off costs £33 for an online application or £44 for a paper application.
- ✓ **Quick Process:** The company is typically dissolved within 2-3 months if no objections are raised.
- ✓ **Minimal Paperwork:** The process requires less formal reporting than a liquidation.

Cons of Striking Off

- ! **Debt Risk:** If your company has outstanding debts, creditors can object to the strike-off.
- ! **Potential Reinstatement:** If creditors raise concerns within 6 years, the company can be restored to the register, and directors may face legal action.
- ! **Limited Protection for Directors:** Striking off does not formally address creditor claims or ensure directors have fulfilled their legal duties.

Best for: Companies that are dormant, have ceased trading, and have no outstanding debts.

Criteria for strike off

You cannot apply for strike off if, in the **last 3 months**, your company:

- has **traded** or carried on business
- has **changed its name**
- has made a **disposal** for value of property or rights that it held for the purpose of disposal for gain in the normal course of trading or carrying on business – for example, a company that sold apples could not continue selling apples, but it could sell the truck it once used to deliver the apples

You cannot apply for strike off if, in the last **3 months** your company has **engaged in any activity** other than one that's necessary to:

- apply for strike off or decide whether to do so, for example seeking professional advice on the application or paying the strike off application fee
- conclude the affairs of the company, such as settling trading or business debts
- comply with a statutory requirement

You also cannot apply for strike off if the company is the subject, or proposed subject, of:

- insolvency proceedings such as liquidation, including where a petition has been presented but has not yet been dealt with
- a compromise or arrangement between a company and its creditors or members, known as a section 895 scheme

It's an offence to apply for strike off if your company is not eligible. You could receive a fine.

Creditors' Voluntary Liquidation (CVL)

A CVL is a formal insolvency process for companies that cannot pay their debts and need to be closed properly. Directors initiate the process, and a Licensed Insolvency Practitioner is appointed to manage the liquidation.

Pros of a CVL

- ✓ **Proper Closure of an Insolvent Company:** Ensures all creditors are dealt with fairly and legally.
- ✓ **Director Protection:** By following the correct procedure, directors reduce the risk of wrongful trading claims.
- ✓ **Employee Support:** Employees may be able to claim redundancy and other entitlements from the Redundancy Payments Service (RPS).

Cons of a CVL

- ! **Costs Involved:** A CVL is more expensive than striking off due to the involvement of an Insolvency Practitioner.
- ! **Investigation Requirement:** The appointed liquidator must review the conduct of directors prior to liquidation.

Best for: Companies that have debts they cannot pay and need to ensure creditors are treated fairly under the Insolvency Act.

Key Differences at a Glance

| Aspect | Striking Off | CVL |
|----------------------------|--|--|
| Cost | £33 online/ £44 paper application | Higher (IP fees apply) |
| Timescale | 2-3 months (if no objections) | Typically 3-6 months to conclude key steps |
| Debts | Company must have no outstanding debts | Suitable for companies with debts |
| Director Protection | Limited | Greater Protection if duties are properly followed |
| Employee Claims | Employees cannot claim redundancy | Employees may claim via RPS |

Which Option is Right for You?

- **If your company has no debts and is no longer trading** – Striking off may be the simplest solution.
- **If your company is insolvent with debts outstanding** – a CVL is the correct legal route to ensure all obligations are handled properly.

Get Expert Advice

Choosing between striking off and a CVL can be complex. At DCA Business Recovery, we provide clear guidance tailored to your company's circumstances. Contact us today for confidential advice on the best way forward for your business.



**Arrange a
free initial
advice
meeting**

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