



# Accountancy Co-operative

*the Approachable & Friendly accountancy service*

*tel: +441202621622 web: [www.accountancy.coop](http://www.accountancy.coop)*

## A Guide to Dissolution for Your Company

Read this to help you decide if dissolution is the best tool for you!

If you have any questions call 01202 621622.....

### Dissolution

This process is also known as a voluntary dissolution. This is a process under the Companies Act to allow the removal of the company from the companies Register, typically when the company is dormant. Please note that this is not an insolvency process.

If the company is no longer viable and it serves no useful purpose, then its dissolution removes the need for filing annual returns and accounts. And it will stop aggressive creditors, stop worry and stress.

The company can only be dissolved (removed from the Companies House register), if the following conditions apply:

- The company has not traded for three months; there must be a genuine cessation of trade!
- The company has no assets or property or cash at bank.
- The creditors must be written to requesting their permission for the company to be dissolved under this process.
- Creditors are given three months to consider the request to dissolve the company and can reject this request.
- The company must not have changed its name in the three-month period.
- The company must not have disposed of any property or assets (this may include land and buildings, plant and equipment, debtors and other assets) in the three-month period.



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- Please note that paying off debts does not necessarily constitute trading but for detailed advice on this and all other aspects of dissolution by the e-mail us or call on 01202 621622 for further advice.

### **PLEASE READ THIS CAREFULLY**

Dissolution cannot be used if there is any formal insolvency procedure is in place or proceedings have been commenced for insolvency.

These insolvency procedures include voluntary liquidation, CVA, Administration, receivership or compulsory liquidation under the Insolvencies Act 1986, or scheme of arrangement under the Companies Act 1985.

If any petition has been issued against a company (for administration or compulsory liquidation) then dissolution cannot be used.

### **What are the Advantages of dissolution?**

- It is a quick and clean removal of a dormant company from the company's register.
- Dissolution avoids the costs of liquidation, fees and expenses.
- It avoids formal investigation into the conduct of the directors as required in liquidation or receivership.

### **What are the Disadvantages of dissolution?**

- You need to follow the process very carefully, do all of the things our guide says and even after all of that.....
- Creditors may reject the application; their permission is required to proceed with a dissolution.
- Any shareholder, creditor or liquidator can apply to revive the company for up to 20 years after dissolution.



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- It is a criminal offence to abuse the process to avoid insolvency or director's conduct investigation.

**AND any creditor, liquidator or shareholder may revive the company of the following applies:**

- Notice required to creditors was not given correctly or adequately.
- It comes to light that company was trading during the three months period prior to making application to dissolve.
- It comes to light that the company or the directors committed some fraud, misfeasance or other unjust action before or during the dissolution process.

Whilst a commonsense approach to collecting assets and distributing them to creditors in proper order usually suffices, there is no real prescribed method. This could of course be open to abuse and if performed incorrectly can lead to a revival of the company as above.

If you have any doubt as to how to dissolve the company please do not hesitate to contact us by e-mail or on our number 01202 621622

Dissolution cannot terminate leases, HP agreements or contingent liabilities. If you need to do deal with any of these then Receivership, Administration, liquidation, or CVA need to be used whenever such circumstances exist.

From a creditors' perspective dissolution avoids a formal investigation into the director's conduct. Of course if any transactions such as a preference, transactions defrauding creditors or basic fraud have been committed, then dissolution does not allow an investigation into past conduct.

If the creditors are of the opinion that such transactions may have occurred they can of course refuse permission and the company will either be liquidated voluntarily or wound up compulsorily.



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