

# How To Close Company

Company Closure Guide

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## Information Pack

Thank you for requesting our business advice information pack, this brief pack contains a few important and helpful pieces of advice about business closure; most specifically referring to “strike off” otherwise known as “dissolution”.

### Introduction

The fact you are reading this guide shows you are prepared to take action in order to address your company’s problems. The team at Forbes Burton has put together some selected helpful detail in this short guide.

Company owners are often reluctant to seek help letting the situation spiral out of control. If left, the company could be faced with legal action. This could leave the owners or directors short of options or even loss of control of their business.

### Moving Forward

Just because your company has not worked it is not the end of the world. It may just be that a particular market related event has led to its failure or that an idea actually never got off the ground and the company has not traded. It

may simply be that you have chosen to cease trading and want to take steps to move on. Or in the worst case a large contract has fallen foul and you find yourself unable to continue trading.

Over the years Forbes Burton has helped hundreds of hard working, innovative and creative people overcome the emotional roller coaster of closing a business.

Strike Off has become more and more popular as a real alternative to the more expensive liquidation process when applied in to correct circumstance

Many people tell us that they don't believe the creditors will accept a proposal to strike off/dissolve the company, but if done correctly and the correct procedures are followed this should not be a problem as long as the company and its directors have acted correctly.

### What's In This Pack?

We've added our breakdown of the general process for strike off as well as some details about common problems faced by business owners which may wish to close their business but have matters demanding their attention.

We've also included our standard applications pack should you need to use it to help gather and review your business information. If you need to, you can mail it to our office for a free, no obligations quote or take advantage of our free consultation offer to find how we can help or how much our service would cost to you.

# Part1: How To Close Your Company

## How You Can Close Your Company

Some directors assume that it's as simple as sending off a signed form. In the most basic regard, that is the simplest action that is required. However, there are many legal stipulations and procedures that must be adhered to for a company closure to be in compliance with the Companies Act 2006 and ensure a legal and final closure of a company.

## What are your options for company closure?

### Option 1 - Liquidation:

This is a more costly and more intrusive process, one which essentially removes the authority of a director. Control of the process and the business concerns are overseen by the appointed Insolvency Practitioner. A director that has previously liquidated a company could, in future engagements, be viewed as a higher investment risk, potentially affecting their ability to conduct business in the future.

### Option 2 - Strike off:

This can be performed by the director themselves, allowing them to retain control and also ensuring unnecessary costs are not incurred. The process does not demand that 3rd parties are given intrusive access into the business operations and the affairs of the directors personally. If correctly undertaken, a strike off has no lasting negative reflection on the directors.

## What Is A Liquidation?

Liquidation is a legal process in which a licenced Insolvency Practitioner is appointed to 'wind up' the affairs of a limited company. He or she is instructed either upon request of the director(s) or shareholders (Members' voluntary liquidation where the company is declared as solvent or Creditors' voluntary liquidation where it is not). Liquidation may be forced by instruction of a court ruling following a petition by appropriate 3rd party (Compulsory liquidation).

## What Does Liquidation Mean For Directors?

The director must make full and detailed disclosure of the company to the Insolvency Practitioner and comply fully with any requests for information as the process continues. Meetings are held annually and in conclusion by the Liquidator to report their actions these meetings are convened for creditors

to attend. The director must also comply with these meetings and is advised to have legal counsel throughout the process of liquidation.

### What Are The Benefits Of Liquidation?

- Legal process with legally binding outcome.
- In detail assessment of the company.
- Control of the process is entirely taken over by the insolvency Practitioner.
- Directors minimise the likelihood of being called out for wrongful trading.

### What Is A Company Strike Off?

Companies that are formed and registered within England and Wales have a record of their existence kept at Companies House. While this record is in place the company is considered operational and valid as such it is due to maintain records and upkeep running costs as is appropriate. Striking off a company is the legal act for the removal of a company from the register. If a company is struck off from the register then it is noted as **Dissolved**.

### What Does Dissolution Mean For Directors?

When a company enters dissolution it has reached a point where its debts have been remunerated in full or informally negotiated to the satisfaction of the creditors.

At the final point of dissolution the assets of the company are absorbed by the crown.

Without the procedure being followed correctly directors may become personally liable for the indebtedness of the company.

### What Are The Benefits Of Strike Off?

- Immediate steps can be taken to start closing your company.
- No formal meeting of creditors.
- It's possible to informally negotiate bad business debts.
- Not as intrusive as formal liquidation procedures.
- You retain final control of the process.
- It's cheaper by far than liquidation.

### Which Should You Use For Your Company Closure?

Both processes are legally available to you, however liquidation should be applied when a business is insolvent to the point where negotiation of outstanding debts is either entirely non-applicable or highly unlikely. The operation by a licenced practitioner is a legal final say on the operation of a business and all member parties abide by their authority.

If your business is facing insolvency, but not yet entirely insolvent there may be time yet to use dissolution, correctly managed this option is, If you choose to undertake the process yourself, more work. It is of course possible to outsource this process, and because of the legal obligations that have to be adhered to, it is advisory to do so to avoid simple but costly errors.

## How Do You Go About Dissolving A Company?

### Step 1 -

Stop trading: This is the act of closing the doors and drawing financial affairs to a close.

### Step 2 -

Send notice to all members of the company. In response to this informal challenges to the closure may arise, if this should happen:

- Identify challenges, their root cause and how to address them.
- Resolve challenges.

### Step 3 -

A period of 3 months must pass from the point of cease trading.

### Step 4 -

Send official notice to Companies House and all member parties of the closure. In response the following may be issued:

- Formal objections may now arise.
- Objections must be addressed.

### Step 5 -

If the application is made in accordance with the regulations (companies act 2006), Companies House will process and finalise the closure.

**The company is officially closed.**

## What Could Disrupt A Strike Off?

In our years of dealing with company closures we have come across many things that can disrupt or halt strike off proceedings, we've come to understand that each case brings its own problems; some examples we've dealt with include:

- Unhappy creditors/HMRC  
Escalation of such problems leads to:
  - County Court Judgments.
  - Bailiffs' instruction.
  - Wind up petitions.

- Objections lodged at Companies House will stop a dissolution.
- Accusation of wrongful trading can have implications for directors.
- Employment tribunals can arise should previous employees be unhappy at their dismissal.
- Not correctly filing returns can lead to objections from government bodies.
- Creditor forcing compulsory liquidation.

## What Happens In A Successful Strike Off?

If the application is made, no objections lodged, or objections are removed upon third party agreement (Only the party that lodged the objection has the power to remove it) the dissolution will proceed and be finalised by Companies House.

The goods and other assets that remain in the control of the company are, at the point of dissolution, declared “bona vacantia” literally meaning unattended goods. This in turn means that any such assets are without legal owner and so become the property of the crown.

Any retained profits or assets of the company after all creditors are finalised, are shared among the shareholders. Failure to correctly distribute such assets may mean that the company has to be restored to then do so.

## Restoration of the Company

As a rule there is six years after the date of dissolution in which a company can be restored by court order, this can be for many different reasons including outstanding debt.

This is why when closing your company down you need to make sure that all creditors are dealt with in the correct way.

The ideal situation is that unless the company directors want the company restored, there is no outstanding reason that any other member party has reason to call for its restoration.



## Part 2: Common Problems You May Encounter Bailiffs

*These are a real sticking point for any business that might be further down the line of troubles, but they can be handled, we'll give a few pointers how.*

### When will Bailiffs attend?

- When a creditor has not received what is owed & they pursue the company via the court.
- A judgment is then granted by the court.
- The collection agents will then apply for a Writ to enforce the Judgment.

### Where will they attend?

- Registered office address
- Trading address
- Directors personal address
- Any address they can find relating to the company

### What can Bailiffs do?

- Assess any visible vehicles/assets outside and around property.
- Do walking possession on goods that are visible in and around property.
- Seizure order given based on goods seen which will be taken if debt is unpaid.
- A High Court Enforcement Officer/Sheriff has more of an incentive to ensure they receive payment/seize goods.

### How you can deal with Bailiffs.

- Don't let them in; step outside and talk to them.
- If you feel that you don't owe the debt or have reasons for why you won't pay then tell the Bailiffs.

### Case Study:

Our client approached Forbes Burton when bailiffs began attending residential addresses of both our client and their relatives. They had been instructed with regard to debts belonging a company that the client had

thought they had properly closed some two years previous. We immediately contacted the bailiffs to halt their action and over only a short period we were able to come to agreement with the creditors in question. The Dissolution was then process without hindrance.

## HMRC

*HMRC have a lot of power over your business operation, they can even 'force' your business to close, here's a few pointers on how to tackle red letters from the tax man.*

### When will HMRC look to wind up my company?

- When outstanding liabilities have not been addressed.
- When returns have not been filed for a while.

### What is a winding up petition?

- This is a legal enforcement served by the court in which you will lose control of the company.
- A winding-up petition is a petition presented to the court seeking an order that a company be put into compulsory liquidation.

### How is a winding up petition served?

- Hand delivered by process server, giving that company time to address the debt.

### Where

- The company registered office address.

### How you can deal with HMRC

Be sure that your business records are in order, keeping clarity in your businesses finance will ensure that HMRC work with you and not against you.

You can seek independent advice on taxation with regard to VAT, PAYE and NIC's. Making use of a qualified accountant or bookkeeper will ensure your financial concerns are correctly managed, even so, as a business owner you should always keep yourself aware of matters.

If HMRC do send demands for late payment, contact them as soon as you can and see if you can arrange a mutually beneficial strategy to move the issue forward, don't let things build up.

If a Winding Up Petition is issued You have 7 days to either pay the debts in full, pursue an arrangement, or engage in a dispute with the creditor if the debts are questionable.

## Companies House

*Even more powerful than HMRC, Companies House essentially has final control of your business. They can, in case where a company fails to meet its obligations, force a closure.*

### When would Companies House force a closure?

- Late or non-filed returns or accounts

### How would this be done?

- They will give notice via letter that paperwork is overdue.
- A further notice will be given stating that the company will be dissolved if returns not done within 28 days.
- Publication in gazette & the bank(s) made aware.
- Letter sent stating date company will be dissolved.

### Where

- The company registered office address.

### How you can deal with Companies House

As with HMRC do not delay, if you have received a notice of dissolution and you have not intended or wish your company closed any delay in responding could find you left high and dry. The outcome of which could find the directors of a company being called upon personally to address any remaining matters of the company.

If Companies House pursue a closure in this fashion and it is not addressed the directors also may be called upon by legal enforcement of fraudulent trading, failing to adhere to the Companies Act 2006 is one which has vast legal implications.

## Part 3: Forbes Burton and how we can help.

### Strike Off Is Not Only For Solvent Companies.

Any company that has been trading legally can apply to be struck off. For example: companies that are trading, a dormant company or one which is faced with financial burden. It is common that a company which is laden with extensive debt would be restructured. In cases of extreme financial concern a liquidation may be processed.

### Company Strike Off – Negotiate & Finalise Your Company's Debts

Insolvent companies that Forbes Burton has dealt with in the past have been relieved of thousands of pounds worth of debt and had their worries and concerns mitigated or made to an agreeable solution.

This is done through corresponding with the creditors, identifying mutually viable exit strategies and ensuring that the creditors are appeased. Doing this will substantially reduce the likelihood of objections being lodged when the Strike Off application is made.

In some circumstance you may wish to retain relations with a supplier for reasons external to the concern of the company that is to be closed, so proper and polite correspondence is a must.

### Free Consultation Offer.

If you would like further advice regarding company closures or would like to take advantage of a FREE consultation to discuss your business; **call today** to speak to one of our experienced advisors.

Don't risk wrongful trading it could lead to personal action being taken against you, even to the extent of the loss of your home or bankruptcy. Take the correct steps to move forward with your life. **Call the experts in complete confidence on 01472 254914.**

### Forbes Burton Satisfaction

For many years we have assisted business owners with their closures and have a consistent record of success leaving many happy business owners to continue their lives in a more positive way. We are happy to discuss with you your options and if we can be of any assistance to you.

We're confident in the service we offer, our previous clients have marked our service with 95% *"highly satisfied"*. We're confident we will meet all of your requirements.



## The Potential Costs Involved

Our services are available from as little as £250, around 85% less than what you would pay for a liquidation service.

Closing a company can sometimes be a stressful and daunting challenge, we have the experience and knowledge to tackle the matter and at the same time give you the freedom to move forward.

***A Company Strike Off is the cheapest, simplest alternative to liquidation for many business owners.***

## OUR PLEDGE TO YOU

- ✓ We will relieve the stress of dealing with creditors demands.
- ✓ We will provide you with a tailor-made hassle free solution.
- ✓ We will work hand in hand with you throughout the process.

Call today on 01472 254914 for FREE, no obligation expert advice.

Alternatively email us at: [advice@forbesburton.com](mailto:advice@forbesburton.com)