

Voluntary Administration – responsible management

The Voluntary Administration (VA) regime is a process by which a company voluntarily requests assistance from a qualified administrator to improve the company's financial position and get the company 'back on its feet'.

The VA regime was established as an alternative to liquidation for companies facing cashflow or other financial difficulties, and to allow the process to begin quickly enough for steps to be taken to effectively improve the position of the business.

The VA process allows a company to try and come to a compromise or arrangement with its creditors in a manner that will both save the company and maximise the returns to creditors.

Many businesses that choose the VA alternative emerge from the process stronger, smarter and more financially stable.

A VA offers Directors statutory protection from legal action and creditors while efforts are made to solve the company's financial problems. The primary intention of a VA is to maximise the chances of a successful recovery and return the company to profitability. During a VA the administrator works with the company to assess the business, determine its position and generate a go-forward strategy.

A deed of company arrangement (DOCA), which is a formal arrangement between a company and its creditors to pay its debts over a period of time, can lead to a much better outcome for all parties involved – the company, its employees and the company's creditors - than would otherwise occur were the company to continue to limp forward into an eroding balance sheet. Many businesses that choose the VA alternative emerge from the process stronger, smarter and more financially stable.

In many cases, a VA can be the most healthy and positive solution for a business facing difficulties.

It is important to note that a VA does not necessarily mean the end of the company or of the business and it is not an admission of failure by the directors. In many cases, a VA can be the most healthy and positive solution for a business facing difficulties. A VA can allow a business breathing space and time to step back, consolidate, solve problems and develop a plan to move forward into the future. It is an ideal vehicle for facilitating financial or operational restructuring, with the added benefit of statutory protection from creditors. A VA is a tool which is available for the use of responsible management.

Benefits of a Voluntary Administration

- Provides statutory protection from legal action
- Directors can re-focus from fire fighting to proactive business improvement
- Administrator works with company to improve profitability
- Allows negotiation with creditors
- Avoids insolvent trading
- Company can often trade out of difficulty