



CVAs: Government proposes moratorium for all companies in restructuring

Summary and implications

The Government is proposing to give struggling companies a protected moratorium against enforcement action, to help them to negotiate a restructuring deal with their creditors.

The moratorium would be available to all companies which are preparing a CVA or scheme of arrangement. At present, a moratorium is only available to small companies* who are proposing a CVA.

The proposals would mean that a company (other than a small company) proposing a CVA would no longer have to also go into administration first to get the benefit of a moratorium. Landlords will see this as another restriction on their ability to take action against an insolvent company.

Key features of the proposed new moratorium

- The moratorium would initially last for up to three months.
- The company could apply to extend this initial period where it is dealing with a complex negotiation.
- During the moratorium, the company's creditors would be prevented from taking action to recover debts due to them.
- The company's directors would apply for the moratorium at a court hearing, which would be open to the company's creditors.
- To help to protect the interests of the company's creditors, an authorised insolvency practitioner would be involved during the application process and while the moratorium remained in place.
- The directors would remain in control of the company during the moratorium. However, the Government is proposing penalties for misconduct or abuse of the process.

Have your say: your chance to comment on the proposals

The Insolvency Service is seeking comments on the proposals by 18 October 2010. More details are available on the [Insolvency Service website](#).

If you are considering responding to the consultation, please [contact us](#) to discuss how we can help you.

Ask a question

If you have any questions please contact:

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* A small company is one which satisfies two or more of the following criteria:

1. turnover no greater than £6.5m; and/or
2. balance sheet assets no greater than £3.26m; and/or
3. no more than 50 employees.

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