

COMPANY VOLUNTARY ARRANGEMENT

YOU HAVE THE OPTION TO RUN A SSAS LOAN ALONGSIDE A COMPANY VOLUNTARY ARRANGEMENT, GIVING YOU A FAR BETTER CHANCE OF BUSINESS RECOVERY. SSAS LOANS ARE NOT REGISTERED ON YOUR CREDIT FILE AND WE DO NOT DISCLOSE SSAS LOAN BORROWING TO ANY 3RD PARTIES!

What Is a Company Voluntary Arrangement (CVA)?

A Company Voluntary Arrangement (CVA) is a formal agreement between a UK company and its creditors to repay debts over a fixed period, usually between 3 and 5 years. It's designed to help struggling businesses avoid liquidation and continue trading while making manageable payments to creditors.

A CVA can only be set up by an insolvency practitioner (IP) and needs approval from at least 75% (by value) of voting creditors.

How Does a CVA Work?

1. Assessment – The company works with an insolvency practitioner to review finances and propose a realistic repayment plan.
2. Proposal – The IP prepares the proposal and sends it to creditors for a vote.
3. Approval – If 75% of creditors (by debt value) agree, the CVA becomes legally binding on all unsecured creditors.
4. Repayment – The company continues trading and makes regular payments into the CVA for distribution to creditors.
5. Completion – After the agreed period, any remaining unsecured debt is usually written off.

Benefits of a CVA

- Avoids liquidation – The business can keep trading instead of being wound up.
- Stops creditor pressure – Once approved, legal actions like winding-up petitions are halted.
- Improved cash flow – Debt repayments are consolidated into affordable monthly payments.
- Directors stay in control – Unlike administration, directors remain in charge of the business.
- Debt write-off – Some debt is often written off at the end of the CVA.

Pitfalls and Risks of a CVA

- Creditor approval required – At least 75% of creditors (by value) must vote in favour, which can be hard to achieve.
- Damage to credit rating – A CVA is recorded on the company's credit file for 6 years.
- Tough trading conditions – If the company doesn't stick to the payment plan, the CVA can fail and historically many do.
- Secured creditors not bound – Secured lenders can still enforce their security.
- Reputation issues – Clients and suppliers may lose confidence in the business.

What Percentage of CVAs Fail?

Statistics from the UK Insolvency Service and industry reports show that a large proportion of CVAs do not complete successfully:

- Around 65% of CVAs fail within the first 3 years.
- Only about 30–35% reach full completion.
- Most failures happen because the company cannot maintain payments or trading conditions worsen.

Despite this, CVAs can be a valuable tool for businesses with a realistic chance of recovery and good support from creditors.

Key Takeaway

A CVA can give a company breathing space and a structured path to recovery, but it is not a guaranteed fix. Careful planning, accurate forecasting, and strong creditor relationships are essential to make it work.

