Glossary

Administration
If a company falls into financial difficulties the directors or a third party will sometimes appoint an Administrator to run the company this is to determine whether the company can trade out of its problems or be sold on to enable the company to be turned around. If the company is not a viable concern then the assets will be sold and distributed to its creditors.

Administrator
A person who controls a company which has gone into Administration. The Administrator has overall control of the company and any decision must be taken by the Administrator.

AGM
An Annual General Meeting is where the directors share information about the past year and also give forecasts for the future. Shareholders of a company are allowed to discuss their opinions and can vote for any eligible changes which can be made such as auditors and directors.

Annulment
Cancellation.

Arrears
This is a term used when a debt has not been paid on time and the payments become overdue. If the debt is not paid then action may be taken against you to reclaim the money.

Assets
Anything that is owned by the individual or company which has a value either now or will have a value at some time in the future. Examples include vehicles, shares, money in the bank or in hand, property and book debts.

Bankruptcy
This is an option a person may use if they do not pay their debts as and when they become due. They would lose control of their assets and would not be allowed to become a company director for the period of bankruptcy. Other occupations are also affected by bankruptcy and we recommend that you read your employment contract. Bankruptcy will also affect your credit rating.

Bankruptcy Order
A court order making an individual bankrupt.

Bankruptcy restrictions order or undertaking
A bankruptcy restriction order or undertaking is where a restriction is made against an individual. This could result in bankruptcy restrictions continuing for a period of between 2 and 15 years.

Book Debts
These are monies that are owed to an individual or company for goods supplied or services provided.

CCJ
A CCJ (county court judgement) is a court action where an individual or company have taken you to court for unpaid debts. The court will order you to pay the debt within a period of time; if you don't then they will be entitled to take further action.

Companies House
All Limited companies and Plc's are registered here. All information is stored and is available to the public. Companies House also incorporate and dissolve companies.

Charging Order
This is an order made by the court giving the trustee in bankruptcy a charge on your interest in their home. This will continue after they are discharged from bankruptcy.

Credit Rating
Banks and financial services use this as a tool. If you were to request a loan from them they would check your credit rating. A good rating may result in them lending more money. A low score may mean a lesser amount is offered or the request refused. The rating is assessed on whether there are any CCJ's or any defaults on paying debts.

Creditors
This is anybody who is owed money. It can also be someone who will (or may) be owed money in the future due to some obligation that has already been entered into.

Creditors Petition (Bankruptcy)
A person can only be made bankrupt if the debt is unsecured and for a fixed sum that may appear unable to pay. Any individual owed more than £750 can petition to make you bankrupt. Bankruptcy can also be petitioned for by a group of people if the combined sum due to them is more than £750. The proceedings will normally take place at your local county court with bankruptcy jurisdiction.

CVA – Company Voluntary Arrangement
This route is usually taken by Directors who feel their company has a viable future and are willing to work hard to keep it alive. If this route is taken an arrangement is entered into with your creditors to repay a percentage of the sum owed to them over a period of time. Then the Directors will keep control of the Company and continue to trade as normal.

CVL – Creditors Voluntary Liquidation
The company will stop trading, all contracts will be terminated and assets sold. The shareholders of the company will decide to liquidate the company and will enlist the services of an insolvency practitioner to complete all the necessary arrangements.

Debtors
These are individuals or companies that owe money to a third party for goods or services provided.

Debtors Petition (Bankruptcy)
This is where an individual declares themselves bankrupt by visiting their local county court and petitioning for bankruptcy.

Debts
These are monies that are owed to an individual or company for goods supplied or services provided.

Default Notice
This is issued by a creditor before the commencement of legal action. It will allow you seven days to pay the amount stated. If this is not settled, then the creditor can take court action.

Directors
Directors are responsible for the running, management and control of a company. The limited liability of a company ensures directors are protected from personal risk; they must however act professionally and correctly to ensure this protection.

Directors' Disqualification
If a person is declared bankrupt or other insolvency offences have been committed it is illegal for that person to be the director or manager of a company and may be barred by the DTI.

Dissolution
In order to commence dissolution proceedings the company must not have been trading for at least three months. The company can then be dissolved. This will legally break up a company that no longer wishes to trade.

Distraint
This is used by landlords as a tool where there is unpaid rent. Where a landlord has agreed a payment plan for rent and this is not adhered to they have various options and can instruct an agent to enter the property and remove goods or assets to cover the value of the debt. This can usually be carried out within one week of a missed payment. They do not need a court judgement to implement these actions.

DTI – Department of trade and industry
Is a government agency working to create the conditions for business success and help the UK respond to the challenge of globalisation. They promote enterprise innovation and creativity. The DTI run the The Insolvency Service in England and Wales and are the regulatory body for many insolvency practitioners. They also help in many employment issues such as redundancy.

Factoring
Financial institutions provide this service. Companies receive payment for their unpaid sales invoices and the financial institution assist in the collection of the debts. The factoring company takes a percentage of this debt as a fee.

Fixed and Floating Charge
These are debts which are secured by an asset (usually property). A fixed charge attaches to the asset in question as soon as the charge is created. A floating charge attaches only when it crystallises. Thus with a fixed charge the borrower could not sell the asset without the permission of the lender. A floating charge however is usually secured on things like raw materials or component stocks and therefore the borrower can deal with these stocks in the normal course of business, consuming them and replacing them when ever necessary. Should the charge crystallise, for instance, as a result of a failure to pay interest at the proper time, the stocks which were present at that moment become subject to the charge and the borrower would be unable to make use of them without the permission of the charge holder.

Fraudulent Trading
Where trade continues without any means of repaying the debts and with the intention of defrauding creditors.

Going Concern
Where a company is trading and making a profit.

HMRC – Her Majesty's Revenue & Customs
A government department who regulates and collects customs and duties for instance VAT and PAYE.

Income Payments Agreement
This is an agreement entered into with an individual's trustee where the individual agrees to pay him or her part of their wages, salary or any other income. This would be for an agreed period of time.

Insolvency Practitioner
An insolvency practitioner is usually an accountant or solicitor who has trained and specialised in insolvency. They are authorised by the Secretary of State or other recognised professional bodies.

Insolvent
This is when a company or individual cannot afford to repay their debts as and when they are due, or whose liabilities are greater than their assets.

Interim Order
If a person is proposing to do an IVA they can apply for an interim order in court. This protects them against any legal action which may be taken against them by anyone they owe money to.

Joint and Several Liability
If one or more person enters into an agreement (such as a mortgage or rent agreement), then all those named on the agreement are liable for the full amount. An example of this would be a joint mortgage where the mortgage company can pursue either or both people named on the mortgage for any amounts outstanding.

Legal Charge
A form of security (eg a mortgage) to ensure payment of a debt.

Liabilities
Debts and obligations of the company or individual. An example of these would be bank loans, mortgages, credit cards or store cards.

Limited Company
A company with its own legal identity. This ensures the directors and shareholders are not liable for any of the company's actions providing they are legal and proper.

Limited Liability
Owners of a company have their liability for the company's debts limited. Their liability is limited to the paid-up value of the shares they own i.e. it is limited to the amount they agreed to pay for the shares when they purchased them.

Liquidation
When a company becomes insolvent, then it ceases to trade as it is not able to pay its debts as and when they fall due. It is then liquidated, i.e. its assets are sold and the resulting funds utilised to pay at least some of its debts. If the creditors have been paid in full any remaining funds are passed to the owner.

Liquidator
Is the person, other than the official receiver, responsible for dealing with the winding up of a company.

Pension Fund
Contributions are paid and held to build up a fund to pay retirement pensions.

Personal Guarantee
This is a letter written by someone guaranteeing the payment of money lent to a third party (maybe a limited company). So if the company defaults on the repayments then the lender will call on the personal guarantee to repay either part or all of the remaining debt.

PLC
A public company may offer to sell its shares to the public. A public company must satisfy Companies House that at least £50,000 worth of shares have been issued and that each share has been paid up to at least one quarter of its face value.

Preferential Creditor
A creditor who is entitled to receive payments prior to unsecured creditors. These include employees and occupational pension schemes.

Proxy
An individual need not attend a meeting. They can appoint a third party to attend and vote in their place – a proxy.

Receiver/Receivership
A Receiver is appointed by a lender (usually a bank) with a charge or mortgage over the company's assets. The Receiver then sells the assets of the company in Receivership in order to repay the debt.

Redundancy
Redundancy is a form of dismissal. It could be that the company is down sizing or closing a department or closing the whole company. The staff are then made redundant as there is no longer available employment.

Shareholders
Own stakes in Limited Companies. Shares can be purchased on the open market if it is a quoted PLC. They can vote on how a company is run and they earn a share of the profits as a dividend.

Statement of Affairs
This is a statement of assets and liabilities of a company at the date of its winding up, Receivership or Administration and is prepared by the directors with the assistance of a licensed Insolvency Practitioner.

Sole Trader
Are owners of small businesses. With few if any employees.

Supervisor
When an individual or company enters into a Voluntary Arrangement a Supervisor of the Arrangement is appointed. The Supervisor ensures that contributions are made as they fall due and kept up to date. Failure to keep the contributions up to date could result in the Supervisor defaulting and failing the Voluntary Arrangement and this could lead to liquidation or bankruptcy.

Trustee
The Trustee in Bankruptcy is either the Official Receiver or an Insolvency Practitioner and will take control of your assets. The Trustee's main objective is to sell these assets and share the proceeds among the creditors.

Turnover
Is the money a company takes for its services before any expenditure is deducted. It is not the profit of the company.

Unsecured Creditor
A creditor who does not hold security against an asset (a mortgage is a secured creditor). Some unsecured creditors may be preferential creditors.

VAT – Value Added Tax
Is a duty levied on goods and services which are liable for VAT. If you run a business you will usually have to register for VAT if your taxable turnover exceeds a level set by the Government.

WUP – Winding Up Petition
A creditor can apply for a WUP to be heard if the debtor does not pay the money due to the creditor. This could lead to the compulsory winding up or liquidation of the company or partnership.