



# Insolvency Act 1986

## 1986 CHAPTER 45

### PART I

#### COMPANY VOLUNTARY ARRANGEMENTS

##### *The Proposal*

#### **1 Those who may propose an arrangement.**

- (1) The directors of a company (other than one for which an administration order is in force, or which is being wound up) may make a proposal under this Part to the company and to its creditors for a composition in satisfaction of its debts or a scheme of arrangement of its affairs (from here on referred to, in either case, as a “voluntary arrangement”).
- (2) A proposal under this Part is one which provides for some person (“the nominee”) to act in relation to the voluntary arrangement either as trustee or otherwise for the purpose of supervising its implementation; and the nominee must be a person who is qualified to act as an insolvency practitioner [<sup>F1</sup>or authorised to act as nominee, in relation to the voluntary arrangement].
- (3) Such a proposal may also be made—
  - (a) where an administration order is in force in relation to the company, by the administrator, and
  - (b) where the company is being wound up, by the liquidator.
- [<sup>F2</sup>(4) In this Part a reference to a company includes a reference to a company in relation to which a proposal for a voluntary arrangement may be made by virtue of Article 3 of the EC Regulation.]

#### **Textual Amendments**

- F1** Words in s. 1(2) substituted (1.1.2003) by 2000 c. 39, s. 2, Sch. 2 Pt. I para. 2; S.I. 2002/2711, art. 2 (subject to transitional provisions in arts. 3-5)

*Status: Point in time view as at 05/09/2003.*

*Changes to legislation: Insolvency Act 1986, Cross Heading: The Proposal is up to date with all changes known to be in force on or before 19 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

**F2** S. 1(4) inserted (31.5.2002) by S.I. 2002/1240, reg. 4

**[<sup>F3</sup>1A Moratorium.**

- (1) Where the directors of an eligible company intend to make a proposal for a voluntary arrangement, they may take steps to obtain a moratorium for the company.
- (2) The provisions of Schedule A1 to this Act have effect with respect to—
  - (a) companies eligible for a moratorium under this section,
  - (b) the procedure for obtaining such a moratorium,
  - (c) the effects of such a moratorium, and
  - (d) the procedure applicable (in place of sections 2 to 6 and 7) in relation to the approval and implementation of a voluntary arrangement where such a moratorium is or has been in force.]

**Textual Amendments**

**F3** S. 1A inserted (1.1.2003) by 2000 c. 39, s. 1, Sch. 1 para. 2; S.I. 2002/2711, art. 2 (subject to transitional provisions in arts. 3-5)

**2 Procedure where nominee is not the liquidator or administrator.**

- (1) This section applies where the nominee under section 1 is not the liquidator or administrator of the company [<sup>F4</sup>and the directors do not propose to take steps to obtain a moratorium under section 1A for the company].
  - (2) The nominee shall, within 28 days (or such longer period as the court may allow) after he is given notice of the proposal for a voluntary arrangement, submit a report to the court stating—
    - (a) [<sup>F5</sup>whether, in his opinion, the proposed voluntary arrangement has a reasonable prospect of being approved and implemented,
    - <sup>F5</sup>(aa)] whether, in his opinion, meetings of the company and of its creditors should be summoned to consider the proposal, and
    - (b) if in his opinion such meetings should be summoned, the date on which, and time and place at which, he proposes the meetings should be held.
  - (3) For the purposes of enabling the nominee to prepare his report, the person intending to make the proposal shall submit to the nominee—
    - (a) a document setting out the terms of the proposed voluntary arrangement, and
    - (b) a statement of the company's affairs containing—
      - (i) such particulars of its creditors and of its debts and other liabilities and of its assets as may be prescribed, and
      - (ii) such other information as may be prescribed.
- [<sup>F6</sup>(4) The court may—
- (a) on an application made by the person intending to make the proposal, in a case where the nominee has failed to submit the report required by this section or has died, or
  - (b) on an application made by that person or the nominee, in a case where it is impracticable or inappropriate for the nominee to continue to act as such,

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direct that the nominee be replaced as such by another person qualified to act as an insolvency practitioner, or authorised to act as nominee, in relation to the voluntary arrangement.]

#### Textual Amendments

- F4** Words in s. 2(1) added (1.1.2003) by 2000 c. 39, s. 1, **Sch. 1 para. 3**; S.I. 2002/2711, **art. 2** (subject to transitional provisions in **arts. 3-5**)
- F5** Words in s. 2(2) inserted (1.1.2003) by 2000 c. 39, s. 2, **Sch. 2 Pt. I para. 3(a)**; S.I. 2002/2711, **art. 2** (subject to transitional provisions in **arts. 3-5**)
- F6** S. 2(4) substituted (1.1.2003) by 2000 c. 39, s. 2, **Sch. 2 Pt. I para. 3(b)**; S.I. 2002/2711, **art. 2** (subject to transitional provisions in **arts. 3-5**)

### 3 Summoning of meetings.

- (1) Where the nominee under section 1 is not the liquidator or administrator, and it has been reported to the court that such meetings as are mentioned in section 2(2) should be summoned, the person making the report shall (unless the court otherwise directs) summon those meetings for the time, date and place proposed in the report.
- (2) Where the nominee is the liquidator or administrator, he shall summon meetings of the company and of its creditors to consider the proposal for such a time, date and place as he thinks fit.
- (3) The persons to be summoned to a creditors' meeting under this section are every creditor of the company of whose claim and address the person summoning the meeting is aware.

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