

Section 106

Form 4.72

Return of Final Meeting in a  
Creditors' Voluntary Winding Up

Pursuant to Section 106 of the  
Insolvency Act 1986

To the Registrar of Companies

**S.106**

Company Number

06574089

Name of Company

Direct Linen Limited

I/We

Peter O'Hara, Wesley House, Huddersfield Road, Birstall, Batley, West Yorkshire, WF17 9EJ

Note The copy account must be  
authenticated by the written  
signature(s) of the Liquidator(s)

1 give notice that a general meeting of the company was duly held-on/summoned for 21 August 2014 pursuant to section 106 of the Insolvency Act 1986, for the purpose of having an account (of which a copy is attached) laid before it showing how the winding up of the company has been conducted, and the property of the company has been disposed of, and that ~~the same was done accordingly~~ / no quorum was present at the meeting,

2 give notice that a meeting of the creditors of the company was duly held-on/summoned for 21 August 2014 pursuant to Section 106 of the Insolvency Act 1986, for the purpose of having the said account laid before it showing how the winding up the company has been conducted and the property of the company has been disposed of and that ~~the same was done accordingly~~/no quorum was present at the meeting

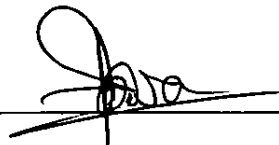
The meeting was held at O'Hara & Co, 1 Thorne Road, Doncaster, DN1 2HJ

The winding up covers the period from 21 October 2013 (opening of winding up) to the final meeting (close of winding up)

The outcome of any meeting (including any resolutions passed) was as follows

Peter O'Hara was released as Liquidator of the Company at final meetings of members and creditors There was no distribution to creditors

Signed

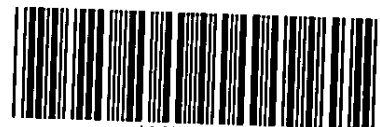


Date 21 August 2014

O'Hara & Co  
Wesley House  
Huddersfield Road  
Birstall  
Batley  
West Yorkshire, WF17 9EJ

Ref D276/POH/GG

WEDNESDAY



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27/08/2014

#290

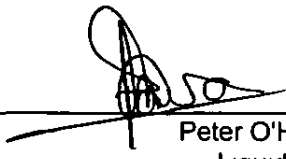
COMPANIES HOUSE

**Direct Linen Limited**  
**(In Liquidation)**  
**Liquidator's Abstract of Receipts & Payments**  
**From 21 October 2013 To 21 August 2014**

| S of A £            |                               | £        | £           |
|---------------------|-------------------------------|----------|-------------|
|                     | <b>ASSET REALISATIONS</b>     |          |             |
|                     | Pre appointment book debts    | 4,634 16 |             |
| 15,126 89           | Book Debts                    | 6,489 11 |             |
|                     | Bank Interest Gross           | 2 87     |             |
|                     | Bank Interest Net of Tax      | 2 73     |             |
|                     |                               |          | 11,128 87   |
|                     | <b>COST OF REALISATIONS</b>   |          |             |
|                     | Specific Bond                 | 50 00    |             |
|                     | Statement of Affairs Fee      | 5,000 00 |             |
|                     | Disbursements                 | 340 87   |             |
|                     | Remuneration                  | 5,254 67 |             |
|                     | Legal Fees (1)                | 200 00   |             |
|                     | Statutory Advertising         | 283 33   |             |
|                     |                               |          | (11,128 87) |
|                     | <b>PREFERENTIAL CREDITORS</b> |          |             |
| (400 00)            | Employee Arrears/Hol Pay      | NIL      |             |
|                     |                               |          | NIL         |
|                     | <b>UNSECURED CREDITORS</b>    |          |             |
| (34,732 03)         | Trade & Expense Creditors     | NIL      |             |
| (3,000 00)          | Employees                     | NIL      |             |
| (9,596 00)          | Landlord                      | NIL      |             |
| (33,714 00)         | Directors                     | NIL      |             |
| (27,715 67)         | National Westminster Bank plc | NIL      |             |
| (14,000 00)         | PAYE / NIC                    | NIL      |             |
| (1,000 00)          | VAT                           | NIL      |             |
| (23,500 00)         | Donbac Loan                   | NIL      |             |
|                     |                               |          | NIL         |
|                     | <b>DISTRIBUTIONS</b>          |          |             |
| (100 00)            | Ordinary Shareholders         | NIL      |             |
|                     |                               |          | NIL         |
| <b>(132,630.81)</b> |                               |          | <b>0.00</b> |

REPRESENTED BY

NIL

  
Peter O'Hara  
Liquidator

**DIRECT LINEN LIMITED**

**ATTACHED IS A COPY OF THE  
LIQUIDATOR'S REPORT LAID  
DOWN AT THE FINAL MEETING OF  
CREDITORS OF THE ABOVE  
COMPANY HELD ON**

**21 August 2014**

## **C O N T E N T S**

- 1 Statutory Information
- 2 Introduction
- 3 Asset Realisations
- 4 Creditors' Claims
- 5 Investigations
- 6 Liquidators' Remuneration and Disbursements
- 7 Request for Information
- 8 Conclusion

## **APPENDICES**

|  |            |
|--|------------|
| Draft final receipts and payments account to 21 August 2014  | Appendix A |
| Time analysis for the period from 21 October 2013 to 21 August 2014  | Appendix B |
| Additional information in relation to Liquidator's fees pursuant to Statement of Insolvency Practice 9   | Appendix C |
| Notice convening final meeting members and creditors and proxy form for voting purposes  | Appendix D |
| An extract from the Insolvency Rules 1986 relating to creditors' rights to request additional information from the Liquidator (Rule 4 49E)               | Appendix E |
| An extract from the Insolvency Rules 1986 relating to creditors' rights to challenge the Liquidator's remuneration or expenses if excessive (Rule 4 131) | Appendix F |

# **DIRECT LINEN LIMITED ("THE COMPANY")**

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## **1 STATUTORY INFORMATION**

**Date of Incorporation** 23 April 2008

**Registered Number** 06574089

**Registered Office** Wesley House  
Huddersfield Road  
Birstall  
Batley  
WF17 9EJ

**Trading Address** Units 8-11  
Wheatley Hall Business Park  
Churchill Road  
Doncaster  
DN2 4LP

**Principal Activity** Commercial Laundry

**Share Capital** Authonsed 100 ordinary shares of £1 each

Issued 100 ordinary shares of £1 each

**Shareholders** David John Rainey 50 ordinary shares of £1 each

Neena Kuman Rainey 50 ordinary shares of £1 each

**Directors** David John Rainey

Neena Kuman Rainey

**Company Secretary** Neena Kuman Rainey

## **DIRECT LINEN LIMITED ("THE COMPANY")**

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### **2 INTRODUCTION**

2 1 This report provides a summary of the outcome of the Liquidation of Direct Linen Limited ("the Company") At Appendix A, I have provided an account of my receipts and payments for the period ended 21 August 2014

2 2 The Liquidation commenced on 21 October 2013 with estimated realisations of £15,126 89 and anticipated liabilities of £147,357 70

### **3 ASSET REALISATIONS**

3 1 As reflected in the attached receipts and payments account, book debts realised £11,128 87 compared with the Statement of Affairs estimate of £15,126 89, the shortfall mainly as a result of disputed invoices No further recoveries are anticipated

### **4 CREDITORS' CLAIMS**

4 1 The statement of affairs indicated that there would be preferential creditors of £400 and non preferential claims of £147,257 70 I have received no preferential claims and I have received ten non-preferential claims totalling £110,593 83

4 2 However, once the costs of the winding up are taken into account, there will be insufficient funds available to enable me to make a distribution to this class of creditor

### **5 INVESTIGATIONS**

5 1 In accordance with the Company Directors Disqualification Act 1986, I have submitted a report on the conduct of the Directors of the Company to the Department for Business, Innovation and Skills As this is a confidential report, I am not able to disclose the contents

5 2 I have conducted my investigations into the Company's affairs in accordance with Statement of Insolvency Practice 2 (SIP 2)

### **6 LIQUIDATOR'S REMUNERATION AND DISBURSEMENTS**

6 1 As reflected in the attached receipts and payments account, I have been paid the statement of affairs fee agreed at the original creditors' meeting of £5,000 and I have been paid post appointment remuneration totalling £5,254 67 on a time cost basis A summary of my time cost charges in Statement of Insolvency Practice 9 format is attached to this report

6 2 In addition, I have discharged the following disbursements from funds in hand

- Specific bond of £50
- General disbursements of £340 87
- Statutory advertising of £283 33
- Legal Fees £100

7 REQUEST FOR INFORMATION

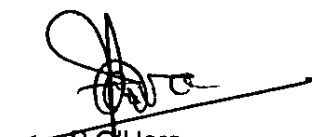
7.1 In accordance with Rule 4.49E of the Insolvency Rules 1986, a secured creditor or unsecured creditors with the concurrence of at least 5% in value of the general body of unsecured creditors are entitled to request further information relating to the Joint Liquidators' remuneration or expenses. Such requests must be made within 21 days of receipt of this report. In the event the requesting unsecured creditor does not hold a concurrence of at least 5%, an application to Court may be made to obtain the necessary permission. Such applications need to be made within 21 days of receipt of this report.

7.2 In addition to the above and in accordance with Rule 4.131 of the Insolvency Rules 1986, creditors are entitled to make a claim that the Joint Liquidators' remuneration is or expenses are excessive. Such claims should be made in the form of an application to Court no later than eight weeks after the progress report has been received.

8 CONCLUSION

8.1 This report, in conjunction with the final meetings of members and creditors, will conclude my administration of this case. Details of the final meetings and resolutions to be considered have been circulated with this report.

Yours faithfully


  
P. O'Hara  
Liquidator

Enc

**Direct Linen Limited**  
**(In Liquidation)**

**LIQUIDATOR'S RECEIPTS AND PAYMENTS ACCOUNT**

|                               | Statement<br>of affairs<br>£ | From 21/10/2013<br>To 12/06/2014<br>£ | From 21/10/2013<br>To 12/06/2014<br>£ |
|-------------------------------|------------------------------|---------------------------------------|---------------------------------------|
| <b>RECEIPTS</b>               |                              |                                       |                                       |
| Pre appointment book debts    |                              | 4,634 16                              | 4,634 16                              |
| Book Debts                    | 15,126 89                    | 6,489 11                              | 6,489 11                              |
| Bank Interest Gross           |                              | 2 87                                  | 2 87                                  |
| Bank Interest Net of Tax      |                              | 2 73                                  | 2 73                                  |
|                               |                              | <u>11,128 87</u>                      | <u>11,128 87</u>                      |
| <b>PAYMENTS</b>               |                              |                                       |                                       |
| Specific Bond                 |                              | 50 00                                 | 50 00                                 |
| Statement of Affairs Fee      |                              | 5,000 00                              | 5,000 00                              |
| Disbursements                 |                              | 340 87                                | 340 87                                |
| Remuneration                  |                              | 5,254 67                              | 5,254 67                              |
| Legal Fees (1)                |                              | 200 00                                | 200 00                                |
| Statutory Advertising         |                              | 283 33                                | 283 33                                |
| Employee Arrears/Hol Pay      | (400 00)                     | 0 00                                  | 0 00                                  |
| Trade & Expense Creditors     | (34,732 03)                  | 0 00                                  | 0 00                                  |
| Employees                     | (3,000 00)                   | 0 00                                  | 0 00                                  |
| Landlord                      | (9,596 00)                   | 0 00                                  | 0 00                                  |
| Directors                     | (33,714 00)                  | 0 00                                  | 0 00                                  |
| National Westminster Bank plc | (27,715 67)                  | 0 00                                  | 0 00                                  |
| PAYE / NIC                    | (14,000 00)                  | 0 00                                  | 0 00                                  |
| VAT                           | (1,000 00)                   | 0 00                                  | 0 00                                  |
| Donbac Loan                   | (23,500 00)                  | 0 00                                  | 0 00                                  |
| Ordinary Shareholders         | (100 00)                     | 0 00                                  | 0 00                                  |
|                               |                              | <u>11,128 87</u>                      | <u>11,128 87</u>                      |
| <b>BALANCE - 12 June 2014</b> |                              |                                       | <u><u>0 00</u></u>                    |

  
Peter O'Hara  
Liquidator



**Appendix B**

# Time Entry - SIP9 Time & Cost Summary

D276 - Direct Linen Limited  
Project Code POST  
To 24/06/2014

| Classification of Work Function    | Partner     | Manager      | Other Senior Professionals | Assistants & Support Staff | Total Hours  | Time Cost (£)   | Average Hourly Rate (£) |
|------------------------------------|-------------|--------------|----------------------------|----------------------------|--------------|-----------------|-------------------------|
| Administration & Planning          | 1.70        | 15.00        | 0.00                       | 9.60                       | 28.30        | 4,107.50        | 156.18                  |
| Case Specific Matters              | 0.00        | 0.00         | 0.00                       | 0.00                       | 0.00         | 0.00            | 0.00                    |
| Creditors                          | 0.10        | 6.50         | 0.00                       | 0.00                       | 6.60         | 1,002.50        | 151.89                  |
| General Disbursements              | 0.00        | 0.00         | 0.00                       | 0.00                       | 0.00         | 0.00            | 0.00                    |
| Investigations                     | 0.30        | 0.00         | 0.00                       | 0.00                       | 0.30         | 82.50           | 275.00                  |
| Realisation of Assets              | 0.30        | 12.00        | 0.00                       | 0.00                       | 12.30        | 1,882.50        | 153.05                  |
| Trading                            | 0.00        | 0.00         | 0.00                       | 0.00                       | 0.00         | 0.00            | 0.00                    |
| <b>Total Hours</b>                 | <b>2.40</b> | <b>33.50</b> | <b>0.00</b>                | <b>9.60</b>                | <b>45.50</b> | <b>7,075.00</b> | <b>155.49</b>           |
| <b>Total Fees Claimed</b>          |             |              |                            |                            |              | <b>0.00</b>     |                         |
| <b>Total Disbursements Claimed</b> |             |              |                            |                            |              | <b>113.87</b>   |                         |

**THE INSOLVENCY ACT 1986**

**NOTICE OF FINAL MEETING - CREDITORS' VOLUNTARY WINDING-UP**

**IN THE MATTER OF**

**Direct Linen Limited - IN LIQUIDATION**

Trading Names or Styles as above

Registered Number 06574089

Registered Office Wesley House  
Huddersfield Road  
Birstall  
Batley  
West Yorkshire  
WF17 9EJ

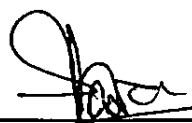
Principal Trading Address Unit 8-11  
Wheatley hall Business Park  
Churchill Road  
Doncaster  
DN2 4LP

NOTICE IS HEREBY GIVEN, pursuant to Section 106 of the Insolvency Act 1986 that final meetings of members and creditors of the above named Company will be held at 1 Thorne Road, Doncaster, DN1 2HJ on 21/08/2014 at 11 30am for the purpose of having an account laid before them showing the manner in which the winding-up has been conducted and the property to the Company disposed of and of hearing any explanation that may be given by the Liquidator and also of determining the manner in which the books, accounts and documents of the Company and of the Liquidator shall be disposed of

A member entitled to attend and vote at the above meeting may appoint a proxy to attend and vote for him and such proxy need not also be a member

P O'Hara Insolvency Practitioner number 6371, O'Hara & Co, Wesley House, Huddersfield Road, Birstall, Batley, WF17 9EJ Telephone number 01924 477449 Email [simon.weir@ohara.co.uk](mailto:simon.weir@ohara.co.uk)

Dated 24 June 2014

  
\_\_\_\_\_  
P. O'Hara  
Liquidator

IN THE MATTER OF Direct Linen Limited  
AND  
IN THE MATTER OF THE INSOLVENCY ACT 1986

(1) Please give full name  
and address  
for communication

(1) Name of Creditor / Member \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(2) Please insert name of  
person (who must be 18 or  
over) or the "chairman of the  
meeting" (See note below)  
if you wish to provide for  
alternative proxy-holders in  
the circumstances that your  
first choice is unable to  
attend please state the  
name(s) of the  
alternative(s) as well

(2) Name of proxy-holder

1 \_\_\_\_\_

2 \_\_\_\_\_

3 \_\_\_\_\_

(3) Please delete words in  
brackets if the proxy-holder  
is only to vote as directed, ie  
he has no discretion

I appoint the above person to be my / the creditors' / members' proxy-holder at  
the meeting of creditors/members to be held on 21 August 2014 or at any  
adjournment of that meeting The proxy-holder is to propose or vote as  
instructed below (3) (and in respect of any resolution for which no specific  
instruction is given, may vote or abstain at his / her discretion)

1 For the Liquidator to obtain his release

2 To approve the Liquidator's final report and receipts and payments account

(4) This form must be signed

Signature \_\_\_\_\_ Date \_\_\_\_\_

Name in CAPITAL LETTERS \_\_\_\_\_

(5) Only to be completed if  
the creditor / member has  
not signed in person

(5) Position with creditor / member or relationship to creditor / member or other  
authority for signature

Please note that if you nominate the chairman of the meeting to be your proxy-  
holder he will either be a Director of the Company or the current Liquidator

**Appendix D**

## A CREDITORS' GUIDE TO LIQUIDATORS' FEES ENGLAND AND WALES

### 1 Introduction

- 1 1 When a company goes into liquidation the costs of the proceedings are paid out of its assets. The creditors, who hope to recover some of their debts out of the assets, therefore have a direct interest in the level of costs, and in particular the remuneration of the insolvency practitioner appointed to act as liquidator. The insolvency legislation recognises this interest by providing mechanisms for creditors to fix the basis of the liquidator's fees. This guide is intended to help creditors be aware of their rights to approve and monitor fees, explains the basis on which fees are fixed and how creditors can seek information about expenses incurred by the liquidator and challenge those they consider to be excessive.

### 2 Liquidation Procedure

- 2 1 Liquidation (or 'winding up') is the most common type of corporate insolvency procedure. Liquidation is the formal winding up of a company's affairs entailing the realisation of its assets and the distribution of the proceeds in a prescribed order of priority. Liquidation may be either voluntary, when it is instituted by resolution of the shareholders, or compulsory, when it is instituted by order of the court.
- 2 2 Voluntary liquidation is the more common of the two. An insolvent voluntary liquidation is called a creditors' voluntary liquidation (often abbreviated to 'CVL'). In this type of liquidation an insolvency practitioner acts as liquidator throughout and the creditors can vote on the appointment of the liquidator at the first meeting of creditors.
- 2 3 In a compulsory liquidation on the other hand, the function of liquidator is, in most cases, initially performed not by an insolvency practitioner but by an official called the official receiver. The official receiver is an officer of the court and an official belonging to The Insolvency Service. In most compulsory liquidations, the official receiver becomes liquidator immediately on the making of the winding-up order. Where there are significant assets an insolvency practitioner will usually be appointed to act as liquidator in place of the official receiver, either at a meeting of creditors convened for the purpose or directly by The Insolvency Service on behalf of the Secretary of State. Where an insolvency practitioner is not appointed the official receiver remains liquidator.
- 2 4 Where a compulsory liquidation follows immediately on an administration the court may appoint the former administrator to act as liquidator. In such cases the official receiver does not become liquidator. An administrator may also subsequently act as liquidator in a CVL.

### 3 The Liquidation Committee

- 3 1 In a liquidation (whether voluntary or compulsory) the creditors have the right to appoint a committee called the liquidation committee, with a minimum of 3 and a maximum of 5 members, to monitor the conduct of the liquidation and approve the liquidator's fees. The committee is usually established at the creditors' meeting which appoints the liquidator, but in cases where a liquidation follows immediately on an administration any committee established for the purposes of the administration will continue in being as the liquidation committee.
- 3 2 The liquidator must call the first meeting of the committee within 6 weeks of its establishment (or his appointment if that is later), and subsequent meetings must be held either at specified dates agreed by the committee, or when requested by a member of the committee, or when the liquidator decides he needs to hold one. The liquidator is required to report to the committee at least every 6 months on the progress of the liquidation, unless the committee directs otherwise. This provides an opportunity for the committee to monitor and discuss the progress of the insolvency and the level of the liquidator's fees.

### 4 Fixing the Liquidator's Remuneration

- 4 1 The basis for fixing the liquidator's remuneration is set out in Rules 4.127 – 4.127B of the Insolvency Rules 1986. The Rules state that the remuneration shall be fixed
- as a percentage of the value of the assets which are realised or distributed or both,
  - by reference to the time properly given by the liquidator and his staff in attending to matters arising in the liquidation, or
  - as a set amount.

Any combination of these bases may be used to fix the remuneration, and different bases may be used for different things done by the liquidator. Where the remuneration is fixed as a percentage, different percentages may be used for different things done by the liquidator.

It is for the liquidation committee (if there is one) to determine on which of these bases, or combination of bases, the remuneration is to be fixed. Where it is fixed as a percentage, it is for the committee to determine the percentage or percentages to be applied. Rule 4.127 says that in arriving at its decision the committee shall have regard to the following matters:

- the complexity (or otherwise) of the case,
- any responsibility of an exceptional kind or degree which falls on the liquidator in connection with the insolvency,
- the effectiveness with which the liquidator appears to be carrying out, or to have carried out, his duties,
- the value and nature of the assets which the liquidator has to deal with.

4.2 If there is no liquidation committee, or the committee does not make the requisite determination, the liquidator's remuneration may be fixed by a resolution of a meeting of creditors. The creditors take account of the same matters as apply in the case of the committee. A resolution specifying the terms on which the liquidator is to be remunerated may be taken at the meeting which appoints the liquidator.

4.3 If the remuneration is not fixed as above, it will be fixed in one of the following ways. In a CVL, it will be fixed by the court on application by the liquidator, but the liquidator may not make such an application unless he has first tried to get his remuneration fixed by the committee or creditors as described above, and in any case not later than 18 months after his appointment. In a compulsory liquidation, it will be in accordance with a scale set out in the Rules.

4.4 Where the liquidation follows directly on from an administration in which the liquidator had acted as administrator, the basis of remuneration fixed in the administration continues to apply in the liquidation (subject to paragraph 8 below).

## 5 Review of Remuneration

Where there has been a material and substantial change in circumstances since the basis of the liquidator's remuneration was fixed, the liquidator may request that it be changed. The request must be made to the same body as initially approved the remuneration, and the same rules apply as to the original approval.

## 6 What Information Should be Provided by the Liquidator?

### 6.1 When seeking remuneration approval

6.1.1 When seeking agreement to his fees the liquidator should provide sufficient supporting information to enable the committee or the creditors to form a judgement as to whether the proposed fee is reasonable having regard to all the circumstances of the case. The nature and extent of the supporting information which should be provided will depend on:

- the nature of the approval being sought,
- the stage during the administration of the case at which it is being sought, and
- the size and complexity of the case.

6.1.2 Where, at any creditors' or committee meeting, the liquidator seeks agreement to the terms on which he is to be remunerated, he should provide the meeting with details of the charge-out rates of all grades of staff, including principals, which are likely to be involved on the case.

6.1.3 Where the liquidator seeks agreement to his fees during the course of the liquidation, he should always provide an up to date receipts and payments account. Where the proposed fee is based on time costs the liquidator should disclose to the committee or the creditors the time spent and the charge-out value in the particular case, together with, where appropriate, such additional information as may reasonably be required having regard to the size and complexity of the case. The additional information should comprise a sufficient explanation of what the liquidator has achieved and how it was achieved to enable the value of the exercise to be assessed (whilst recognising that the liquidator must fulfil certain statutory obligations that might be seen to bring no added value for creditors) and to establish that the time has been properly spent on the case. That assessment will need to be made having regard to the time spent and the rates at which that time was charged, bearing in mind the factors set out in paragraph 4.1 above. To enable this assessment to be carried out it may be necessary for the liquidator to provide an analysis of the time spent on the case by type of activity and grade of staff. The degree of detail will depend on the circumstances of the case, but it will be helpful to be aware of the professional guidance which has been given to insolvency practitioners on this subject. The guidance suggests the following areas of activity as a basis for the analysis of time spent:

- Administration and planning
- Investigations
- Realisation of assets
- Trading
- Creditors
- Any other case-specific matters

The following categories are suggested as a basis for analysis by grade of staff

- Partner
- Manager
- Other senior professionals
- Assistants and support staff

The explanation of what has been done can be expected to include an outline of the nature of the assignment and the liquidator's own initial assessment, including the anticipated return to creditors. To the extent applicable it should also explain

- Any significant aspects of the case, particularly those that affect the amount of time spent
- The reasons for subsequent changes in strategy
- Any comments on any figures in the summary of time spent accompanying the request the liquidator wishes to make
- The steps taken to establish the views of creditors, particularly in relation to agreeing the strategy for the assignment, budgeting, time recording, fee drawing or fee agreement
- Any existing agreement about fees
- Details of how other professionals, including subcontractors, were chosen, how they were contracted to be paid, and what steps have been taken to review their fees

*It should be borne in mind that the degree of analysis and form of presentation should be proportionate to the size and complexity of the case. In smaller cases not all categories of activity will always be relevant, whilst further analysis may be necessary in larger cases.*

- 6 1 4 Where the fee is charged on a percentage basis the liquidator should provide details of any work which has been or is intended to be sub-contracted out which would normally be undertaken directly by a liquidator or his staff

## 6 2 ***After Remuneration Approval***

Where a resolution fixing the basis of fees is passed at any creditors' meeting held before he has substantially completed his functions, the liquidator should notify the creditors of the details of the resolution in his next report or circular to them. When subsequently reporting to creditors on the progress of the liquidation, or submitting his final report, he should specify the amount of remuneration he has drawn in accordance with the resolution (see further paragraph 7 1 below). Where the fee is based on time costs he should also provide details of the time spent and charge-out value to date and any material changes in the rates charged for the various grades since the resolution was first passed. He should also provide such additional information as may be required in accordance with the principles set out in paragraph 6 1 3. Where the fee is charged on a percentage basis the liquidator should provide the details set out in paragraph 6 1 4 above regarding work which has been sub-contracted out.

## 6 3 ***Disbursements and Other Expenses***

There is no statutory requirement for the committee or the creditors to approve the drawing of expenses or disbursements, but there is provision for the creditors to challenge them, as described below. Professional guidance issued to insolvency practitioners requires that, where the liquidator proposes to recover costs which, whilst being in the nature of expenses or disbursements, may include an element of shared or allocated costs (such as room hire, document storage or communication facilities provided by the liquidator's own firm), they must be disclosed and be authorised by those responsible for approving his remuneration. Such expenses must be directly incurred on the case and subject to a reasonable method of calculation and allocation.

## 6 4 ***Realisations for Secured Creditors***

Where the liquidator realises an asset on behalf of a secured creditor and receives remuneration out of the proceeds (see paragraph 11 1 below), he should disclose the amount of that remuneration to the committee (if there is one), to any meeting of creditors convened for the purpose of determining his fees, and in any reports he sends to creditors.



## 7 Progress Reports and Requests for Further Information

7.1 The liquidator is required to send annual progress reports to creditors. The reports must include

- details of the basis fixed for the remuneration of the liquidator (or if not fixed at the date of the report, the steps taken during the period of the report to fix it),
- if the basis has been fixed, the remuneration charged during the period of the report, irrespective of whether it was actually paid during that period (except where it is fixed as a set amount, in which case it may be shown as that amount without any apportionment for the period of the report),
- if the report is the first to be made after the basis has been fixed, the remuneration charged during the periods covered by the previous reports, together with a description of the work done during those periods, irrespective of whether payment was actually made during the period of the report,
- a statement of the expenses incurred by the liquidator during the period of the report, irrespective of whether payment was actually made during that period,
- a statement of the creditors' rights to request further information, as explained in paragraph 7.2, and their right to challenge the liquidator's remuneration and expenses

7.2 Within 21 days of receipt of a progress report (or 7 business days where the report has been prepared for the purposes of a meeting to receive the liquidator's resignation) a creditor may request the liquidator to provide further information about the remuneration and expenses set out in the report. A request must be in writing, and may be made either by a secured creditor, or by an unsecured creditor with the concurrence of at least 5% in value of unsecured creditors (including himself) or the permission of the court.

7.3 The liquidator must provide the requested information within 14 days, unless he considers that

- the time and cost involved in preparing the information would be excessive, or
- disclosure would be prejudicial to the conduct of the liquidation or might be expected to lead to violence against any person, or
- the liquidator is subject to an obligation of confidentiality in relation to the information requested,

in which case he must give the reasons for not providing the information.

Any creditor may apply to the court within 21 days of the liquidator's refusal to provide the requested information, or the expiry of the 14 days time limit for the provision of the information.

## 8 Provision of Information – Additional Requirements

The liquidator must provide certain information about the time spent on the case, free of charge, upon request by any creditor, director or shareholder of the company.

The information which must be provided is

- the total number of hours spent on the case by the liquidator or staff assigned to the case,
- for each grade of staff, the average hourly rate at which they are charged out,
- the number of hours spent by each grade of staff in the relevant period.

The period for which the information must be provided is the period from appointment to the end of the most recent period of six months reckoned from the date of the liquidator's appointment, or where he has vacated office, the date that he vacated office.

The information must be provided within 28 days of receipt of the request by the liquidator, and requests must be made within two years from vacation of office.

## 9 What if a Creditors is Dissatisfied?

9.1 Except in cases where there is a liquidation committee it is the creditors as a body who have authority to approve the liquidator's fees. To enable them to carry out this function they may require the liquidator to call a creditors' meeting. In order to do this at least ten per cent in value of the creditors must concur with the request, which must be made to the liquidator in writing.

9.2 If a creditor believes that the liquidator's remuneration is too high, the basis is inappropriate, or the expenses incurred by the liquidator are in all the circumstances excessive he may, provided certain conditions are met, apply to the court.

9 3 Application may be made to the court by any secured creditor, or by any unsecured creditor provided at least 10 per cent in value of unsecured creditors (including himself) agree, or he has the permission of the court. Any such application must be made within 8 weeks of the applicant receiving the liquidator's progress report in which the charging of the remuneration or incurring of the expenses in question is first reported (see paragraph 7 1 above). If the court does not dismiss the application (which it may if it considers that insufficient cause is shown) the applicant must give the liquidator a copy of the application and supporting evidence at least 14 days before the hearing.

9 4 If the court considers the application well founded, it may order that the remuneration be reduced, the basis be changed, or the expenses be disallowed or repaid. Unless the court orders otherwise, the costs of the application must be paid by the applicant and not out of the assets of the insolvent company.

## 10 What if the Liquidator is Dissatisfied

If the liquidator considers that the remuneration fixed by the liquidation committee, or in the preceding administration, is insufficient or that the basis used to fix it is inappropriate he may request that the amount or rate be increased, or the basis changed, by resolution of the creditors. If he considers that the remuneration fixed by the liquidation committee, the creditors, in the preceding administration or in accordance with the statutory scale is insufficient, or that the basis used to fix it is inappropriate, he may apply to the court for the amount or rate to be increased or the basis changed.

If he decides to apply to the court he must give at least 14 days' notice to the members of the committee and the committee may nominate one or more of its members to appear or be represented at the court hearing. If there is no committee, the liquidator's notice of his application must be sent to such of the creditors as the court may direct, and they may nominate one or more of their number to appear or be represented. The court may order the costs to be paid out of the assets.

## 11 Other Matters Relating to Remuneration

11 1 Where the liquidator realises assets on behalf of a secured creditor he is entitled to be remunerated out of the proceeds of sale in accordance with a scale set out in the Rules. Usually, however, the liquidator will agree the basis of his fee for dealing with charged assets with the secured creditor concerned.

11 2 Where two (or more) joint liquidators are appointed it is for them to agree between themselves how the remuneration payable should be apportioned. Any dispute between them may be referred to the court, the committee or a meeting of creditors.

11 3 If the appointed liquidator is a solicitor and employs his own firm to act in the insolvency, profit costs may not be paid unless authorised by the committee, the creditors or the court.

11 4 If a new liquidator is appointed in place of another, any determination, resolution or court order which was in effect immediately before the replacement continues to have effect in relation to the remuneration of the new liquidator until a further determination, resolution or court order is made.

11 5 Where the basis of the remuneration is a set amount, and the liquidator ceases to act before the time has elapsed or the work has been completed for which the amount was set, application may be made for a determination of the amount that should be paid to the outgoing liquidator. The application must be made to the same body as approved the remuneration. Where the outgoing liquidator and the incoming liquidator are from the same firm, they will usually agree the apportionment between them.

11 6 There may also be occasions when creditors will agree to make funds available themselves to pay for the liquidator to carry out tasks which cannot be paid for out of the assets, either because they are deficient or because it is uncertain whether the work undertaken will result in any benefit to creditors. Arrangements of this kind are sometimes made to fund litigation or investigations into the affairs of the insolvent company. Any arrangements of this nature will be a matter for agreement between the liquidator and the creditors concerned and will not be subject to the statutory rules relating to remuneration.

## 12 Effective Date

This guide applies where a company

- goes into liquidation on a winding-up resolution passed on or after 6 April 2010,
- goes into voluntary liquidation immediately following an administration on or after 6 April 2010, except where the preceding administration began before that date,
- goes into compulsory liquidation as the result of a petition presented on or after 6 April 2010, except where the liquidation was preceded by
  - an administration which began before that date,
  - a voluntary liquidation in which the winding-up resolution was passed before that date

# **Summary of Charge Out Rates and Disbursement Charges with Effect from 1 November 2010** (Subject to Change)

**Charge per hour**  
**£**

|                           |            |
|---------------------------|------------|
| Director                  | 225 to 275 |
| Manager                   | 150 to 175 |
| Other Senior Professional | 150 to 175 |
| Administrators            | 125 to 150 |
| Support Staff             | 100        |

## **Disbursement Charges**

- Mileage is recharged at 70p per mile
- Charges are made as follows

### ***Postage***

Normal letters

1<sup>st</sup> class - £1 10

2<sup>nd</sup> class - £1 00

Airmail - £2 00

Other According to size & weight

### ***Photocopying***

Up to 20p per sheet

Internal room hire is charged at £25 to £100 per meeting

**An Extract from the Insolvency Rules 1986 Relating to Creditors' Rights to Request Additional Information from the Liquidator**

Rule 4 49E edited for application to a progress report in a Creditors' Voluntary Liquidation

- 1 If
  - a) With the period mentioned in paragraph 2
    - i) A secured creditors, or
    - ii) An unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question), or
  - b) With the permission of the Court upon an application made within the period mentioned in paragraph 2, any unsecured creditor

makes a request in writing to the Liquidator for further information about remuneration or expenses set out in the progress report, the Liquidator must, within 14 days of receipt of the request, comply with paragraph 3 except to the extent that the request is in respect of a matter which was previously included in a progress report

- 2 The period referred to in paragraph 1a is 21 days of receipt of the progress report

- 3 The Liquidator complies with this paragraph by either

- a) Providing all of the information asked for, or
- b) So far as the Liquidator considers that
  - i) The time or cost of preparation of the information would be excessive, or
  - ii) Disclosure of the information would be prejudicial to the conduct of the Liquidation or might reasonably be expected to lead to violence against any person, or
  - iii) The Liquidator is subject to an obligation of confidentiality in respect of the information

giving reasons for not providing all of the information

- 4 Any creditor, who need not be the same as the creditor who requested further information, may apply to the Court within 21 days of:

- a) The giving by the Liquidator of reasons for not providing all of the information asked for, or
- b) The expiry of the 14 days provided for in paragraph 1

And the Court may make such order as it thinks just

- 5 Without prejudice to the generality of paragraph 4, the order of the Court under that paragraph may extend the period of eight weeks provided for in Rule 4 131(1B) by such further period as the Court thinks just

**An Extract from the Insolvency Rules 1986 Relating to Creditors' Rights to Challenge the Liquidator's Fees if Excessive**

**Rule 4 131**

1 Any secured creditor, or any unsecured creditor with either the concurrence of at least 10% in value of the creditors (including that creditor) or the permission of the Court, may apply to the Court for one or more of the orders in paragraph 4

1A Application by a creditor may be made on the grounds that

- a) The remuneration charged by the Liquidator,
- b) The basis fixed for the Liquidator's remuneration under Rule 4 127, or
- c) Expenses incurred by the Liquidator,

is or are, in all the circumstances, excessive or, in the case of an application under sub-paragraph b), inappropriate

1B The application must, subject to any order of the Court under Rule 4 49E(5), be made no later than eight weeks (or in a case falling within rule 4 108, four weeks) after receipt by the applicant of the progress report or the draft report under Rule 4 49D, which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report")

2 The Court may, if it thinks that no cause is shown for a reduction, dismiss the application, but it shall not do so unless the applicant has had an opportunity to attend the Court for a hearing, of which he has been given at least five business days' notice but which is without notice to any other party

If the application is not dismissed under this paragraph, the Court shall fix a venue for it to be heard, and give notice to the applicant accordingly

3 The applicant shall, at least 14 days before the hearing, send to the Liquidator a notice stating the venue and accompanied by a copy of the application, and of any evidence which the applicant intends to adduce in support of it

4 If the Court considers the application to be well-founded, it must make one or more of the following orders

- a) An order reducing the amount of remuneration which the Liquidator was entitled to charge,
- b) An order fixing the basis of remuneration at a reduced rate or amount,
- c) An order changing the basis of remuneration,
- d) An order that some or all of the remuneration or expenses in question be treated as not being expenses of the Liquidation,
- e) An order that the Liquidator or the Liquidator's personal representative pay to the Company the amount of the excess of remuneration or expenses or such part of the excess as the Court may specify,

and may make any other order that it thinks just, but an order under sub-paragraph b) or c) may be made only in respect of periods after the period covered by the relevant report

Unless the Court orders otherwise, the costs of the application shall be paid by the applicant, and are not payable as an expense of the Liquidation