



Fact sheet: One of my customers has gone into an Insolvency Process - will I still be paid?

"Will I still be paid?" is a question likely to have been asked by the suppliers to the many companies that were placed into a formal insolvency procedure so far this year. We explain what to do if you are in this position based on your creditor following a Creditors Voluntary Liquidation (CVL).

Given the current economic pressures, it is anticipated that there will be even more insolvent businesses during the rest of 2025 particularly in industries which are most at risk such as retail and hospitality. Below, we answer the following questions:

- What is the process for Creditors Voluntary Liquidations, ("CVL's")
- What is the reality of how much I am likely to be paid?
- How do I minimise my future potential liability?
- How can you help me?

If you are in this situation (or are experiencing financial distress yourself) please don't hesitate to contact our specialist team to have an initial discussion about your personal circumstances. Simply call 0161 608 0000. Otherwise please follow the advice below including how to minimise your potential future liabilities.

What is the process of Creditors Voluntary Liquidations, ("CVL's")?

The majority of company insolvencies are Creditors Voluntary Liquidations, ("CVL's"), so we will take a look at the process for them:

- You should be notified by an Insolvency Practitioner prior to the CVL and provided with the Notice of Decision Procedure which explains the whole process, the date at which the Company will enter into CVL and the name of the Liquidator to be appointed. You will also be provided with a Report to Creditors, which sets out the trading history of the company, the Statement of Affairs and a Proof of Debt form to enable your claim to be submitted.
- Check the Statement of Affairs to ensure that your liability is correctly listed and notify the nominated Liquidator if anything is missing.

- It is important to note that at this stage a creditor cannot object to a company entering into CVL, as it is the members/shareholders who pass resolutions to wind up the Company.
- Check the terms and conditions of your contract with the customer. If it includes Retention of Title clauses, you should alert the Insolvency Practitioner immediately as you may be able to recover goods that have not been paid for.
- It is also important to notify any trade credit insurers as you may be able make a claim.
- You will be notified once the company has formally entered into CVL and sent a questionnaire which you should complete and return with details of all unpaid invoices, copies of the contracts and any supporting documentation.
- Notice of the CVL will also be filed at Companies House and in the London Gazette.

What is the reality of how much I am likely to be paid?

The Liquidator has a duty to realise assets for the benefit of creditors, however recoveries may be limited as priority is given to preferential creditors such as employees' wages and HMRC, VAT and PAYE

As an unsecured creditor, it may be worth seeking advice from your own Insolvency Practitioner about what further steps you can take. You will be able to claim VAT relief on bad debts after 6 months and you should discuss with your accountant how to write off the debt for tax purposes

How do I minimise my future potential liability?

- Always carry out credit checks before trading with a new customer and investigate any red flags
- Set very clear credit terms and limits including penalties for late payment.
- Request Personal Guarantees from the company's directors.
- Ensure you have a Retention of Title clause so the goods remain yours until you have received payment.
- Make sure your own bookkeeping is robust and you monitor all payments very carefully.
- Follow up any unpaid invoices immediately and stop supplying or request pre payment if payments are delayed.

How can you help me?

More business are likely to become insolvent during 2025 so take action to protect against bad debts as soon as possible. Your accountant will be able to provide more information on this but always speak with an Insolvency Practitioner if you have unpaid debts for the best advice on how to recover them.

Gareth Hunt, Head of Business Recovery at RPG Business Recovery.

*For further information about how we can help, please email BusinessRecovery@rpg.co.uk.
Last date reviewed September 2025 – please do not rely on this document alone and seek advice to take into account your own circumstances.*

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