Briefing Sheet

Partnership Voluntary Arrangement

Who can use a PVA?

PVAs can be used by partnerships under threat of winding up but where the partners believe – and are willing to prove – that the partnership is viable. The procedure is mainly used for partnerships with a significant number of members who wish to avoid the consequences of bankruptcy and to exclude personal assets from any arrangement. It tends to be used for medium to larger sized professional practices that continue to trade as a partnership.

How does a PVA operate?

The procedure is very similar to that of a CVA with the proposals for the PVA being drafted by the partners. The aim is to reach a deal between the partnership, its creditors and the partners. The start is to establish the true position in relation to debtors, creditors and future viability of the business. It might be appropriate at this point to get an objective viewpoint from an expert in business recovery.

An expert will also help put together the proposal, collating all the necessary information and dealing with creditors. The same person may also talk to the partnership's bankers, secured lenders and HMRC. Eventually a licensed insolvency practitioner will be required to prepare a 'Nominee's' report on the proposal filed in Court and sent to creditors. Despite this role, the proposal is that of the partners.

After the proposal has been drafted it is filed at Court. This ensures limited Court involvement. There is an option of applying for a moratorium to protect the business in the period between the application to Court and the date of the creditors meeting. Once this process has been completed a creditors' meeting is convened.

The proposal is published on our portal and details sent to every known creditor with the Nominee's report and notice of a virtual creditors' meeting. A minimum notice period of 14 days from receipt of the document must elapse before this meeting can be held, to allow adequate time for creditors to consider the proposal and to either accept, reject or propose modifications to the partners' original offer.

Advantages/disadvantages of a PVA

Once approved, the PVA provides a breathing space to allow reorganisation and restructuring of the Partnership. Costs are significantly less than if the Partnership was wound up as an unregistered company or placed into administration. The partners remain in control of the day to day affairs of the partnership and avoid the stigma of bankruptcy.

Executive summary

A PVA does not suddenly bring security to a partnership that is not viable, but it does allow the opportunity for a distressed but viable business to continue trading whilst making organised repayments to creditors. It aims to strike a balance between the existing partners in the business and the partnership's creditors.

Whilst it can preserve the partnership, a PVA demands determination and hard work to bring to a successful conclusion. It is an appropriate solution for situations where seeing off shortterm threats will produce longterm gains for all involved.

Have a question?

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Partners have continued income and creditors should get a better return than if the partnership were wound up. However, this is not an easy process as the partners must comply with the terms of the proposal and make voluntary contributions on time together with fulfilling any other obligations imposed upon them as a term of the arrangement. Only when the proposal has been completed will the burden of historic debt be lifted.

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