Company Liquidation and the Committee of Inspection



Quick Guide

Oifig an Stiúrthóra um Fhorfheidhmiú Corparáideach

Office of the Director of Corporate Enforcement

Plain English
Approved by NALA

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About this guide

This guide explains the role of a committee of inspection.

What is a committee of inspection?

A committee of inspection is a committee which represents the interests of all creditors of a company going into liquidation.

When are committees of inspection appointed?

They are appointed when a company is being legally dissolved through the liquidation process, and cannot pay its debts. There are two types of liquidations:

- liquidations which are ordered by the High Court (Court liquidations)[1], and
- liquidations decided on by the shareholders (voluntary liquidations – members[2] and creditors[3]).

Where the High Court has ordered a liquidation, it may also order that a meeting of the creditors is arranged, so that the creditors can decide whether or not to appoint a committee of inspection.

If it is a voluntary liquidation, the company must call a creditors' meeting to allow the creditors to decide whether or not to appoint a different liquidator to the one chosen by the company, and whether or not to appoint a committee of inspection.

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1 A Court appointed liquidation also known as compulsory liquidation and takes place when a Court orders the winding up of the company for various reasons – see Section 213 Companies Act, 1963.

2 A members' voluntary liquidation usually occurs when the members of a solvent company decide to legally wind up the company.

3 A creditors' voluntary liquidation occurs in an insolvent company where the creditors supervise the liquidation.

All creditors are entitled to 10 days' notice of this meeting. The meeting has to be held either on the day the company decides to go into liquidation or on the day after.

What are the advantages of setting up a committee of inspection?

A committee of inspection can exercise control over the liquidator and also protect the rights of the company's creditors. In particular, the committee can hold the liquidator to account in relation to the selling of assets, the level of fees the liquidator charges and other such matters.

These are important matters because they relate to what money, if any, creditors will receive.

The High Court oversees court ordered liquidations but otherwise committee of inspections are advantageous.

Who appoints the committee of inspection?

The creditors of a company going into liquidation appoint the committee of inspection usually at the creditors' meeting. For Court liquidations, there is no limit on the number of committee members.

For voluntary liquidations, the creditors may appoint up to five people to the committee of inspection. Then, the company may, at a general meeting pass a resolution to appoint three of its members. However, the creditors may object to all or any of the people nominated by the company. If the company wishes their representatives to join the committee despite being rejected by the creditors, they have to get an order from the High Court.

What are the duties and functions of the committee of inspection?

Its main functions and duties are to:

- carry out a general oversight of the liquidator and approve liquidators' fees and expenses;
- convene meetings of the committee of inspection to discuss matters of concern in the liquidation; and
- assist the liquidator in carrying out their duties such as approving payments to certain type of creditors and/or agreeing a compromise arrangement with creditors.

What rights and powers have the committee?

Examples of the rights and powers of the committee of inspection are to decide:

- on the liquidator's fee;
- if the liquidator should continue the business of the company; and
- if the powers of the directors should continue.

The liquidator can only carry out the following activities with the sanction of the committee of inspection:

- pay any classes of creditors in full;
- make any compromise or arrangement with creditors; and
- compromise any debts and liabilities owed to the company.

What are committee procedures?

- The committee can meet as its members think fit.
- Any committee member can convene a meeting.
- The liquidator can also convene a meeting of the committee.
- To resign as a committee member, you have to write to the liquidator.
- A member is considered to have vacated office if they become bankrupt or are absent without permission from five meetings in a row.
- A member of the committee can be removed by a majority of those who appointed them (creditors or members).
- For a meeting to be valid, more than half of its members need to be present. So if the committee had seven members, then at least four members need to be present for the meeting to be valid.

Where can I find out more?

The ODCE's Quick Guide on Liquidators, Receivers and Examiners is helpful if you are owed money by a company that has gone into liquidation. The ODCE also has a more comprehensive Information Book on this subject.

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