Company Liquidation and the Committee of Inspection

A quick guide
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About this guide

We have produced this quick guide to explain the role of a committee of inspection under the Companies Act.

What is a committee of inspection?

A committee of inspection is a group of people who represent the interests of creditors of a company that can no longer pay its debts and is being wound up by liquidation.

Creditors are the people (or other companies) that are owed money by the company. Liquidation is the process of bringing the company to a legal end.

What does a committee of inspection do?

A committee of inspection has two main roles:

- to oversee the activities of the liquidator (the person appointed to wind up the company); and
- to protect the rights of the creditors.

Who can appoint a committee of inspection?

The creditors of a company that is being wound up can decide whether to appoint a committee of inspection.

In a voluntary liquidation, where the creditors have decided to wind up the company, the creditors may appoint a committee of inspection.
In a compulsory liquidation, ordered by the court, the liquidator must call a meeting of the creditors if at least 10 per cent of the creditors ask for one. This meeting will decide whether to appoint a committee of inspection.

**Who can appoint the members of the committee of inspection?**

The creditors of the company can appoint up to **five** people to the committee and the company can appoint up to **three** people. The committee cannot have more than **eight** members or less than **two**.

**How is the committee appointed?**

The creditors usually appoint their people to the committee of inspection at the creditors’ meeting or at a later meeting. The company may call a general meeting to pass a resolution to appoint its people to the committee.

However, the creditors may object to some or all of the people nominated by the company. If this happens and the company wants to keep its representatives on the committee, the company will have to get an order from the High Court to allow this.
Why set up a committee of inspection?

A committee of inspection can protect the rights of the company’s creditors. In particular, it can:

- hold the liquidator to account in relation to the sale of company assets (property, stock and other resources); and
- approve the level of fees the liquidator charges.

This is important as it relates to the amount of money, if any, that creditors will receive.

What are the duties of the committee of inspection?

The main duties are to:

- oversee the activities of the liquidator;
- approve the liquidator’s fees and expenses;
- call meetings of the committee to discuss any concerns about the liquidation;
- approve payments to certain types of creditors or agree a compromise arrangement with creditors; and
- decide whether or not the powers of the directors should continue during the liquidation.
How does the committee operate?

- The committee members decide when, where and how often to meet.
- Any committee member can call a meeting.
- The liquidator can also call a meeting of the committee.
- If you want to resign as a committee member, you must write and tell the liquidator.
- If you become bankrupt or miss two meetings in a row without permission, you will no longer be considered a committee member.
- 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 the committee members need to be present. So, if the committee has seven members, then at least four members must be present for the meeting to be valid.

Where can I get more information?

You can find more detailed information about committees of inspection on our website, www.odce.ie.

If you are unsure what you need to do under the law as a member of a committee of inspection, you should get independent, professional advice.
Disclaimer

This Quick Guide sets out some of the basic legal duties of Committees of Inspection. It is not a legal interpretation of any part of the Companies Act. The Director of Corporate Enforcement accepts no responsibility or liability for any errors, inaccuracies or omissions in this guide.
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Tá leagan Gaeilge den leabhrán seo ar fáil
An Irish version of this booklet is available