Swiss Chinese Law Review, Volume 1, Issue 1, 2020.

Horie, Junichi, 'What is Voluntary Administration', page 25.

Junichi Horie

'What is Voluntary Administration?'

If a company becomes insolvent (unable to pay its debts) they may enter voluntary administration. The company is then placed in the hands of an independent person/party. The purpose of voluntary administration is to save the company.

Voluntary administration allows creditors an opportunity to negotiate with the company and seek an independent review of its operations, with the primary goal of maintaining the business. Voluntary administration is initiated as a result of a "resolution by a majority of directors". However, voluntary administration is seldom a successful process.

Who is the voluntary administrator?

The administrator is the person nominated by the director (or liquidator/secured creditor) to the run the process and take control of the company and its restructuring. Under Australian law, an administrator must be a registered liquidator and is monitored closely by the Australian Securities and Investments Commission.

The administrator will involve the directors and hold meetings with the creditors throughout the evaluation process, and potentially draft the Deed of Company Arrangement (DOCA).

What does the voluntary administration process involve?

The initiation of a voluntary administration will block creditors (in most circumstances) from legal or recovery actions against the insolvent company.

Voluntary administrations are intended to be quick and efficient – the whole process is intended to be complete within a month. At the end of the investigations, the aim is to place the company into liquidation or finalise a deal with the creditors – the DOCA.

The administrator must report any offences or wrongdoings detected during their investigations. The administrator must also disclose to creditors all the details around the company's insolvency, directors' actions or wrongdoings, hidden assets and potential legal actions.

The primary aim of voluntary administration is to reach a deal or DOCA to facilitate the business's continuation or offer creditors compensation better than during liquidation.