

## THE R3 STANDARD FORM COVID 19 CVA PROPOSAL

The R3 Standard Form Covid 19 CVA Proposal (“**Standard Form**”) and accompanying Covid 19 Standard Conditions for Company Voluntary Arrangements (“**Standard Conditions**”) are intended for use by SME companies whose businesses have been affected by Covid 19. They are intended to save time and costs, and therefore make CVAs more accessible to the SME market.

1.1. The Standard Form is **NOT** a panacea. The introduction of the Standard Form is not intended to replace the professional advice and judgement of insolvency practitioners and lawyers who may be advising companies, but simply form part of their arsenal of available tools to assist their clients. At best, this should be considered a foundation upon which the appropriate CVA can be based.

1.2. Company advisors will need to consider whether a CVA is an appropriate way to deal with the company’s financial distress, or whether, for instance, simple bi-lateral agreements with creditors might be better. The proposed use of a CVA may also enable debtors to engage more effectively with creditors to find consensual solutions.

It is impossible to create a template CVA to tackle all variations that may be necessary in a CVA. This form has therefore been drafted to fit the following criteria: .

- *A directors’ proposal* - The vast majority of CVAs are proposed by a company’s directors and so the Standard Form is drafted for this situation, rather than for proposals made by an administrator or liquidator.
- *A delayed payment in full* - The Standard Form provides for a breathing space period followed by a delayed payment of 100% of the company’s debts. It is designed for use by companies whose businesses have been hit by the Covid 19 pandemic and which need some time to get their businesses fully operational. Creditors with pre-CVA debts are consequently prevented from enforcing their debts against the company whilst the CVA is in operation. Trading costs incurred during the CVA are to be paid out of new trading income. Continuation of the business will permit regular contributions to be made to the supervisor out of operational cash flow.

### Available documents

1. Standard Form Covid 19 CVA Proposal. Version 1. September 2020. England and Wales
2. Standard Conditions for Company Voluntary Arrangements. Version 1
3. Comparison IVA Standard Terms. Standard Conditions for Company Voluntary Arrangements.
4. Explanatory note for insolvency practitioners
5. Explanatory note for media

All documents can be accessed [here](#).

Scotland versions available [here](#).

Northern Ireland versions available [here](#).

**UPDATE** - LexisPSL have kindly written standard variations to Appendix 2 of the Standard Form for:

- (i) exit from administration and
- (ii) debt waiver

Both live on LexisPSL R&I and are also freely available outside of their paywall on their blog [here](#). Access to their blog is free once individuals have signed up with their email address etc.

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The creation of the Standard Form and Standard Conditions was orchestrated by Stewart Perry and Professor Peter Walton, both members of R3's General Technical Committee. Any errors that the documents may contain are R3s (and in that regard R3 refers you to the disclaimer), but they were also fortunate to have the assistance and constructive criticism of others in reviewing clauses or parts, all giving up their time for free, in an effort to help the profession and respective clients. In this regard we would especially like to thank Anna Hughes, Ben Luxford, Brian Burke, Caroline Sumner, Charles Turner, Fiona Miller, Gareth Limb, Jim James, Louise Durkan, Marcus Rea, Michelle Butler and Stephen Hill.

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**Disclaimer - The Standard Form and Standard Conditions are not intended to be statements of law, will not be appropriate for any case until suitably modified, and are not a substitute for professional or legal advice. R3 and its contributing editors believe that both documents are accurate but accept no liability for any fault, error, negligence or omission howsoever caused, or for any loss or damage of any kind resulting from reliance on their contents.**