Comparing BVI restructuring tools: Schemes of arrangement, plans of arrangement and company creditors' arrangements

SEPTEMBER 2026

British Virgin Islands (**BVI**) companies may need to restructure for a variety of reasons. In some cases, a company may be facing financial distress or potential insolvency and require a compromise with creditors to reduce, defer or reorganise its liabilities. In others, the objective may be to implement a wider corporate reorganisation, facilitate new investment, simplify a group structure or preserve value for stakeholders while avoiding a formal liquidation process.

The BVI offers a range of statutory restructuring and rescue mechanisms capable of addressing these challenges, including schemes of arrangement, plans of arrangement and company creditors' arrangements (**CCAs**). These procedures differ significantly in their purpose, flexibility, approval requirements and ability to bind dissenting stakeholders.

For directors, companies, lenders and other creditors, understanding the strengths and limitations of each process is critical when assessing restructuring options and developing an effective rescue strategy.

This article compares the principal BVI restructuring tools available – schemes of arrangement, plans of arrangement and CCA – and examines when each is likely to be most appropriate.

Schemes of arrangement: The principal restructuring tool for BVI companies

Schemes of arrangement are the primary restructuring mechanism available under BVI law and are frequently used to compromise creditor claims, amend debt obligations and implement wider restructurings of corporate groups.

Available under s.179A of the *BVI Business Companies Act, 2004* (the **BCA**), a scheme may be proposed between a company and its creditors or members. Importantly, a company does not need to be insolvent, or even approaching insolvency, to propose a scheme. This flexibility has contributed to the popularity of schemes in both restructuring and non-distressed transactional contexts.

The scheme process generally involves three stages:

1. an application to the court for directions to convene meetings of the relevant creditor or member classes;
2. voting by those classes at a meeting called pursuant to the Court's directions; and
3. a sanction hearing at which the court determines whether the scheme should become binding.

For a scheme to succeed, each class must ordinarily approve the proposal by:

1. a majority in number of those voting; and
2. at least 75% in value of those voting.

If sanctioned by the court, the scheme becomes binding on all stakeholders within the relevant class, including those who voted against it or did not vote.

Why schemes remain the preferred restructuring and compromise process

The principal attraction of a scheme is its ability to bind dissenting minorities within an approving class. This significantly reduces holdout risk and enables companies to implement a restructuring without obtaining unanimous creditor consent.

Schemes are also familiar to international lenders, bondholders and foreign courts because of their close relationship with the English scheme procedure. As a result, they are frequently used in cross-border restructurings involving BVI incorporated holding companies and multinational corporate groups.

Can a BVI scheme achieve a cram down?

A scheme can bind dissenting creditors within a class that has approved the proposal by the requisite statutory majorities. In that sense, it provides a form of minority cram down.

However, BVI schemes do not provide a true cross-class cram down of the type available under Chapter 11 in the United States or the UK's Part 26A restructuring plan. The same is true of plans of arrangement and CCAs discussed below. If a particular class fails to approve the scheme, plan or CCA the court cannot generally impose it on that class.

Class constitution therefore remains one of the most important issues in any scheme restructuring. As in England, the court will focus closely on whether creditors whose rights are sufficiently similar have been placed together in an appropriate voting class.

Plans of arrangement under section 177 of the BVI Business Companies Act

Although plans of arrangement can be used to implement debt restructurings, they are generally distinguished from schemes because of their broader application to corporate reorganisations, mergers, reconstructions and strategic transactions.

Section 177 of the BCA adopts a deliberately broad definition of an "arrangement". The process can be used for, amongst other things:

1. mergers and consolidations;
2. transfers of assets or businesses;
3. debt-for-equity swaps;
4. amendments to constitutional documents;
5. debt restructurings; and

6. combinations of the above within a single transaction.

The process begins with the directors approving a proposed arrangement and determining that it is in the best interests of the company, its creditors or its members. A company does not need to be insolvent, or even approaching insolvency, for its directors to propose a plan of arrangement.

The proposal is then submitted to the court for approval.

A key advantage of the section 177 regime is its flexibility. Unlike schemes of arrangement, there are no prescribed statutory voting thresholds (although the court can be expected to require a large supermajority in value, and a majority in number, of those voting).

Instead, the court determines:

1. who should receive notice;
2. whether creditor or shareholder approval is required;
3. whose approval must be obtained; and
4. the level of approval required.

This flexibility makes plans particularly attractive for complex group reorganisations and transactions involving both debt and equity restructuring elements.

Company Creditors' Arrangements under the Insolvency Act 2003

A **company creditors' arrangement**, commonly referred to as a **CCA**, is a restructuring mechanism available under Part II of the *Insolvency Act, 2003*.

Unlike schemes and plans of arrangement, a CCA is available only to a BVI company that is insolvent (or likely to become insolvent). It is often compared to an English company voluntary arrangement and is designed primarily to facilitate compromises with unsecured creditors.

The process requires the involvement of a licensed insolvency practitioner, who is initially appointed as interim supervisor to facilitate the creditors' meeting. If the proposal is approved, that person becomes supervisor of the arrangement and oversees its implementation.

A proposed CCA must be approved by creditors representing at least 75% in value of those creditors voting on the proposal.

Practical limitations of a CCA

Although a CCA can be effective in the right circumstances, practitioners should be aware of certain limitations.

In particular:

1. the company must be insolvent (or likely to become insolvent);
2. secured creditors generally cannot have their rights compromised without consent;
3. there is no class-based voting structure equivalent to that used in schemes; and
4. the procedure lacks the flexibility available under section 177 plans of arrangement.

For those reasons, CCAs tend to be most useful where there is already substantial creditor consensus regarding the proposed compromise.

Shareholder dissent rights

Where the court so directs and the statutory requirements under section 179 of the BCA are satisfied, dissenting shareholders may be entitled to be bought out at fair value, rather than being permitted to prevent the implementation of a restructuring arrangement.

Provisional liquidation as a tool to support a restructuring

Provisional liquidation is not itself a restructuring process. However, it has become an important feature of the BVI restructuring landscape, as no moratorium of any sort is provided by the commencement of a scheme, plan or CCA by a company. Provisional liquidation may be used to obtain a de facto moratorium against unsecured creditors in support of a restructuring being pursued through a scheme, plan or CCA.

In *Re: Constellation Overseas Ltd* BVIHC (COM) 2018/0206, the Commercial Court confirmed that provisional liquidators may be appointed on a 'light-touch' basis to facilitate a restructuring rather than simply preserve assets pending liquidation.

Under this approach, management commonly remains responsible for the day-to-day operation of the business while restructuring negotiations continue, subject to the supervision of the provisional liquidators and the oversight of the court. The appointment can provide stability and creditor confidence while a restructuring proposal is developed and implemented.

As a result, light-touch provisional liquidation has become an important support tool in a number of significant cross-border restructurings involving BVI companies.

Which BVI restructuring process is most appropriate?

The appropriate restructuring process will depend on the company's objectives, financial position and stakeholder dynamics.

A **scheme of arrangement** will often be the preferred option where a binding compromise with classes of creditors or members is required.

A **plan of arrangement** may offer greater flexibility where the transaction involves a broader corporate reorganisation in addition to any debt restructuring

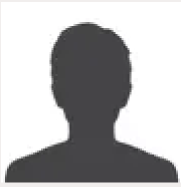
A **CCA** may be suitable where an insolvent company enjoys substantial creditor support for a compromise of unsecured.

In some cases, one of these restructuring processes may be pursued with the benefit of light-touch provisional liquidation to provide additional stability while negotiations or implementation are ongoing.

Cross-border considerations are frequently decisive. Many BVI companies operate as holding companies within multinational groups, meaning that recognition, enforcement and parallel proceedings in other jurisdictions should be considered at an early stage of any restructuring strategy.

For specialist advice on BVI restructuring, insolvency, schemes of arrangement, plans of arrangement, company creditors' arrangements and corporate rescue strategies, contact our experienced BVI litigators and restructuring specialists.

For more information please contact:



Stuart Cullen

Partner | BVI

t: +1 284 852 6310 | **e:** stuart.cullen@collascrill.com

Joshua Hamlet

Senior Associate | BVI

t: +1 284 852 6348 | **e:** joshua.hamlet@collascrill.com