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# Newman & Partners

Licensed Insolvency Practitioners

# FOCUS ON INSOLVENCY BULLETIN

Welcome to the latest issue of our Focus on Insolvency Bulletin, designed to keep you up-to-date on insolvency matters that may be of interest to you. If you have any feedback on this bulletin, or would like to know more about our services or how we can help you, please contact us on **020 8357 2727** or at **insolvency@newmanandpartners.co.uk**

## Experts call for 3-year bankruptcy period

**Personal insolvency procedures should be reformed to better protect debtors and their creditors, says insolvency trade body R3.**

A new report from R3, published on 20 January, says that under current rules, potentially thousands of people are struggling to access an appropriate debt relief solution and calls for changes including extending the standard bankruptcy period to three years.

Stuart Frith, chair of R3's personal insolvency committee said: "Personal insolvencies and consumer debt have recently increased, while an interest rate rise looms on the horizon. Action is needed now by the government to make sure the personal insolvency regime can deal with any sustained rise in the numbers of people with severe debt issues.

"A good personal insolvency regime must strike the right balance between helping financially struggling people get back on their feet, and protecting creditors like banks and businesses from people running up debts without being worried about the consequences. Too many people are currently unable to access a personal insolvency solution that is right for them."

R3's report contains calls for the government to introduce reforms including:

- allowing the up-front £700 bankruptcy administration fee to be paid in instalments, making it easier for people who cannot afford the total cost immediately to access bankruptcy and protection from creditors

- making Debt Relief Orders (DROs) easier to access. Debtors must have under £300 of assets and £15,000 of debts to enter a DRO at present. R3 says the limits should be raised to £2,000 for assets and £30,000 for debts
- lengthening the standard bankruptcy term from one year to three years, with a maximum 15-year term for the most culpable debtors. R3 says reckless spending and behaviour that can lead to bankruptcy is not discouraged by a one-year term, which puts creditors at risk
- introducing simplified Individual Voluntary Arrangements (IVAs).

According to R3, 2.4 million British adults say they are currently in an unregulated debt management plan. Just over 100,000 people entered a formal insolvency procedure last year, an arrangement that may be more suitable that an unregulated plan.

The team at Newman and Partners Insolvency can provide sensitive professional advice and guidance on personal insolvency matters, including IVAs. For more information, please contact us.

# Insolvency reforms unveiled

**The government has announced measures which it says will help cut the cost of insolvency procedures and benefit creditors by £30 million a year. The measures, which follow a consultation exercise last year, will remove the requirement for insolvency practitioners (IPs) to obtain the court orders necessary to carry out even basic insolvency procedures and extend the use of digital communication with creditors.**

Announcing the changes in January, Business Minister Jenny Willott said: "When businesses do enter the stage of insolvency we need to make sure that the process is as smooth and straightforward as possible. One way of doing this is cutting burdensome red tape which makes insolvency proceedings less complicated and troublesome. At the same time, when companies do fail, we need to make sure creditors get a fairer deal."

The measures include:

- allowing IPs to communicate with creditors electronically, instead of by letters
- removing the requirements for IPs to obtain court orders for certain actions, including extending administrations and posting information on websites
- reducing record keeping requirements for IPs when the records are only used for internal purposes
- simplifying and speeding up the process of reporting director misconduct by introducing electronic forms
- allowing IPs to rely on the insolvent's records when paying small claims, reducing the need for creditors to complete claim forms.

Some of the measures will require legislative changes that will be taken forward when Parliamentary time permits. Others will be changed through secondary legislation as part of the rewrite of Insolvency Rules, due for completion in 2015-16.

Newman and Partners Insolvency can provide expert advice within the latest legislation, to assist those who may be at risk of insolvency. For more information, please contact us.

# Concerns rise over Deregulation Bill

**Concerns have been expressed by the insolvency industry over by-products to the Deregulation Bill, going for its second reading in the House of Commons soon. According to the insolvency trade body R3, the government's choice to include proposals for 'partial licences' for insolvency practitioners could both confuse businesses seeking advice and add red tape to the profession.**

Partial licensing will introduce two new types of licence, allowing insolvency practitioners (IPs) to work on either purely corporate or purely personal cases. However, a spokesperson for R3 said that partial licences do not belong in a Deregulation Bill, as they will add regulatory burdens to firms and regulators who have to ensure that their IPs are compliant with an already complicated regulatory structure, which is likely to increase rather than decrease costs.

It is felt that more assessment is needed and that it is disappointing to see the proposals in the Bill, as they have yet to be properly consulted on. However, it is hoped that the government will listen to the profession and amend the Bill once the consultation is complete.

According to R3, partial licences could prove confusing for the businesses, individuals, and entrepreneurs that turn to IPs for advice, as they need to know from the start that a professional will be able to help with all their problems. They point out that only a thorough examination by a fully qualified IP will properly identify whether a case is purely corporate or personal and, because knowledge of both corporate and personal insolvency matters is frequently necessary when advising clients, the government's hoped-for savings may prove to be illusory.

Newman & Partners Insolvency can provide a range of tailored solutions for your clients and their businesses along with expert guidance if they are experiencing difficulties. For more information, please contact us.

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