

Update for Money Advice Liaison Group (MALG)

New Scottish Insolvency Rules

The corporate insolvency regime in both England and Wales, and Scotland is underpinned by the Insolvency Act 1986 (“the Act”), with much of the detail set out in ‘Insolvency Rules’: for England and Wales, the Insolvency Rules 1986 and for Scotland, the Insolvency (Scotland) Rules 1986.

Work is currently underway to amend the Act as applying to Scotland in the devolved areas of corporate insolvency (receivership and the process of winding up), principally to bring it into line with changes already made in these areas in England and Wales. Scottish Government is presently drafting the rules on the mixed competence area of winding up (and the devolved area of receivership). The Insolvency Service is drafting of rules for the reserved areas of administration and company voluntary arrangements.

The modernisation project is supported by a working group of members from the insolvency profession and Companies House with a working knowledge of the Scottish corporate insolvency processes.

Good progress is being made with the drafting of the new Scottish Rules. The next working group will take place in October.

It is anticipated the new Scottish Rules will be laid in the Parliament at the end of the year.

Policy Reviews

Diligence

We are finalising a summary of responses to the Diligence consultation which we hope to publish shortly. The aim of the consultation was to review and determine the effectiveness of the changes brought into force by the Bankruptcy and Diligence etc. (Scotland) Act 2007 and to also consider those measure that have not been brought into force.

We are aiming to publish our response to the consultation by the end of year and begin to implement the recommendations in 2018/2019.

The Debt Arrangement Scheme

We have published an interim response to the Debt Arrangement Scheme (DAS) consultation which was carried out last year. At the same time we sought further feedback around introducing additional flexibility to the level of contribution from surplus income as assessed by the Common Financial Tool.

We are currently considering the feedback provided and will issue a response in the coming weeks. The report will be available to view on our website at www.aib.gov.uk.

Annual Report

The AiB published its Annual Report for 2016/17 on the 13 September 2017.

Key highlights include:-

- Statutory debt relief and debt management products overseen by AiB have returned £80 million to creditors in the past year.
- A record 1,603 debt payment programmes under the Debt Arrangement Scheme were also completed in 2016/17, the highest number since the scheme was introduced in 2004. This marked a 25% increase on the previous year. £37.3 million was paid by debtors through DAS.
- Creditors also received £29.4 million from debtors in protected trust deeds during the year, with an average dividend of 19.8p in the pound.
- £17.0 million was returned to creditors in bankruptcy cases. Overall, the average dividend paid to ordinary or preferred creditors in bankruptcy cases was 21.1p in the pound.
- There were 4,562 bankruptcies awarded in 2016-17, an increase of 21% compared with 2015-16. The number of bankruptcies awarded in 2016-17 was still 32% lower than in 2014-15 and 36% lower than in 2013-14.
- Corporate insolvencies dropped by 6% compared to 2015-16 to 846.

The full report can be accessed here:- <https://www.aib.gov.uk/about-aib/statistics-data/aib-annual-reports-1986-present>

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