

**Money Advice Liaison Group: July 2018: Update from the Insolvency Service**

**Official Receiver Services (ORS) update**

**Case numbers – Quarter 1 2018 stats release 27 April 2018**

**Compulsory liquidations:** The number of compulsory liquidations in Q1 2018 rose by 26.3% on the previous quarter to 783, but fell by 6.6% from Q1 2017. The number for April/May 2018 was 448 compared to 439 for the same period in 2017.

**Bankruptcy Orders:**

In Q1 2018 there were 4,188 bankruptcies, an increase of 9.6% on 2017 Q4 and a 9.3% increase on 2017 Q1.

In Q1 2018, 3,219 bankruptcies were made on the application of the debtor, which was 6.8% higher than the previous quarter and 8.6% higher than the same quarter in 2017. The number for April/May 2018 was 2,166 compared to 1,863 for the same period in 2017.

There were 938 creditor petition bankruptcies in Q1 2018, which was 13.5% higher than the previous quarter and 10.8% higher than the same quarter in 2017. The number for April/May 2018 was 617 compared to 574 for the same period in 2017. In 2015 there was a change in the minimum debt a creditor must be owed to make someone bankrupt, which increased from £750 to £5,000 for petitions presented from 1 October 2015. This change has led to a longer term decrease in the number of creditor petition bankruptcies.

**Debt Relief Orders:**

There were 6,524 DROs in Q1 2018. DROs increased by 1.3% on the quarter and rose by 6.9% on the year.

**Next release 27 July 2018**

**Any feedback on operational delivery by Official Receiver Services invited**

**Investigation and Enforcement Division (IES) Update**

**Enforcement Outputs**

Details of press notices covering our enforcement action can be found at:

<https://www.gov.uk/government/announcements?departments%5B%5D=insolvency-service>

Our enforcement results are published monthly as official statistics and can be found at:

<https://www.gov.uk/government/collections/insolvency-service-enforcement-outcomes>

**Headline figures for the two months ending 31 May 2018**

Director disqualifications:

* 213 director disqualifications were obtained:
  + the average period of disqualification was 5.3 years
  + around 11.7% of directors were disqualified for a period in excess of 10 years, with some 44% disqualified for a period longer than 5 years
  + for each director disqualified, we have saved creditors from losing around £100,000

Trading company investigations:

* 32 live company investigations completed
* 13 companies were wound up in the public interest
* 14 disclosures to other regulars made

Criminal prosecutions:

* 46 criminal referrals

Bankruptcy & Debt Relief Order Restrictions:

* 94 restrictions secured:
  + the average period of restriction was 5 years
  + 28.6% of restrictions were for over 5 years

**Disqualifications**

* Recent disqualification results include:
  + Three directors of a Nottingham based debt management company have been disqualified for a total of 29 years for failing to safeguard client monies.
  + Four family members who ran a Burgess Hill based cash collection company have been banned for a total of 32 years for failing to pay millions of pounds to the company’s clients.
  + The director of a Buckinghamshire company has been disqualified for the maximum 15 years after he carried out a multimillion pound VAT fraud.
  + 10 years disqualification for the director of a Birmingham based specialist recruitment company for diverting £60,000 from an insurance settlement into his personal bank account.

**Live Company Investigations**

* Included amongst the 13 companies wound up in the public interest between April 2018 and May 2018 following our investigations:
* Six pension and finance companies have been wound up after they were used to abuse millions of pounds of people’s savings.

**Bankruptcy – Restrictions**

* 14 years bankruptcy restrictions for Sleaford based four-time bankrupt man for obtaining credit without disclosing to his lenders he had been banned from doing so.

**Views invited on the information interested stakeholders would like to receive about our activities**

**Business Services Directorate (BSD) update**

**Redundancy Payments Services (RPS)**

The number of redundancy claims (RP1 & RP2) received between April 2018 and May 2018 was 33,261.

We met both of our timeliness targets of actioning all claims within 16 days and paying 95% within 6 weeks.

From 1 May 2016 all claims are submitted online via our online service. Digital take up is now 100% with less than 1% requiring the assisted digital support offered by the agency. The result of assistant digital and RPS digital claims has provided the RPS with positive feedback from our customers.

**Communications update**

**The Insolvency Service Newsletter**

We continue to publish our [quarterly Stakeholder Newsletter](https://content.govdelivery.com/accounts/UKIS/bulletins/1c892fc#link_1511964018743). If you have a suggestion for a particular issue or topic to be covered, please email [stakeholder@insolvency.gsi.gov.uk](mailto:stakeholder@insolvency.gsi.gov.uk). To subscribe to the newsletter, please click [here](https://public.govdelivery.com/accounts/UKIS/subscriber/new).

**Views on content of the Stakeholder Newsletter would be welcome**

**Annual Report and Accounts**

This was published on the 13th July 2017 and can be found at –

<https://www.gov.uk/government/publications/insolvency-service-annual-report-and-accounts-2016-to-2017>

**Annual stakeholder forum**

Insolvency Live!, our annual forum for debt advisers and insolvency professionals, is being held on 23 July. You can follow the forum on our [Twitter channel](http://www.twitter.com/insolvencygovuk) and we welcome you engaging with us during the forum using the hashtag #InsolvencyLive.

**Policy Update**

**Breathing Space**

The implementation of a Breathing Space scheme was a 2017 Government manifesto commitment. The proposed scheme has two elements: a 6-week Breathing Space period and a statutory debt repayment plan for individuals experiencing problem debt. HM Treasury issued a Call for Evidence on a Breathing Space and statutory debt repayment management plan in October 2017 and the summary of responses was published on 18 June 2018. HMT intend to consult on a single policy proposal in late summer 2018.

**EU/International developments**

Negotiations are continuing on the Commission’s proposals published in November 2016 for a Directive on minimum harmonised standards for restructuring, second chance and insolvency procedures. The proposals include:

* Access to early warning tools for businesses to detect the financial distress;
* A set of common, core elements for preventive restructuring frameworks to give debtors in financial difficulty effective access to procedures facilitating the negotiation and adoption of a restructuring plan while limiting the courts' involvement to where it is necessary;
* Minimum provisions on discharge of debt for over-indebted honest entrepreneurs after a period of no more than 3 years;
* Measures to increase the efficiency of restructuring, insolvency and discharge procedures; and
* Minimum rules on data collection by Member States allowing for the monitoring of restructuring, insolvency and second chance.

**Exiting the EU**

The UK has published its position paper “Providing a cross-border civil judicial cooperation framework”, setting out its view that cooperation on civil judicial matters is beneficial for citizens and businesses in both the UK and the EU. Within that wider topic, we believe that it is important to maintain cooperation with Europe on insolvency matters, and so ensure that when financial failure occurs it is handled efficiently. The negotiations with the EU are ongoing and are now moving into the second phase where we will discuss our future relationship with the EU.

**Review of pre-pack administrations**

The Government announced in December last year that it has begun an assessment of the impact of the 2015 voluntary industry reforms to improve the transparency of pre-pack administrations. The assessment will feed into consideration of whether to use the sunset power in the Small Business, Enterprise and Employment Act 2015 to regulate sales to connected parties in administration, prior to the power’s expiration in May 2020.

**Corporate Review**

Since publication of the summary of responses to this consultation, we have continued to engage with a wide range of interested parties to further discuss and explore issues raised. Government’s response will published later this year. We continue to participate in the ongoing negotiations on the proposals on the draft **EU Directive on business rescue**.

**Insolvency and Corporate Governance review**

Launched on 20 March, this consultation looks to improve corporate governance in companies when they are in, or are approaching, insolvency, and seeks views on some areas where existing rules and processes could be updated to keep up with developing business practice. In particular it considers the actions of directors of holding companies which sell subsidiaries in distress, schemes which result in the value of a distressed company being withdrawn prior to insolvency, and investigation the conduct of directors of dissolved companies. It also asks questions about the strengthening of corporate governance, including areas such as internal controls in complex company groups, the position of the shareholders of a company as its stewards, the legal and technical framework for dividend payments, professional advice, and protection of supply chain creditors. The consultation closed on 11 June and Government is reviewing the responses received.

**IP Regulation**

The focus of our work continues to be large IVA providers and evaluating whether to exercise the power to introduce a single insolvency regulator, which would be subject to public consultation and parliamentary approval.