

House of Commons: Written Statement (HCWS325)

Department for Business, Innovation and Skills

Written Statement made by: **Parliamentary Under Secretary of State for Employment Relations and Consumer Affairs (Jo Swinson)** on 03 Mar 2015.

Measures to improve transparency in insolvency practitioner fees and handling of cases in the courts

I am today laying regulations requiring insolvency practitioners to provide additional information to creditors about their fees and expenses. Insolvency practitioners are given strong powers by legislation to administer insolvencies. They take decisions and actions that can have a significant financial impact on those affected. Their fees are paid out of the assets in cases. It is important that there is confidence in the way that they charge fees.

After commissioning an independent review by Professor Elaine Kempson, we consulted with interested parties on what measures should be put in place to address shortcomings in the current fee regime. Where insolvency practitioners' fees are based upon time costs, they will be required to provide an upfront estimate of their fees for creditor approval, before they can take their fees. Insolvency practitioners will not be permitted to draw fees in excess of the approved estimate unless creditors give further approval. This will therefore act as a cap on fees.

These measures will increase transparency for creditors as they will have a much clearer indication of what the likely fees and costs of dealing with an insolvency will be. The provision of clear information, setting out what work will be done and what it will cost to undertake that work, will also give creditors more knowledge when agreeing fees and better equip them to challenge fees where they appear unreasonable.

The measures will give insolvency practitioners the opportunity to demonstrate to creditors what they do and the value they deliver in return for their fees.

Together with the measures contained in the Small Business, Enterprise and Employment Bill currently before Parliament strengthening the oversight regulation of insolvency practitioners, these steps should provide creditors with greater confidence in the insolvency regime through increased transparency and accountability.

The statutory instrument that will be laid today also amends how courts deal with insolvency cases. The new provisions will allow the High Court to transfer simple cases to the County Court at Central London so that the High Court can focus on more difficult complex cases. This will improve efficiency in the system.