Title: Technical changes to IP regulations and the appointment of an administrator **IA No:** BISINSS018 **Lead department or agency:** BIS **Other departments or agencies:** Insolvency Service	Impact Assessment (IA) **Date: 18/02/15** **Stage:** Validation **Source of intervention:** Domestic **Type of measure:** Secondary legislation **Contact for enquiries:** David Miller 0207 637 6445

Summary: Intervention and Options

RPC Opinion: Awaiting validation

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year** (EANCB on 2009 prices)	**In scope of One-In, Two-Out?**	**Measure qualifies as**
£24.15m	£21.33m	£-2.00m	Yes	OUT

What is the problem under consideration? Why is government intervention necessary?

Occasionally the original rationale behind any regulation may not continue to apply in light of changes to the business environment. This may be because of changes in the insolvency regime; other legislation changes; technological developments; and develops in business custom and practice. Despite this fact Insolvency Practitioners (IPs) must continue to comply with such regulations as they are mandatory requirements. These additional costs from duplicating record keeping and delaying the commencement of an administrators work reduces the assets available to creditors as IPs must recoup the costs of their work.

Regulations that no longer serve their original purposes add additional barriers and costs to insolvency proceedings and government intervention is necessary to correct these regulatory failures.

What are the policy objectives and the intended effects?

The objective of the legislation is to improve the efficiency of the insolvency framework by removing/revising regulations that add costs to insolvency proceedings. By reducing the costs of insolvency proceedings creditors should receive higher returns.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

1. **Do nothing:** This option would maintain two pieces of legislation that add complications and cost to insolvency proceedings.
2. **Preferred Option:** Remove the requirement to maintain a separate case record for matters such as progress of case administration, bonding, remuneration and meetings

   And

   Allow the immediate appointment of an administrator when an illegitimate petition to wind up a company has been filed.

   Both of these policies will improve the efficiency of the insolvency process and improve returns to creditors.

Will the policy be reviewed? It will not be reviewed. **If applicable, set review date:** n/a

Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	**Micro** Yes	**< 20** Yes	**Small** Yes	**Medium** Yes	**Large** Yes
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent) N/A			**Traded:** n/a	**Non-traded:** n/a	

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible MINISTER Jo Swinson Date: 2nd March 2015

Summary: Analysis & Evidence

Policy Option 1

Description: Removal of the requirement to maintain case record for matter such as progress of case administration, bonding, remuneration and meetings; and allowing an administrator to begin work when illegitimate petitions to winding up a company are presented to the court

FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2015	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 24.15	High: 24.15	Best Estimate: 24.15

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	4.0	1	0	**4.0**
High	4.0		0	**4.0**
Best Estimate	4.0		0	**4.0**

Description and scale of key monetised costs by 'main affected groups'

The only costs of these deregulations are one-off familiarisation costs for IPs and their support staff. It is estimated that IPs will take around 1.5 hours to familiarise themselves with both changes at an estimated cost of £4.0m

Other key non-monetised costs by 'main affected groups'

There are no non-monetised costs of this policy.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0		3.3	**28.1**
High	0		3.3	**28.1**
Best Estimate	0		3.3	**28.1**

Description and scale of key monetised benefits by 'main affected groups'

Removing the requirement to maintain separate records will reduce the cost of the insolvency proceedings and increase returns to creditors estimated to be £3.27m per year, of which £2.94m will benefit business creditors.

Other key non-monetised benefits by 'main affected groups'

In the small number of cases per year (12-14 cases) where illegitimate petitions to wind up a company are presented to the court, there is likely to be a benefit to creditors from the removal of delay in the appointment of an administrator. If the removal of these delays adds at least 1 per cent to the value of returns to creditors in administration cases the legislation will be net beneficial to creditors.

Key assumptions/sensitivities/risks **Discount rate (%)** 3.5

The proportion of cases where duplicate records are created is estimated to be 80 per cent. This number was provided by a regulatory public body and confirmed by respondents to the consultation as a fair assessment. However, if on implementation the proportion of cases with duplicate records is significantly different from this, the benefits to creditors will change.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: £0.2m	Benefits: £2.2m	Net: £2.0m	Yes	OUT

Background and problem under consideration;

1. The Insolvency Act 1986 and a number of supplementary pieces of primary and secondary legislation form the basis of the statutory framework which governs the way in which insolvency proceedings are dealt with. The framework sets out matters of legal effect which deal with, amongst other things, the rights of the various parties affected by insolvency; the powers of individuals administering an insolvency; and detailed procedural rules for insolvency processes.

2. There are several types of insolvency procedures, including: bankruptcy, Individual Voluntary Arrangement ('IVAs'), liquidation, administration and Company Voluntary Arrangement ('CVAs'). Annex A provides an explanation of the main insolvency procedures. The first two referred to above are insolvency procedures that deal with individuals whereas the others relate to companies.[1]

3. Generally an individual or a company will enter an insolvency procedure where they are unable to pay their debts as they fall due. The route into insolvency will depend on the particular procedure, but may include a creditor petitioning the Court in what may be regarded as a hostile action or a non-Court based voluntary decision by the insolvent individual or company ('the debtor') to seek the relief from indebtedness that insolvency proceedings offer.

4. In all formal insolvency procedures, an insolvency office-holder will be appointed to deal with the insolvent's debtor's estate (their financial affairs), including assessing whether or not there are any assets belonging to the debtor which can be sold to raise funds. Funds raised from the sale of the debtor's assets are used to pay for the proceedings, including the office-holder's fees for acting in the case, and any remaining funds are distributed to creditors. The framework sets out the order of priority in which creditors receive payment.

5. Insolvency office-holders must be qualified to act as such. This means they will either be authorised insolvency practitioners ('IPs')[2] (private sector professionals) or official receivers ('ORs') (civil servants employed by the Insolvency Service). Office-holders can be remunerated in a number of ways, depending on the particular procedure in question. In most cases dealt with by IPs, the costs of dealing with the proceedings will be charged to the estate on a time costs basis so the IP's fees will be determined by the amount of time spent dealing with the case. In cases dealt with by ORs, a fixed case administration fee will be charged to the estate[3] and other fees calculated as a % of assets realised or time spent in making distributions to creditors may also be charged.

6. IPs are highly qualified professionals and charge fees at rates similar to other professionals such as accountants and lawyers (which they may also be qualified as). In 2013 the Insolvency Service published a report on the fees charged by IPs undertaken by Professor Elaine Kempson of Bristol University.[4] The hourly charge-out rates for different categories of IP staff (including IPs themselves) used in this IA are based on the average figures contained in Professor Kempson's report.

7. Office-holders derive their powers from the Act and follow the procedural rules set out in secondary legislation. They owe duties to various interested parties, particularly creditors, the exact nature of which depends on the particular procedure. The changes to legislation described in this IA refer solely to the regulation of IPs and not ORs.

[1] Insolvency legislation also provides a framework for the insolvency of several other entities, for example, partnerships and limited liability partnerships. The numbers of such entities that enter into insolvency procedures is small in comparison to individuals and companies.

[2] There are 7 Recognised Professional Bodies, recognised by the Secretary of State for the purposes of authorising members to act as insolvency practitioners.

[3] The current case administration fee for bankruptcy is £1,850 and for compulsory liquidation is £2,400.

[4] See http://www.bristol.ac.uk/geography/research/pfrc/themes/credit-debt/pfrc1316.pdf

8. When acting as an insolvency office-holder, an IP does not act in a traditional way characteristic of other relationships in which a member of a profession provides professional services to a client. This can be observed in the differences between the two main types of work undertaken by IPs: pre-insolvency advice and formal insolvency appointments. This IA relates to legislative changes purely related to an IPs role in formal insolvency appointments.

9. When an IP consents to act as the office-holder in a formal insolvency, they are fulfilling the role of a statutory office-holder, and in so doing, must act in accordance with the strict framework mandated by insolvency legislation. The role of the office-holder in a formal insolvency may be viewed as analogous to a trustee in that they deal with the insolvent company or individual's property for the benefit of others. They act as a conduit to facilitate the transfer of company/individual's property to their creditors.

10. Whilst creditors are the main beneficiaries, IPs as insolvency office-holders do not work for creditors, illustrated by the fact there is no contractual relationship between the two parties (nor do they act for the insolvent company/individual in the manner in which they would if providing pre-insolvency advice). It is perhaps more illuminating to view the position using the analogy of professional executors to a will. As professional executors act on the behalf of the deceased's estate, in a similar fashion office-holders act on behalf of the insolvent company/individual's estate. Reducing the regulatory burden in this context results in a direct benefit to IPs that **must** be passed on to creditors through lower fees charged for statutory work.

Consultation process

11. The first of the measures considered in this IA stems from the Government Red Tape Challenge insolvency theme. A number of proposals for regulatory changes were put forward by various stakeholders including directors, creditors, IPs and individuals. A consultation on the package of proposed reforms ran from 18 July 2013 to 10 October 2013.[5] The consultation included impact assessments where the estimated costs and benefits of each proposal were put to stakeholders.
12. We received 27 individual responses from a range of stakeholders including: IPs and IP firms; the professional bodies that authorise IPs; the insolvency trade body R3; creditor representatives, insolvency lawyers and public bodies. Follow up meetings were held with a number of IPs to provide additional information to aid in the estimation of costs and benefits.
13. The second measure considered in this IA was one of a number of technical improvements to insolvency legislation that was subject to a targeted consultation with insolvency practitioners and their advisors.

Rationale for intervention

14. Occasionally the original rationale behind any regulation may not continue to apply in light of changes to the business environment. This may be because of changes in the insolvency regime; other legislation changes; technological developments; and develops in business custom and practice. Despite this fact IPs must continue to comply with such regulations as they are mandatory requirements. These additional costs from duplicating record keeping and delaying the commencement of an administrator work of the insolvency process reduce the assets available to creditors as IPs must recoup the costs of their work.
15. Regulations that no longer serve their original purposes add additional barriers and costs to insolvency proceedings and government intervention is necessary to correct these regulatory failures.

[5] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/244904/rtc-consultation.pdf

Policy objective

16. The objective of the legislation is to improve the efficiency of the insolvency framework by removing/revising regulations that add costs to insolvency proceedings. By reducing the costs of insolvency proceedings creditors should receive higher returns.

Description of options considered and dismissed (including do nothing);

Do nothing option

17. The current insolvency framework compares favourably with those of other countries, and is consistently ranked highly by the World Bank[6] for speed of resolution of corporate insolvencies and the amount of monies returned to creditors. The framework maintains this position because the UK continually reviews legislation to ensure it balances and protects the competing needs of different parties involved in insolvency. Doing nothing would not materially affect this position, but it would mean that two pieces of legislation that no longer fulfil a useful purpose in the insolvency framework would be maintained and creditors would not gain from a more efficient process with greater dividend payments.

Preferred Option: Changes to the regulation of IPs and the appointment of administrator

18. This IA describes two legislative changes to the regulation of IPs and the appointment of an administrator:
    - Removal of the requirement to maintain a separate case record for matters such as progress of case administration, bonding, remuneration and meetings
    - Preventing unnecessary delays to the appointment of an administrator

1. Removal of the requirement to maintain a separate case record for matters such as progress of case administration, bonding, remuneration and meetings

19. The legislation will repeal the need for IPs to keep a separate case record of information for matters such as progress of case administration, bonding, remuneration and meetings. Practically this involves amendments to Regulation 13 and 14 and a repeal of the associated Schedule 3 of the Insolvency Practitioners Regulations 2005.

20. As regulated professionals, it is expected that IPs would already maintain records of most of the matters specified within Schedule 3 where ever relevant as a means of ensuring cases are effectively managed and progressed, and a part of the process by which information is reported to creditors. This would include the recording and justification of material decisions on cases.

21. Regulation 13(4) requires that each record maintained under Schedule 3 should be capable of being produced separately. IPs and the professional bodies which regulate them advise that IPs tend to interpret this requirement narrowly such that they maintain duplicate records even where in practice this information is already held in, or should be evident from, their individual case records. For example information about the details of the insolvent and the IP should be apparent from case records and reports to creditors; and information regarding bonding is subject to separate recording requirements set down by bond providers and regulators.

[6] World Bank 2015 Doing Business Report available at http://www.doingbusiness.org/~/media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB15-Full-Report.pdf

22. The legislation will require IPs to maintain records sufficient to show and explain the administration of the case and decisions materially affecting the case . It is not expected that such a provision would impose a new requirement, but rather codify what is already expected of regulated professionals involved in insolvency case administration.

23. The legislation will be implemented in October 2015.

2. Preventing unnecessary delays to the appointment of an administrator

24. The appointment of an administrator can occur through a number of ways including on the initiative of the company or its directors out of court. As the appointment process is made out of court, a number of restrictions are placed to ensure that the process is not abused and creditors' rights to make an alternative insolvency appointment are not compromised. This includes not allowing an administrator appointment to be made if a petition to wind-up the company has been presented to the court and not yet dismissed.
25. In circumstances where a third party is able to block the appointment of the proposed administrator or substitute their own choice of administrator, the company or its directors must give notice to that person and, where relevant, certain other persons prescribed in secondary legislation. This notice of intention to appoint triggers an interim moratorium that prevents other insolvency proceedings or legal processes against the company being instituted or continued.
26. Ambiguity in the current wording of the legislation in this regard has meant that where a winding-up petition is presented during the interim moratorium (i.e. before the appointment of an administrator takes effect but after a notice of intention to appoint that administrator has been filed), uncertainty ensues as it is not clear whether or not such a petition prevents the appointment from taking place (without first dispensing with the petition).
27. This clarificatory provision confirms the original policy intention that petitions presented during the interim moratorium do **not** prevent the appointment of the administrator.
28. This will reduce delays in the appointment of an administrator and potentially preserve a higher value of the company for all creditors.
29. No non-legislative solution can address this problem as the current ambiguity in the legislation means that courts and others (such as the proposed administrator) cannot be certain whether or not the illegitimate petition needs to be dispensed with before the appointment can take effect. Whilst the Insolvency Service could issue guidance setting out the original policy intention behind this provision, the risk of courts taking a different approach means that uncertainty would remain as a result of the continued risk of legal challenge to an administrator's appointment.
30. The legislation will be implemented in May/June 2015 following Royal Assent of the Deregulation Bill.

Monetised and non monetised costs and benefits

Costs to Business

Familiarisation costs

31. The only material costs to business resulting from these measures will be the time incurred by IPs and their staff familiarising themselves with the legislative changes. These one-off costs will be incurred in the first year of the policy implementation. All 1,358[7] appointment taking IPs will have to familiarise themselves with each of the changes. In addition it is likely that other members of IP practices will have to familiarise themselves with the changes

[7] As of 1 January 2015

either through internal communications or continual professional development. There is limited available information on how many additional staff will require familiarising but an estimate of the population was published in a previous impact assessment on reforms to IP regulations, "Changes to the law governing insolvency proceedings"[8] and this will be used to estimate the population in this instance.

32. Feedback from the consultation as well as separate conversations with a number of IPs leads us to estimate that each member of staff will require on average around an hour to familiarise themselves with the necessary changes for 1) and half an hour for 2). The smaller time for preventing unnecessary delays to the appointment of an administrator is because this change is more of a clarification of an existing work practice. This means a total familiarisation time of 1.5 hours across the package. Table 1 shows the breakdown in costs by staff type.

Table 1: Estimated familiarisation cost of legislation

	Number	**Average Hourly fee rate (£)[9]**	**Familiarisation time (hours)**	**Cost £m**
Insolvency practitioner	1,358	383	1.5	0.8
Insolvency manager	2,700	265	1.5	1.1
Assistant	13,500	108	1.5	2.2
Total familiarisation cost across the two legislative changes				**4.0**

33. The total one-off familiarisation costs across the two pieces of legislation are estimated to be £4.0m. These costs are directly related to the changes in legislation and are within scope of One-In Two-Out (OITO).

Benefits to creditors

34. The removal of unnecessary regulations from insolvency proceedings will reduce the cost of compliance with regulations. IPs recover the cost of complying with the regulations by charging fees against realised assets, with lower costs of compliance more assets will be available to pass on directly to creditors. Therefore in the case of each regulation the estimated benefits will be directly passed on to creditors. The share attributed to business creditors are classified as benefits to business under the Better Regulation Framework and are in scope of OITO. To estimate this share an analysis of a random un weighted sample of 125 records filed at Companies House over a 3 year period and a OFT market study[10] of insolvency practitioners estimated that non-businesses accounted for around 10 per cent of the returns to creditors.

[8] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/368336/bis_14_935_proposed__changes_to_the_law_governing_insolvency_proceedings_v2.pdf

[9] Hourly rates are taken from a 2012 report by Professor Elaine Kempson and have been updated to 2014 prices using the Consumer Price Index. See http://www.bristol.ac.uk/geography/research/pfrc/themes/credit-debt/pfrc1316.pdf

[10] http://webarchive.nationalarchives.gov.uk/20140402142426/http:/www.oft.gov.uk/shared_oft/reports/Insolvency/oft1245

- **Removal of the requirement to maintain a separate case record for matters such as progress of case administration, bonding, remuneration and meetings**

35. The requirement to maintain a separate case record applies across all insolvency procedures where an insolvency practitioner is appointed. Based upon discussions with a regulated public body and IPs it is estimated that in around 80 per cent of those cases duplicate information is created and held by the insolvency practitioner in order to comply with the regulation. For the consultation we assumed that around an hour was spent per case on duplicating records. Respondents felt that this was an overestimate of the time and suggested 30 minutes per case was a more realistic estimate. The types of records that are in scope of this change are more likely to be completed by relatively junior members of IP practices with an estimated hourly charge out rate of £108, meaning an estimated saving per case of £54. Table 2 sets out the estimated cost saving in IP regulation and the comparable benefit to business creditors through greater dividend payments.

Table 2: Estimated annual saving from removing requirement to maintain separate case records

	CVL	Para 83 CVL [11]	Admin	IP led CWU	IP led Bankruptcy[12]	CVA	IVA[13]	Total
Number of cases in 2014	10,527	880	1,878	660	4,024	576	57,067	75,612
Number of cases in scope (80%)	8,422	704	1,502	528	3,219	461	45,654	60,490
Estimated gross saving at £54 per case (£m)	**0.45**	**0.04**	**0.08**	**0.03**	**0.17**	**0.02**	**2.47**	**3.27**
Estimated benefit to business creditors that are within scope of One-In Two-Out (£m)	**0.41**	**0.03**	**0.07**	**0.03**	**0.16**	**0.02**	**2.22**	**2.94**

36. Table 2 shows that the estimated reduced cost of IP regulation will be **£3.27m** a year. This benefit will be passed on directly to creditors. Business creditors will account for around 90 cent of the increased dividend payments or **£2.94m per year**; this benefit is in scope of OITO.

Non monetised benefits

Preventing unnecessary delays to the appointment of an administrator

[11] Para 83 CVL are those that follow an initial administration

[12] Includes an estimated 1,899 sequestrations from Scotland

[13] Includes 4,877 Protected Trust Deeds from Scotland

37. Allowing an administrator to be appointed immediately in cases where a winding up petition has been illegitimately presented will reduce delays in the appointment of an administrator. Delays in appointment can reduce value in the business because the insolvency practitioner is prevented from beginning the process of saving the company or finding the best value for creditors. In 2014 there were 1,878 administration in Great Britain of which it is estimated that around two-thirds to three-quarters are appointed via paragraph 22 of Schedule B1 of the Insolvency Act 1986 (appointment by company or its directors. This means between 1,239 and 1,409 administrations could potentially be impacted by the change. However, IPs estimate that only around 1 per cent of these cases have illegitimate petitions - between 12 and 14 petitions a year.
38. Even after consulting with stakeholders and holding follow-up discussions with IPs it has proven impossible to estimate the value of the benefit of this deregulatory measure. Responses from the consultation felt it was too difficult to put a value on the benefit because it would vary by the length of delay, the type of business involved, and most importantly what would have happened if the case immediately entered administration (the counter factual). Therefore we have been unable to estimate the annual benefit to creditors from the policy. However, it is possible to calculate the breakeven point.
39. Familiarisation costs are the only costs to business from the policy and are estimated to produce a one-off total of £1.3m. Using the OITO methodology this equates to an average annual cost to business in 2009 prices of £0.12m. Using Office of Fair Trading[14] analysis of the asset realisation in insolvency cases it is estimated that around £2bn of asset realisations were made in administration cases at an average value per case of £1.1m. This means the **total** value for asset realisations in the 12 to 14 cases per year impacted by the legislation would be between £13.2 and £15m per year. Break-even analysis suggests that if removing this delay in appointing the administrator led to a 1 per cent improvement in these asset valuations then the deregulation would be net beneficial to business. Given the small number of cases impacted and low estimated costs of implementing this level of analysis seems proportionate for the policy impact. Therefore the legislation has been assessed as being a deregulatory measure with a net beneficial but non-monetised benefit to business.

Risks and Assumptions

40. The proportion of IP cases where duplicate records are kept was estimated by a regulated public body to be 80 per cent, this assumption was tested at consultation and found to be a fair assessment of the level of duplication. However, it is possible on implementation that the proportion may be significantly different to the level quoted in this impact assessment which will change the benefit figures accordingly.

Direct costs and benefits to business calculations (following OITO methodology)

41. The two pieces of legislation remove/revise regulation on IPs. They will lower the cost of IP regulation and so enable greater returns to creditors. Around 90 per cent of the benefits to creditors will directly benefit business. In accordance with the better regulation framework both of these measures are classified as an OUT. The EANCB score for the removal of the requirement to maintain separate case records is estimated to be £-2.00m. The EANCB score for preventing unnecessary delay to the appointment of an administrator has been assessed as a non-monetised OUT. The impacts that are within scope of OITO are:
    - A one-off cost to IPs and their support staff of familiarising themselves with the removal of the requirement to maintain separate case records of £2.7m (2014 prices)

[14] http://webarchive.nationalarchives.gov.uk/20140402142426/http:/www.oft.gov.uk/shared_oft/reports/Insolvency/oft1245

- An ongoing benefit to business creditors from the reduced cost of insolvency proceedings as a result of removing the requirement to maintain separate records of £2.94m (2014 prices)
- The one-off cost to IPs and their support staff from familiarising themselves with changes to the appointment of an administrator have been estimated to be £1.3m, or an EANCB of £0.12m. The annual benefits of the policy have been assessed as being at least the same resulting in a non monetised net beneficial deregulation. As such the cost information for this policy has been included in the net present value calculations but not included in the equivalent annual net cost to business estimate.

Wider Impacts

42. The policy has been assessed as having no other impacts on the environment, the economy, the justice system or the wider society other than those described in this impact assessment.

Annex A

Glossary of insolvency procedures

Administration

Administration is a process which places a company under the control of a licensed insolvency practitioner and the protection of the court to achieve a specified statutory purpose. The purpose of administration is to save the company, or if that is not possible, to achieve a better result for creditors than in a liquidation, or if neither of those is possible, to realise property to enable funds to be distributed to secured or preferential creditors.

Bankruptcy

A bankruptcy order made against an individual signifies that the individual is unable to pay his/her debts and deprives him/her of his/her property, which is then realised for distribution amongst his creditors.

Company Voluntary Arrangement

A company voluntary arrangement is a procedure whereby a plan of reorganisation or composition in satisfaction of its debts is put forward to the company's creditors and shareholders who vote whether or not to approve it. There is limited involvement by the court and the arrangement, once approved, is controlled by a licensed insolvency practitioner who acts as supervisor.

Compulsory Liquidation

A compulsory liquidation of a company is a liquidation ordered by the court. This is usually as a result of a petition presented to the court by a creditor and is the only method by which a creditor can bring about a liquidation of a company it is owed money by.

Individual Voluntary Arrangement

A voluntary arrangement for an individual is a procedure whereby a scheme of arrangement of their affairs or composition in satisfaction of their debts is put forward to creditors for approval. If approved, an insolvency practitioner acts as supervisor of the arrangement.

Protected Trust Deeds

A trust deed is a voluntary agreement between a debtor and their creditors to repay part, or all of what they owe. A trust deed transfers the debtors rights to the things that they own to a trustee who will sell them to pay creditors part of what is owed to them. Protected trust deeds are available in Scotland and fulfil much the same role as IVAs in England and Wales.

Voluntary Liquidation

Can be either a Creditors' Voluntary Liquidation or a Members' Voluntary Liquidation. A creditors' voluntary liquidation relates to an insolvent company. It is commenced by resolution of the shareholders, but is under the effective control of creditors, who can choose the liquidator. A members' voluntary liquidation is a solvent liquidation where the shareholders appoint the liquidator to realise assets and settle all the company's debts, plus interest, in full within 12 months.