Stakeholder Confidence Research 2014/2015

Executive Summary

Prepared for: Customer & Communication Directorate
By: Quadrangle

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Preface

This document is an executive summary of the quantitative findings from the annual Stakeholder Confidence survey undertaken by Quadrangle who were commissioned on behalf of the Insolvency Service (IS). In addition to this deliverable there is a slide deck in Microsoft PowerPoint.

Contents

1 Overview

This research was conducted to:-

- measure stakeholders' confidence in The Insolvency Service and the effectiveness of sanctions The Insolvency Service has available to them;
- canvas stakeholders' views on the prioritisation of cases;
- test the prioritisation of cases;
- measure awareness of routes of complaint.

The results cover a range of The Insolvency Service's key stakeholders, whose views were obtained through a 12-14 minute telephone interview during the period 22nd January to 2nd February 2015.

Stakeholder interviews were conducted with:-

- Institutional Creditors;
- Non-institutional Creditors;
- Insolvency Practitioners;
- SME Company Directors;
- Accountants;
- Lawyers (both Solicitors and Barristers);
- Other Stakeholders.

1.1 Terminology

This report uses a series of terms relating to Stakeholders and Other Stakeholders throughout: -

'Stakeholders' is a general term encompassing all audiences interviewed in this study.

'Other Stakeholders' are a sub-group of stakeholders that cannot be labelled as a single group, due to the variety of organisations included, such as the police, professional associations, credit services, the public sector and academics. This sub-group have contact with The Insolvency Service on a regular or semi-regular basis and thus tend to have a greater knowledge of its activities.

The term **'sub-group'** refers to a sub-set of the stakeholders spoken to, such as Institutional Creditors, Insolvency Practitioners, Company Directors, etc.

Please note that as the Other Stakeholder group is small, and of a varied audience, it is not advisable to try and compare year-on-year results for this audience, as the make-up of respondents can vary greatly over time.

2 Background and research objectives

2.1 The role of the Insolvency Service

The Insolvency Service is an executive agency of the Department for Business Innovation and Skills (BIS). It is the regulator for the insolvency sector in England and Wales.

The purpose of the Insolvency Service is to provide a framework to deliver public services that deal with personal and corporate insolvency and misconduct that can accompany, or lead to it.

Specifically, it:-

- administers and investigate the affairs of bankrupts and companies of compulsory liquidation;
- establishes the reasons for the insolvency;
- deals with the disqualification of unfit directors in all corporate failures and the extended restrictions of bankrupts for misconduct;
- tackles wider corporate abuse which can lead to market distortion.

2.2 Research objectives of this survey

The key objective of this study is to measure the confidence of key stakeholders in the Insolvency Service's ability to identify and sanction those responsible for misconduct.

We addressed this through the following four key research objectives:-

- to measure confidence in the investigation and enforcement activities of the Insolvency Service;
- to measure Stakeholders' perceptions of the effectiveness of powers;
- to test the prioritisation of cases;
- to measure awareness of routes of complaint.

This work will be used by the Insolvency Service to help it become a more customer centric, effective and efficient organisation. In addition to top-line comparisons with previous years, key themes identified in the analysis of the qualitative work Quadrangle completed alongside the 2013/14 quantitative confidence survey, have allowed for a more targeted measurement of confidence in the 2014/15 survey.

3 Methodology & sampling

A total of 403 Computer Assisted Telephone Interviews (CATI) took place with stakeholders of the Insolvency Service. Interviews were conducted by Quadrangle between 22nd January and 2nd February 2015 and typically lasted 12-14 minutes, depending on the answers given.

A range of sample sources were used; some supplied by the Insolvency Service, others purchased from the Experian database.

Results have been tested by standard statistical formulae. Where significant, we can be 95% confident that the differences are real and did not occur by chance or sampling error.

3.1 Sample supplied by the Insolvency Service

Institutional and Non-institutional Creditors, Insolvency Practitioners (IPs) and Other Stakeholder contacts were supplied by the Insolvency Service. For these contacts, addresses, telephone numbers, contact names (where possible) and company names were supplied.

The ‘Other Stakeholder’ sample was selected by the Insolvency Service and consists of a variety of audiences, including the police, professional associations, credit services, government departments and agencies, R3 members and academics. It is important to note that the ‘Other Stakeholders’ sub-group is a disparate audience with a small base size, so any year-on-year differences should be treated with caution. It is worth noting that this sub-group have contact with the Insolvency Service on a regular, or semi-regular basis, so tend to have a greater knowledge of its activities.

3.2 Purchased sample

Contact sample of Company Directors, Lawyers and Accountants were purchased from the Experian database. A random selection of Company Directors were sampled across all business sectors, with the only criteria being that they had fewer than 250 employees and were based in either England or Wales.

Accountants and Lawyers sample files were drawn from a random selection of the most relevant UK Standard Industrial Classification codes, and screened out of the survey if they had no dealings with the Insolvency Service. In the case of the Lawyer sample, both Solicitors and Barristers were interviewed, however responses have been grouped together for analysis.

A breakdown of the final stakeholder sample interviewed is as follows:

Table 2.1: Completed interviews

	Number	% sample
Institutional Creditors	77	19%
Non-institutional Creditors	76	19%
Insolvency Practitioners	77	19%
SME Company Directors	76	19%
Accountants*	36	9%
Solicitors / Barristers*	36	9%
Other Stakeholders	25	6%
TOTAL	403	100%

*Following on from the 2013/14 survey, Quadrangle have continued to split out accountants and solicitors in order to show any possible differences in terms of confidence between these sub groups.

4 Main Findings

Confidence:

Confidence with the Insolvency Service's investigation and enforcement regime has increased again since 2013/14, a continuation of a trend from 2010. Almost three-quarters of Stakeholders (73%) state they are confident; albeit that the 4% increase on last year (69%) is not statistically significant.

Awareness:

Awareness of the possible sanctions is high, with almost nine in ten stakeholders aware of at least one of the sanctions available to the Insolvency Service. 'Banning an individual from acting as a Company Director for a period of time' remains the sanction with the highest awareness.

Understanding:

Levels of understanding in the Insolvency Service's activities have remained relatively constant overall (86% in 2014/15 vs. 83% in 2013/14). However, those saying they have a 'fair', rather than 'very good' understanding has significantly increased (52% up from 44%) over the year.

Effectiveness of sanctions and importance of actions taken:

Stakeholders hold high levels of importance for outcomes of the Insolvency Service's activities related to investigation and enforcement, particularly 'Promoting fair treatment of customers and creditors' which 81% state as 'very important'.

'Banning someone from acting as a company director for a period of unfit conduct' is the most polarising sanction as it is deemed both the most and least effective.

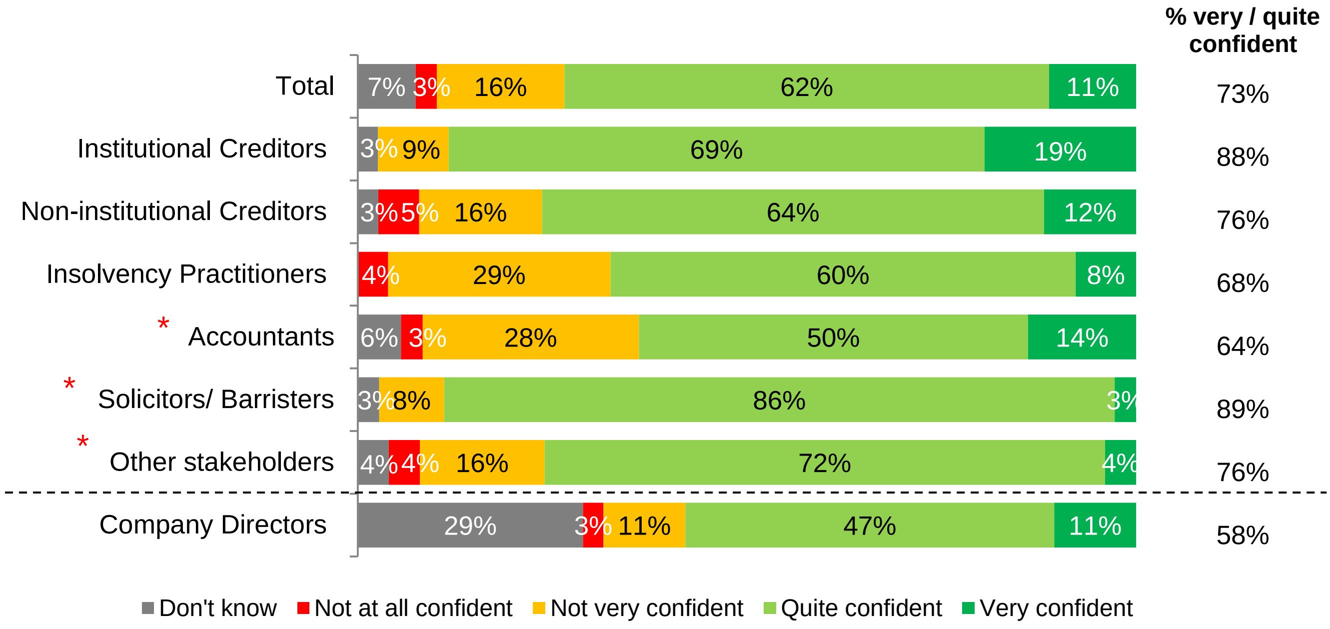
Contact Channels:

Stakeholder's knowledge of who to complain to about a disqualified director, or undischarged bankrupt has remained at a similar level to last year though there has been a slight uplift amongst Non-institutional Creditors, Accountants and Solicitors.

Of those who say they know who to complain to, only half of Company Directors know to complain to the Insolvency Service. However, this has increased significantly from 2013/14 (from 30% to 50%).

4.1 Confidence in the Insolvency Service's investigation and enforcement regime

Chart 4.1: Overall confidence in the Insolvency Service amongst key stakeholder groups



Q5a: Taking everything into account, how confident are you overall with The Insolvency Service's investigation and enforcement regime? Base: Total (403)

*** Low base size <50**

Confidence continues to increase overall:

Confidence with the Insolvency Service's investigation and enforcement regime has increased again since 2013/14, a continuation of a trend from 2010. Almost three-quarters of Stakeholders (73%) state they are confident; however the 4% increase on last year (69%) is not significant.

Levels of confidence among the different stakeholders vary; Institutional Creditors have the highest levels of confidence in the regime (88%) with around one in five saying they are 'very confident'. Company Directors on the other hand continue to demonstrate the lowest confidence levels (58% confident).

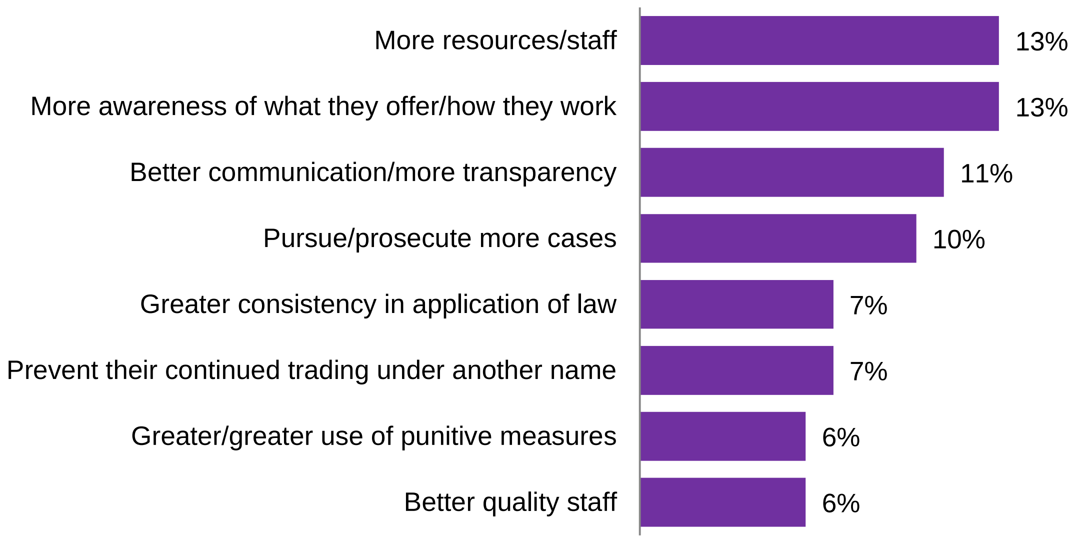
Table 4.2: Overall confidence in the Insolvency Service's investigation and enforcement regime 2012/ 2013 vs 2013/ 2014 vs 2014/15

% very / quite confident	Including DK			Excluding DK		
	2014/15	2013/14	2012/13	2014/15	2013/14	2012/13
Total	**73%**	**69%**	**66%**	**79%**	**74%**	**71%**
Institutional Creditors	88%	79%	82%	91%	82%	85%
Non-institutional creditors	76%	76%	66%	78%	81%	69%
Insolvency Practitioners	68%	62%	60%	68%	62%	61%
Company Directors	58%	52%	47%	81%	68%	63%
Accountants*	64%	74%	-	68%	76%	-
Solicitors*	89%	85%	-	91%	85%	-
Accountants /Solicitors (combined)	76%	79%	69%	80%	79%	74%
Other stakeholders*	76%	63%	81%	79%	68%	81%

As shown in the table above, many of the sub-groups have increased levels of confidence from 2012/13. However, we have seen a slight fall in a number of Stakeholder groups saying they are 'very confident'; namely Institutional and Non-institutional creditors. Despite having the lowest number of those saying they feel confident in the regime overall, Company Directors confidence levels continue to increase year on year.

When stakeholders were asked how confidence in the Service could be improved, there is no clear agreement, with resource and communication both coming out strongly.

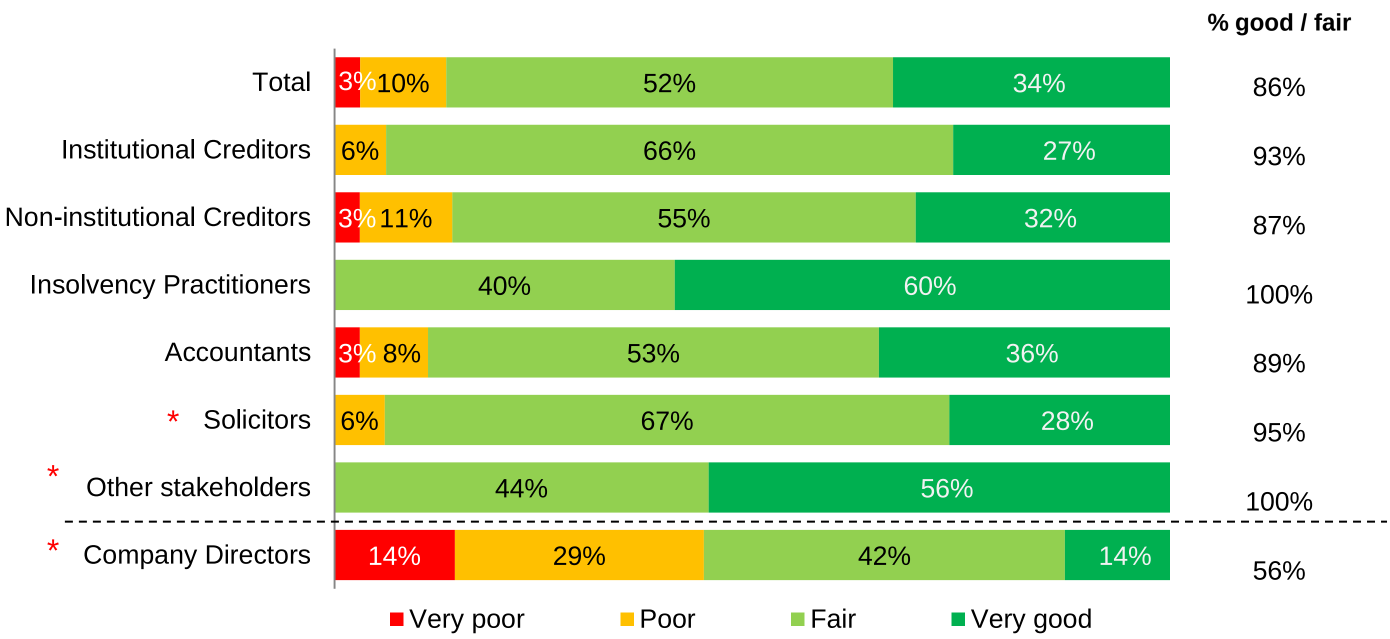
Chart 4.3: How confidence can be improved:



Q5B/C Is there anything else that the Insolvency Service could do to improve your confidence in them? Base: 402

4.2 Understanding and awareness of the Insolvency Service's activities

Chart 4.4: Chart showing stakeholders' understanding of the Insolvency Service's activities



Q1a: Given what you know and have heard about The Insolvency Service, would you rate your understanding of their activities as… Base: Total (403)

*** Low base size <50**

Varying levels of understanding between stakeholder groups:

Levels of understanding of the Insolvency Service's activities have remained relatively constant overall (86% in 2014/15 vs. 83% in 2013/14). However, those saying they have a fair, rather than 'very good' understanding has significantly increased (52% up from 44%) over the year.

Insolvency Practitioners and Other Stakeholders claim to be the most well informed stakeholders (100% understanding), whereas little over half of Company Directors claim to have a 'very good' or 'fair' understanding (56%).

Awareness of sanctions available is high

Table 4.5: Table showing stakeholders' awareness of sanctions available to the Insolvency Service

% aware	TOTAL	Institutional creditors	Non-institutional Creditors	Insolvency Practitioners	Accountants*	Solicitors*	Other* stakeholders	Company Directors
Banning someone from acting as a company director for a period because of unfit conduct	88%	95%	84%	99%	97%	100%	100%	59%
Referral for criminal proceedings	78%	82%	68%	96%	92%	92%	96%	49%
Extending the restrictions of bankruptcy because of misconduct by the bankrupt	74%	90%	67%	97%	86%	94%	80%	26%
Not discharging a bankrupt because they have failed to cooperate or have abused the bankruptcy regime	73%	92%	63%	96%	81%	89%	80%	26%
Asking the Court to stop a company trading when its activities are harming the public	70%	65%	63%	94%	75%	81%	84%	49%
I was not aware of any of these powers	10%	3%	11%	1%	3%	0%	0%	36%

Q2a: Before today, were you aware of any of the following sanctions available to The Insolvency Service? Base: Total (403)

*** Low base size <50**

Awareness of the possible sanctions is high, with almost nine in ten stakeholders aware of at least one of the sanctions available to the Insolvency Service. 'Banning someone from acting as a Company Director for a period of time' remains the sanction with the highest awareness overall (88%) though stakeholders stating they are aware of 'Referral for criminal proceedings' has significantly increased from 2013/14 to 2014/15 (up 7%). The subgroups seemingly driving this change are Institutional Creditors and Solicitors. Insolvency Practitioners awareness across powers is highest at an individual sub-group level.

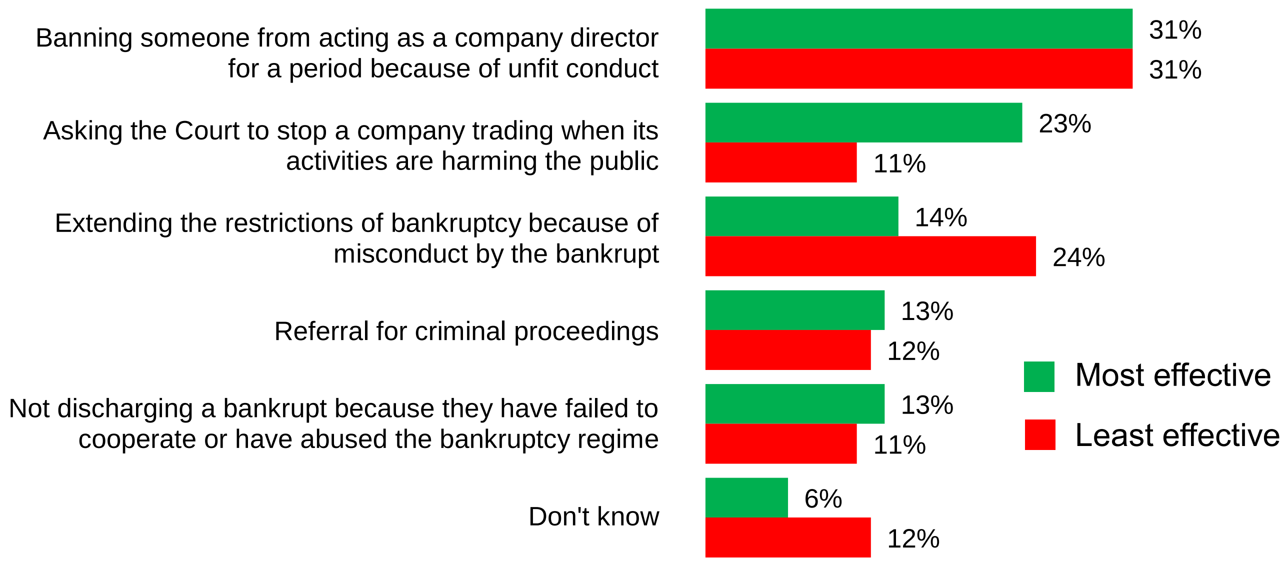
Despite general awareness of all powers being high, the number saying they are not aware of any powers available to the Insolvency Service has increased significantly (6% from 2013/14). Given their low levels of overall awareness, Company Directors have the least awareness of the powers available to the Insolvency Service; 36% state they are not aware of any powers.

Of those aware of more than one of the Insolvency Service's powers, there is little to pull apart which stakeholders believe to be the most and least effective, with many powers' effectiveness seen to be quite polarising; around a third (31%) think 'Banning someone from acting as a Company Director for a period of time' is both most, and least effective.

A little under a quarter of stakeholders (23%) think that 'Asking the Court to stop a company trading when its activities are harming the public' is the most effective power, largely driven by Company Directors and Other Stakeholders. Around the same number (24%) think 'Extending the restrictions of bankruptcy because of misconduct by the bankrupt' is the least effective power available to the Insolvency Service (34% amongst Insolvency Practitioners).

Chart 4.5: Chart showing most and least effective powers:

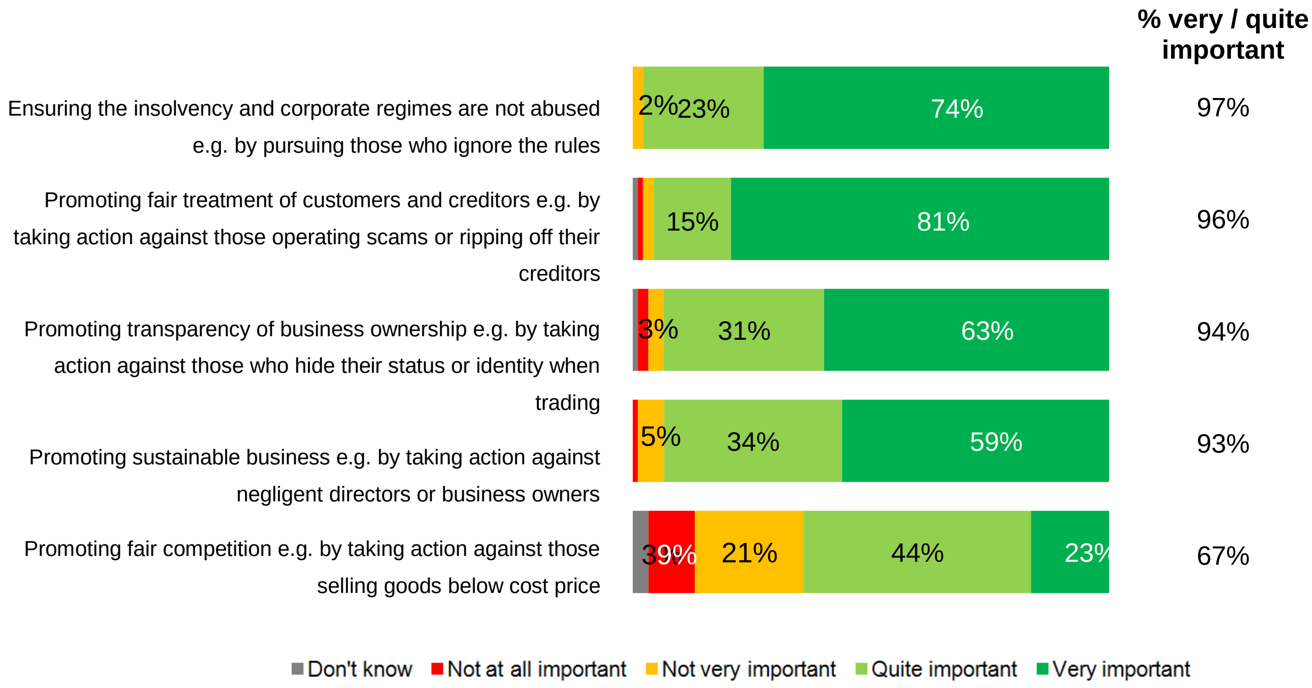
Most and least effective powers



Q2B And which power in your experience, is most effective? Q2C And which power, in your experience, is least effective? Base: All those aware of 2 sanctions or more at Q2A (352)

4.3 Importance of the Insolvency Service's enforcement actions to Stakeholders

Chart 4.6: Chart showing stakeholder's perceived importance of enforcement actions



Q4. In order to focus the Insolvency Service's investigation and enforcement activities we would like to know how important each outcome is to you. Base: Total (403)

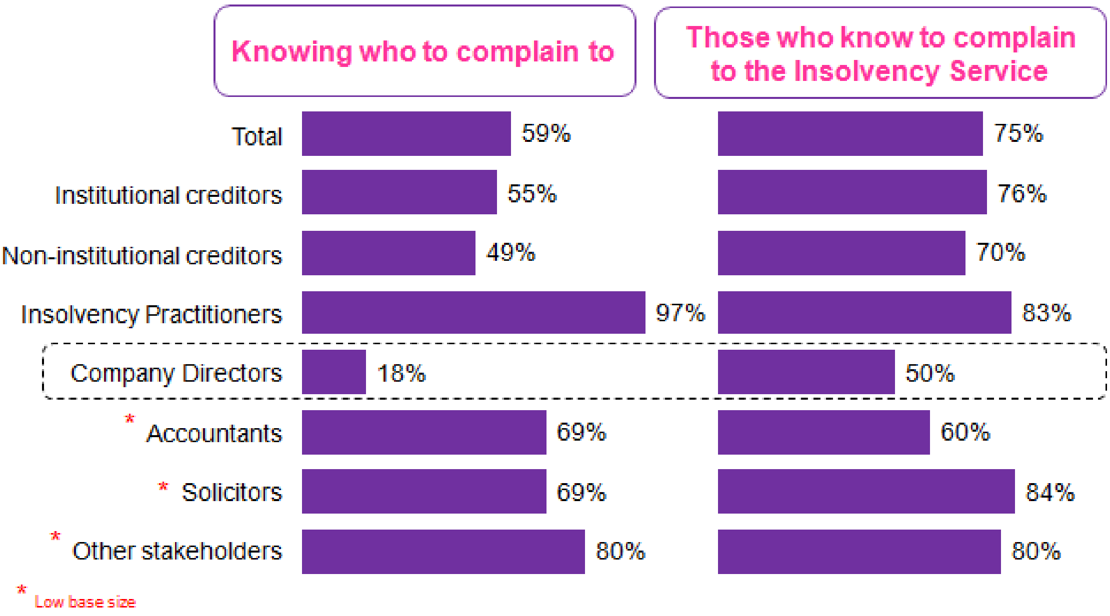
High levels of importance for all available actions:

Stakeholders hold high levels of importance for outcomes of the Insolvency Service's activities related to investigation and enforcement, particularly 'Promoting fair treatment of customers and creditors' which 81% state as 'very important'.

'Promoting fair competition' has the lowest level of importance, yet two thirds of Stakeholders agree on its importance. Amongst Company Directors, this rises to 87%.

4.4 Knowledge of who to complain to

Chart 4.7: Chart showing the number of stakeholder's who claim to know who to complain to and those who know to complain to the Insolvency Service



Q3A. Before today, have you known who to complain to about a disqualified director or undischarged bankrupt? Base: Total (403) Q3B. Who would that be to?Base: Those who know who to complain to (238)

Stakeholder's knowledge of who to complain to about a disqualified director or undischarged bankrupt has remained at similar level to last year, although there has been a slight uplift amongst Non-institutional Creditors, Accountants and Solicitors.

Of those who say they know who to complain to, only half of Company Directors know to complain to the Insolvency Service. However, this has increased significantly from 2013/14 (from 30% to 50%). Institutional Creditors and Solicitors have also seen a significant uplift in the number knowing to complain to the Insolvency Service.

4.5 Understanding key metrics: 2014/15 vs. 2013/14

Below is a table of the key metrics from the confidence survey 2015, compared to scores from the previous year.

Overall the picture of the 2014/15 survey is a positive one with most headline metrics, including confidence, up on last year's results. However, this belies some indications that there is room for improvement particularly when considering;

- (a) the generally low scores, coupled with high awareness, among Insolvency Service Practitioners;
- (b) the fallback (albeit slight) in the top box score on agreement.

In order to improve confidence moving forward, attention should be paid to enforcement related activities and perceptions, as this area shows the greatest room for improvement. Unlike awareness and understanding of the Insolvency Service and its activities, which are merely pre-existing conditions in order for confidence to exist, factors relating to enforcement can directly impact on confidence.

Diagram 4.8: Diagram comparing key metrics from 2014/15 and 2013/14