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## **Bank Accounts for Bankrupts**

### **Department for Business Innovation and Skills**

**RPC rating: validated**

#### **Description of proposal**

Currently, high street banks are extremely reluctant to offer accounts to bankrupts. This is because where a bankrupt receives money after bankruptcy but before discharge (usually 12 months after bankruptcy), and the money is removed from the account, the trustee can potentially make a claim against the bank itself. The Department proposes to legislate so that these claims cannot be made against banks.

#### **Impacts of proposal**

The Department states that there will be one-off costs for retail banks and insolvency practitioners of familiarising themselves with the proposal. It estimates that these costs will be approximately £70,000 for insolvency practitioners and £40,000 for retail banks, based on consultation responses.

The Department expects that as a result of the policy five retail banks will change their policies and begin to offer basic bank accounts (i.e. those without overdraft facilities) to bankrupts. The Department estimates that this will involve one-off implementation costs of £50,000 from retraining staff in these banks. The Department estimates that 2,845 bankrupts will open basic bank accounts as a result of the proposal. There are administrative costs associated with running these accounts, so banks will incur costs of £0.2 million per year. However, these costs are not included in the EANDCB as they are incurred voluntarily.

The Department states that bankrupts who open accounts will benefit from being able to use direct debits to pay utility and other bills. This will allow them to achieve savings of approximately £170 per person per year, on average. The Department also expects that they will receive wider benefits from increased convenience in accessing wages and benefits.

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) of £0.0 million. This will be a qualifying regulatory provision that will score under the business impact target.

#### **Quality of submission**

As initially submitted, the IA included the implementation and operating costs incurred by banks offering basic bank accounts to bankrupts in the EANDCB. Following the RPC's initial review, the Department submitted a revised IA that does not include these costs in the EANDCB. This is because retail banks are not under any obligation to offer accounts, so the Department acknowledges that banks would only change their behaviour following the permissive change if the benefits of doing so were at least as large as the costs. This is in line with the RPC's treatment in previous cases involving permissive changes.

The Department uses consultation evidence from banks, insolvency practitioners and consumer rights groups to monetise the impacts of the proposal. This appears reasonable.

### Departmental assessment

Classification	Qualifying regulatory provision (IN)
Equivalent annual net cost to business (EANCB)	£0.2 million (initial estimate) £0.0 million (final estimate)
Business net present value	-£1.88 million

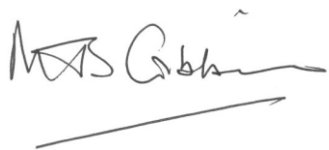
### RPC assessment

Classification	Qualifying regulatory provision (IN)
EANCB – RPC validated <sup>1</sup>	£0.0 million
Business Impact Target (BIT) Score <sup>1</sup>	£0.0 million
Small and micro business assessment	Not required (fast track low-cost regulation)
RPC rating (of initial submission)	Not fit for purpose

<sup>1</sup> For reporting purposes, the RPC validates EANCB and BIT score figures to the nearest £100,000.

Opinion: EANDCB validation  
Origin: domestic  
RPC reference number: RPC-3399(1)-BIS  
Date of implementation: not known

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**Michael Gibbons CBE**, Chairman