

Reform to the process by which the Secretary of State and Official Receiver request information on directors' behaviour

Department for Business, Innovation and Skills (Insolvency Service)

RPC rating: validated

Description of proposal

The Department proposes to amend legislation to allow the Secretary of State to obtain information on insolvent companies directly from third parties, such as company directors, where an investigation is necessary. Currently, only office holders, who are mainly insolvency practitioners, have a statutory obligation to respond to these requests for information. Therefore, requests are often made through insolvency practitioners unnecessarily.

Impacts of proposal

The Department states that insolvency practitioners will no longer be required to consider the requests for information or produce a written authority that can then be used by the investigator. The Department estimates that the time this will save insolvency practitioners is worth approximately £100 per information request and provides evidence that approximately 1,000 requests are sent to insolvency practitioners each year. Therefore, the value of the time saving to insolvency practitioners is estimated at £0.1 million each year.

The Department states that insolvency practitioners may incur familiarisation costs as a result of the proposal. However, it has not monetised these costs as it expects them to be negligible.

The RPC verifies the estimated equivalent annual net cost to business (EANDCB) of -£0.1 million. This will be a qualifying regulatory provision that will score under the business impact target.

Quality of submission

The Department states that the familiarisation costs for insolvency practitioners will be negligible. The RPC acknowledges that these are costs are extremely unlikely to

affect the EANDCB by more than the materiality threshold of £100,000. However, the IA would still benefit from including indicative estimates of these costs.

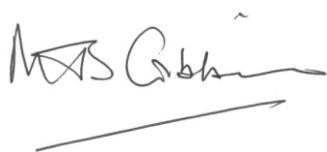
The IA would also benefit from including the number of active insolvency practitioners, which has been included in related IAs, in this IA, to provide information on the scale of this industry. The relatively low volume, around 1,300 appointment taking insolvency practitioners, provides useful context in relation to the expected size of familiarisation costs.

Departmental assessment

Classification	Qualifying regulatory provision (OUT)
Equivalent annual net cost to business (EANCB)	–£0.1 million
Business net present value	£0.77 million

RPC assessment

Classification	Qualifying regulatory provision (OUT)
EANCB – RPC validated ¹	–£0.1 million
Business Impact Target (BIT) Score ¹	–£0.5 million
Small and micro business assessment	Not required (deregulatory)



Michael Gibbons CBE, Chairman

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