 Regulatory Policy Committee	Validation of the One-in, Two-out Status and the Net Direct Impact on Business	
Impact assessment (IA)	Technical changes to insolvency practitioner regulations and the appointment of an administrator	
Lead department/agency	Department for Business, Innovation and Skills	
IA number	BISINSS018	
Origin	Domestic	
Expected date of implementation	1 October 2015 (SNR10)	
Date of regulatory triage confirmation	21 December 2012 (RPC12-FT-BIS-1659 ¹)	
Date submitted to RPC	2 March 2015	
Date of RPC validation	2 April 2015	
RPC reference	RPC14-FT-BIS-2334	
Departmental assessment		
One-in, Two-out status	OUT	
Estimate of the equivalent annual net cost to business (EANCB)	-£2.0 million	
RPC assessment	VALIDATED	
<p>Summary RPC comments</p> <p>The impact assessment is fit for purpose. The Department proposes to remove certain regulatory requirements placed on insolvency practitioners, which will result in reduced costs and greater benefits to businesses. The savings will be passed on to the creditors of insolvent businesses</p> <p>The RPC is able to validate the estimated EANCB of -£2.0 million.</p>		

¹ The Department has combined two proposals for validation – “Preventing unnecessary delays to the appointment of an administrator” that the RPC previously reviewed as a regulatory triage assessment and technical changes that the emerged from the Red Tape Challenge.

Background (extracted from IA)

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 developments in business custom and practice. Despite this fact, insolvency practitioners (IPs) must continue to comply with such regulation 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.

Regulation that no longer serves its original purposes adds 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 regulation that adds costs to insolvency proceedings. By reducing the costs of insolvency proceedings, creditors should receive higher returns.

RPC comments

The Department proposes to remove the requirement placed on administrators to maintain a separate case record for matters such as progress of case administration, bonding, remuneration and meetings. In addition, the Department is permitting the immediate appointment of an administrator when an illegitimate petition to wind up a company has been filed. The Department explains that both proposals will improve the efficiency and reduce the costs of insolvency proceedings, which will increase returns to creditors.

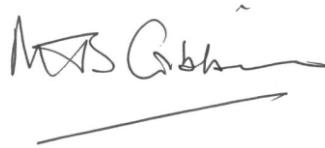
The Department estimates total familiarisation costs of approximately £4 million to insolvency practitioners.

The Department explains that insolvency practitioners recover their costs by charging fees against the realised assets of companies they are administering. By removing certain requirements placed on insolvency practitioners, creditors will directly benefit from increased assets available for distribution. The Department estimates that the benefits of the proposal to all creditors will be £3.3 million each year. To estimate the share attributable to business, the Department reviewed a sample of 125 insolvency records filed at Companies House over a three-year period, and used an OFT study of insolvency practitioners. As a result, the Department estimates that approximately 90% of the returns to creditors accrue to business, which is approximately £2.9 million each year.

The Department sought stakeholder views on the benefit of permitting the immediate appointment of an administrator when an illegitimate petition to wind up a company has been filed. Even after holding follow-up discussions with stakeholders, the Department has not been able to monetise these benefits.

On this basis, the RPC is able to validate the estimated EANCB of -£2.0 million.

Signed

A handwritten signature in black ink, appearing to read "Michael Gibbons", with a long horizontal stroke underneath.

Michael Gibbons, Chairman