Title: Changes to the law governing insolvency proceedings **IA No:** **Lead department or agency:** Insolvency Service (Exec Agency of BIS) **Other departments or agencies:**	**Impact Assessment (IA)** **Date: 26/02/2015** **Stage:** OITO validation **Source of intervention:** Domestic **Type of measure:** Primary legislation **Contact for enquiries:** robert.mak@insolvency.gsi.gov.uk

Summary: Intervention and Options

RPC Opinion: GREEN

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, One-Out?**	**Measure qualifies as**
143.32	127.99	-11.60	Yes	**Out**

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

Red Tape Challenge has identified a number of regulations that affect the efficient working of insolvency proceedings by imposing unnecessary regulatory burdens. These regulations are imposed by a combination of primary and secondary legislation and consequently can only be removed by Government intervention.

What are the policy objectives and the intended effects?

The objective is to implement savings to the cost of administering insolvency proceedings. As all insolvency costs must be paid before any money can be returned to any class of creditors, this should result in increased returns to creditors.

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

A total of 13 measures have been identified and assessed against the base cost of 'no change'. As all measures are deregulatory and there may be some saving of familiarisation costs by implementing them in bundles, it is likely some of the measures will be introduced in 2015 with the remainder introduced in 2016. All proposals are deregulatory in nature and can only be implemented by legislative amendment.

See evidence base for details of individual measures.

Will the policy be reviewed? No			**If applicable, set review date:**		
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)			**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: Margot James **Date:** 18 October 2016

Summary: Analysis & Evidence

Description: Modernising the insolvency framework and reducing unnecessary regulatory burdens

FULL ECONOMIC ASSESSMENT

Price Base Year 2013	PV Base Year 2015	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 86.19	**High: 240.09**	**Best Estimate: 143.32**

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	**5.0**			4.8
High	**10.1**	**1**		9.8
Best Estimate	**7.6**			7.3

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

There will be some transition costs, mainly incurred by active insolvency practitioners (about 1,350 individuals) and their staff, in familiarising themselves with legislative changes. The majority of these costs are likely to be incurred only for those measures that will be implemented in 2016.

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

N/A

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low			**11.3**	96.0
High			**29.0**	244.9
Best Estimate	**0**		**17.8**	**150.7**

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

The monetised benefit relates to a package of measures designed to improve the efficient working of all insolvency procedures. The direct beneficiaries are office holders and creditors. They are estimated at £17.8.m pa (see evidence base).

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

N/A

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

See evidence base

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: 0.7	**Benefits: 12.3**	**Net: 11.6**	Yes	**Out**

Evidence Base (for summary sheets)

Scope of impact assessment

This Impact Assessment (IA) considers the likely costs and benefits of the package of measures aimed at modernising the insolvency framework and reducing unnecessary regulatory burdens. Information has been gathered from a range of sources including from information held by the Insolvency Service in connection with its statutory and other duties, respondents to the Insolvency Service's Red Tape Challenge consultation (which considered the measures which form the subject of this impact assessment) and other engagement with stakeholders.

Affected Groups

The main affected groups will be:

- Insolvency professionals, their staff and their advisers;
- Government in respect of internal administrative processes;
- Government, in respect of any consequential amendments required to UK legislation;
- Businesses and individuals who are creditors of entities and individuals subject to insolvency proceedings.

Introduction

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 almost all insolvency procedures, an insolvency office-holder will be appointed to deal with the 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 most cases dealt with by ORs, a fixed case administration fee will be charged to the estate[3].
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.

Problem under consideration

8. Creditors in insolvencies receive a dividend paid from money raised from the sale of the debtor's assets. Before money is distributed to creditors, the office-holder's fees must be paid together with other administrative expenses. Administering an insolvency is often viewed by creditors as an expensive matter. As part of the Government's Red Tape Challenge ('RTC'), in 2012 the Insolvency Service asked stakeholders to comment on the current

[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. In addition the Secretary of State can currently authorise insolvency practitioners directly but legislative changes are being considered to repeal his ability to do so.
[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

framework and identify areas where unnecessary regulation could be removed, making insolvency proceedings more efficient, with the ultimate aim of improving returns to creditors.

9. Stakeholders responded by highlighting particular provisions of the current framework that appeared unnecessary or outdated in the light of developments in the wider insolvency landscape and society as a whole. These developments include technological advances and changes in business custom and practice. The Insolvency Service analysed these responses and proposed a package of measures aimed at modernising the insolvency framework and reducing unnecessary burdens. These proposals formed the subject of a public consultation conducted in 2013.
10. Following consultation, the package of measures was refined and those requiring changes to primary legislation were identified with the aim of taking these forward at the earliest opportunity parliamentary time permitted. This package of measures will modernise the insolvency framework by changing the law to allow more modern methods of communications and decision-making in insolvency proceedings and will reduce unnecessary regulatory burdens where the original reason for regulation no longer remains.

The role and nature of the insolvency office-holder

11. The role and nature of an insolvency office-holder warrants some inspection due to the peculiarities of their office and their relationship with parties to insolvency proceedings.
12. When acting as an insolvency office-holder, an IP or OR 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[5].
13. A company or individual seeking advice on their financial position may engage an IP for insolvency advice. Such advice would take place outside insolvency (i.e. the company or individual is not in 'formal insolvency' even though they may be insolvent on a number of tests), and often takes place in the run-up to formal insolvency. In this scenario, the IP would charge the client for advice provided. Any particular requirements the law mandated they comply with would increase the costs of the IP providing their advisory service to the client and would therefore be passed on to the client in the way in which the IP charged for their services. Reducing a regulatory burden in this context would have a direct impact on the IP and indirect benefit may be passed on to clients if the IP subsequently lowered the fees they charge as a result of lower costs.
14. The role of an IP in a formal insolvency is different to the above. When an IP consents to act as the office-holder in a formal insolvency (formal insolvencies being the proceedings which form the subject of this impact assessment), 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.
15. 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. Office-holders also charge their fees to the insolvent company/individual's estate, which will reduce the money available for the ultimate beneficiaries: the creditors.

[5] ORs do not provide pre-insolvency advice (other than general information contained in departmental publications).

16. It is therefore the case in insolvency proceedings that reducing a regulatory burden on the proceedings (i.e. the office-holder) results in a saving to the creditors, even if the office-holder is the one alleviated of the burden. As the office-holder is permitted to charge the insolvent estate for all work necessary in the administration of the proceedings, not having to do a particular task means no charge is therefore made to the estate, reducing the costs that are taken from the estate before funds can be distributed to creditors. Alleviating a burden has no separate impact on the office-holder as it does not reduce the cost of them providing their service to the insolvent estate; it simply means they do not have to recover the cost of performing the burden from the funds that will be distributed to creditors.

Measures

17. The following measures are contained within the package considered by this IA:

1. Removing meetings of creditors as the default position in insolvencies
2. Abolition of final meetings
3. Removal of requirement for liquidator to be present at a 'section 98' meeting of creditors in creditors' voluntary liquidation
4. Opting out of further correspondence
5. Administration extensions
6. Allowing an office-holder to pay a dividend in respect of a debt of less than £1,000 without the need for the creditor to submit a formal claim
7. Crystallisation of Scottish floating charges
8. Removal of requirement to seek sanction for certain actions in liquidation and bankruptcy
9. Abolition of Fast Track Voluntary Arrangements
10. Official Receiver to be appointed trustee on the making of a bankruptcy order.
11. Clarification that a court application under paragraph 65 of Schedule B1 is not required where an administrator intends to make a prescribed part payment to unsecured creditors
12. Clarification that a progress report must be issued to creditors where the liquidator changes within the first year of a creditors' voluntary liquidation

13. Alignment of the time limit for an appeal against the outcome of an Individual Voluntary Arrangement where there is no interim order with that where there is an interim order in place

18. It is intended to implement the proposals in two phases, as all require amendment to primary legislation so an opportunity will be sought to include all measures in a suitable legislative vehicle. Some of the measures will require additional secondary legislation to implement and these will therefore be implemented in a second phase, however such changes can not be made without first changing the primary legislation. The financial impact of the measures as a package has been considered in this assessment, rather than individually as they come into effect.

Rationale for intervention

19. The current insolvency framework governs the administration of insolvency proceedings and provides the processes by which an insolvency office-holder deals with the assets of a debtor so that money can be returned to creditors. The current framework is not without its flaws and has not fully kept up to date as the business environment has evolved. This package of measures is aimed at addressing these shortcomings.
20. The overarching rationale for intervention is to remove barriers to the efficient administration of insolvency proceedings. This will be achieved by modernising the insolvency framework and reducing unnecessary regulatory burdens. This will drive down the cost of administering insolvencies, resulting in improved returns to creditors.

Consultation process

21. As stated above, the package of measures considered in this IA stems from the Government's RTC insolvency theme. The insolvency theme was in the 'spotlight' on the RTC website from 23 August to 27 September 2012. Along with publishing 106 regulations on the website, we issued an information paper which was available on the website, alerted our major stakeholders to the launch of the theme by email, and published articles in newsletters and magazines targeted at IPs and repeat creditors from the business community. We also alerted individuals, directors and creditors who received communications from our London OR office in September 2012 to the theme spotlight in order to generate ideas from people going through the insolvency process. Our sector champion, Philip King, Chief Executive of the Institute of Credit Management who acted as a link between government and business, chaired a workshop with stakeholders at which a large number of useful ideas were put forward.
22. The ideas generated by this engagement with stakeholders led to the development of a package of proposals which formed the subject of a public consultation which was held between 18 July 2013 and 10 October 2013[6]. In the consultation we set out the background and rationale for individual measures and invited stakeholders to comment. We also included in the consultation document impact assessments that set out likely costs and benefits for those proposals where we were able to do so. This gave respondents the ability to analyse the methodology used and consider the accuracy of any assumptions we had relied upon and gave them the opportunity to provide further information to enable us to quantify the likely costs

[6] See: https://www.gov.uk/government/consultations/changes-to-insolvency-law-to-reduce-unnecessary-regulation-and-simplify-procedures

and savings as accurately as possible. There was a strong emphasis in the consultation questions asking stakeholders to estimate costs and savings based on their experience of insolvency processes.

23. We received over 25 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. These responses were analysed and used to refine proposals, including those which form the subject of this IA. With regard to the first measure about reducing the number of physical meetings of creditors, a stakeholder meeting was held in January 2014 at which views were sought, and policy was refined taking these into account. The information received by way of consultation responses has been used throughout this IA to quantify costs and savings as accurately as possible.

24. In some cases, as policy underwent refinement, measures changed in form after the date of the consultation and this necessitated further engagement with stakeholders, including with regards to efforts to accurately quantify the costs and savings. This has been done in part by way of a targeted approach in May 2014 to fill in gaps where information was lacking, and represents a proportionate approach in the circumstances. Where we relied on this informal approach, we selected a cross section of highly experienced and respected representatives from the insolvency sector, including: a representative from a major global firm that undertakes insolvency work; representatives from 3 smaller regional IP firms; a senior member of the Judiciary; a manager working in an Insolvency Service office which deals with dividend payments; and the head of a major creditor group. The information provided by those stakeholders could be considered sensitive because it comes from their experience and knowledge as individuals. The decision has therefore been taken that it would be inappropriate to name them individually, but instead to rely on their credentials.

Description of options considered

Option 1: Do nothing

25. The current insolvency framework compares favourably with those of other countries, and is consistently ranked highly[7] by the World Bank for speed of resolution of corporate insolvencies and the amount of monies returned to creditors.

26. IPs are highly qualified individuals who must pass rigorous exams and meet additional suitability criteria before they can be authorised to act as office-holders in insolvencies. ORs also carry out their duties as office-holders with a high level of skill and care. Both IPs and ORs are aware of the duties they owe to the different parties in an insolvency and compliance with these requirements is very high.

27. Whilst the current framework is viewed favourably when compared with the insolvency regimes of other states, the need to balance and protect the competing interests of the different parties involved in an insolvency has meant there is a considerable body of regulations that office-holders and others must comply with. The original rationale behind any given regulation may not continue to apply in light of changes to the business environment for a variety of reasons. This may include reasons such as: other changes to the insolvency regime; changes to other legislation; technological developments; and developments in business custom and practice.

28. It is perhaps therefore inevitable that at some point in time some regulations will cease to have any relevance and will only serve to impose a burden that does not add value to insolvency proceedings. Despite this fact, office-holders and others must continue to comply with such regulations as they are mandatory requirements. Office-holders and others therefore act in ways that are inefficient. This is particularly significant in the case of office-

[7] The World Bank currently ranks the UK insolvency regime as the 7th most competitive regime in the world (in terms of the amount returned to creditors and the speed of the process).

holders who are required to follow detailed procedural rules as set out in the framework and generally, charge their fees on a time/costs basis. This results in higher costs that are paid out of the debtor's estate, therefore reducing the funds available for distribution to creditors.

Option 2: Amend the insolvency framework

29. This option would amend various parts of the current insolvency framework by implementing a package of measures aimed at modernising it and removing unnecessary burdens. This IA sets out below the purpose and effect of each measure and the monetised benefits (where there are benefits).
30. As all of the individual measures contained in this IA relate to processes that are mandated by legislation (due to the prescriptive nature of insolvency proceedings), the individual burdens that the measures in this IA seek to alleviate can only be addressed by legislative change. This is true of all the measures.
31. A decision has been taken to implement the measures as a package as it is considered the approach most likely to achieve the greatest economy savings in limiting the familiarisation costs for IPs and their staff (and to a lesser extent, ORs). Introducing the measures piecemeal would require IPs and their staff to undertake separate learning each time a measure became law. Delivering these measures as a package in two distinct phases, will allow IP firms to plan their familiarisation strategy effectively, to cope with what will be a significant degree of change to legislation. They will therefore be able to take a more strategic view.
32. Stakeholders have expressed a general preference for changes to be made in a consolidated fashion to ease the process of familiarisation. Our approach reflects the principles that underpin the Government's commitment to the use of common commencement dates for new legislation that affects business.

Costs of Option 2

Costs to the public sector

33. The only material costs to the public sector resulting from these measures will be the time incurred by ORs and their staff familiarising themselves with the legislative changes giving effect to the measures. These costs are likely to be incurred only in year 1.
34. In calculating these familiarisation costs we have assessed which staff working for ORs will need to undertake such an exercise, and the amount of time it is expected different grades of staff would be required to spend familiarising themselves with the measures in order to undertake their roles adequately. Certain grades of staff would not be expected to need to familiarise themselves with the measures so not all grades have been included. Staff numbers have been taken from internal Insolvency Service data. In calculating the cost, we have based the time cost on the rates the OR charges in certain circumstances (for example when distributing dividends) as set out in Schedule 2 of the Insolvency Regulations 1994, contained at Annex B. An average of London and provincial rates has been used for simplicity's sake.

	Number	Hourly fee rate £	Familiarisation time (hours)	Cost £
D2 Official Receiver	22	72	4	6,366
C2 Assistant Official Receiver	76	61	4	18,544
L3 Examiner	124	46	3	17,112
L2 Examiner	127	41	3	15,621
L1 Examiner	173	39	3	20,241
A2 Administrator	304	38	1	11,552
				Total - £89,436

35. Other public bodies, particularly Companies House may experience some impact resulting from the package of measures but we have held discussions with Companies House on the likely impact. The impact is mostly restricted to the filing of notices with Companies House and whilst these measures will have a small impact upon the number of notices sent to Companies House in respect of insolvency proceedings, we have concluded this will be minimal, will not impose any additional costs, and will be dealt with as business as usual.

Costs to businesses

36. 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 giving effect to the measures. These costs are likely to be incurred in year 1 and year 2 as the changes are implemented in two distinct phases.

37. In calculating these familiarisation costs we have assumed that all appointment-taking IPs will need to undertake such an exercise, as will their staff, split into insolvency managers (senior members of staff dealing with complex tasks and responsible for supervising junior staff) and insolvency assistants (junior members of staff dealing with less complex, mostly administrative matters).

38. An analysis of the measures as a package has led to an estimate that IPs and their staff will need to take the following time to adequately familiarise themselves with the measures[8]. Sensitivity analysis has also been undertaken to address variations in the length of time that may be required. The

[8] An assessment of the complexity of the changes has led to the expectation it would take an IP 3 hours to consider measures (1), (2) and (3), 0.5 hours for measure (4) and 0.5 hours for measure (6). The remainder of the measures either do not affect IPs or have a very low level of complexity which means only negligible time will be required for familiarisation (for example, in measure (5), the only change is that the maximum time period creditors can consent to an administration being extended increases from 6 months to 12 months, so there is no change to processes). The role and nature of an insolvency manager's duties are such that it is expected the same amount of familiarisation time would be required for such staff to undertake their duties adequately. An insolvency assistant's role is more limited. It is expected an insolvency assistant would be required to spend 1 hour in respect of measures (1), (2) and (3), 0.5 hours for measure (4) and 0.5 hours for measure (6) to adequately familiarise themselves with the changes. We undertook this assessment by comparing roles in IP firms with roles in OR offices and estimating the level of technical knowledge different types of staff in IP firms would be required to know in order to carry out their roles adequately.

number of IPs is based on information held by the Insolvency Service with regards to the number of authorised practitioners who actively take insolvency appointments. The size of firms in which insolvency practitioners work varies considerably from large national practices to sole practitioner firms. There is no data available for the number of staff working for IPs and therefore we have made an assumption based on observations of Insolvency Service officials who interact with IPs on a regular basis. The hourly charge-out rates for different categories of insolvency professional are based on average figures contained in Professor Kempson's report.

Lower bound estimate: best estimate, less 1 hour

	Number	Hourly fee rate £	Familiarisation time (hours)	Cost £
Insolvency practitioner	1,350	366	3	1,482,300
Insolvency manager	2,700	253	3	2,049,300
Assistant	13,500	103	1	1,390,500
				Total - £4,922,100

Central estimate: best estimate

	Number	Hourly fee rate £	Familiarisation time (hours)	Cost £
Insolvency practitioner	1,350	366	4	1,976,400
Insolvency manager	2,700	253	4	2,732,400
Assistant	13,500	103	2	2,781,000
				Total - £7,489,800

Upper bound estimate: best estimate, plus 1 hour

	Number	Hourly fee rate £	Familiarisation time (hours)	Cost £
Insolvency practitioner	1,350	366	5	2,470,500
Insolvency manager	2,700	253	5	3,415,500
Assistant	13,500	103	3	4,171,500
				Total - £10,057,500

39. In addition, IPs who take appointments in Scotland will need to familiarise themselves with the measure relating to the crystallisation of floating charges. We have assumed IPs and insolvency managers will require 0.5 hours to do so. Insolvency Service records show there are 88 appointment-taking IPs

authorised by the Institute of Chartered Accountants of Scotland and the Law Society of Scotland, the two Scottish bodies able to authorise insolvency practitioners.

	Number	Hourly fee rate £	Familiarisation time	Cost £
Insolvency practitioner	88	366	0.5	16,104
Insolvency manager	176	253	0.5	22,264
				Total - £38,368

40. **Total costs for all measures - £7,528,168 (central estimate).** The measures that will incur familiarisation costs will be implemented in 2016, prior to this the previous regulatory framework will still be in force and office holders will be required to follow it. As the changes relate to regulatory processes and/or procedures it is reasonable to assume office holders will incur the costs of familiarising themselves with the changes around the time when they will be required to change them at a working level.

41. Key assumptions:

- It will take IPs and insolvency managers 4 hours to adequately familiarise themselves with the changes. Insolvency assistants will take 2 hours.
- IPs and insolvency managers who take appointments in Scotland will take 0.5 hours to familiarise themselves with the measure relating to the crystallisation of Scottish floating charges. Insolvency assistants will not need to familiarise themselves with this matter as it would not be expected that such grades of staff would require technical knowledge of this level to perform their roles adequately.
- An IP will employ 2 insolvency managers and 10 assistants.

Monetised benefits of Option 2

42. The benefits resulting from the package of measures have been calculated using available data held in a variety of sources, including Insolvency Service records, Insolvency Service official statistics, data supplied by stakeholders (in consultation and otherwise) and publicly available information.

43. The Insolvency Service publishes official insolvency statistics each quarter. We have used published figures for the calendar year 2013 for case numbers throughout this assessment, rounded to the nearest 100. The Insolvency Service does not publish insolvency case number forecasts and case numbers have been on a steady downwards trend in recent years. As such, average figures from previous years have not been used to give an indicative figure of savings resulting from the package of measures as it was considered such an approach would produce estimated savings in excess of those that may be experienced by businesses. Instead, we have undertaken sensitivity analysis that highlights case numbers may change in future years.

44. We have not included case numbers for administrative receiverships (an insolvency procedure set out in the Insolvency Act 1986) as information is not held on this case type, rather administrative receiverships are dealt with as part of a wider group of receiverships, the other categories of which are not insolvency proceedings set out under the Insolvency Act 1986. As the number of total receiverships is low (900 in 2013) and the number of administrative receiverships will be less than 900, we believe this intentional omission will not have a material effect on the assessment. Many of the measures do not affect administrative receiverships in any event. This is due to a number of key features of such procedures that differentiate them from other insolvency procedures, for example, administrative receiverships only involve payments of dividends in very limited circumstances.

45. Case numbers for Members' Voluntary Liquidations (a procedure set out in the Insolvency Act 1986) are not published in the official insolvency statistics however this information is recorded by the Insolvency Service, therefore we have used 2013 case numbers where the measure in question will have an impact on this type of procedure.

46. Case numbers for Scotland have been used where a measure will apply in Scotland.

47. Where cost savings in insolvency proceedings are attributable to cases where the OR acts as office-holder, these have been calculated based on the rates the OR charges in certain circumstances (for example when distributing dividends) as set out in Schedule 2 of the Insolvency Regulations 1994 contained at Annex B. An average of London and provincial rates has been used in respect of the rate for the level of staff expected to perform a particular task affected by the measure in question. Whilst the majority of the OR's fees in the majority of cases where he/she acts as office-holder are received in the form of a fixed case administration fee, the level of the administration fee is predicated on the assumption that the amount provides for full cost recovery in each case. Savings for such cases have therefore been included as within scope of OITO for this this IA

48. HM Treasury guidance , as set out in Managing Public Money (MPM), sets out the basic principle that when fees are charged for services provided by public sector organisations, fees should be set to recover full costs. MPM states, at 6.2.3, 'Organisations supplying public services should always seek to control their costs so that public money is used efficiently and effectively. The impact of lower costs should normally be passed on to consumers in lower charges. Success in reducing costs is no excuse for avoiding the principles in this guidance.'

49. Insolvency Service fees (including OR fees) are reviewed each year to ensure they reflect only the relevant costs, in accordance with the principles set out in MPM. Cost savings are passed on to service users, for example the Insolvency Service reduced the fee it charged IPs for registering IVAs in 2006, from £35 to £15 to reflect lower costs that stemmed largely from the introduction of electronic registration. The savings made by these measures will lead to the fees being lower than they would otherwise be by the amount of the savings at the next review. Creditors therefore would benefit directly from the savings to this amount. As the fees are only reviewed annually we have assumed a lag of 15 months as a conservative estimate for creditors benefitting from these savings.

50. The main cost savings result from efficiency savings in respect of the amount of time an office-holder or their staff have to spend completing certain tasks prescribed by the current framework. Most of the monetised impact is therefore a transfer as the time savings to the office-holder mean less is charged to the estate, which in turn results in an increased amount available for distribution to creditors. As a consequence of having to spend less time completing certain tasks, office-holders and their staff will gain an opportunity benefit which could be used to generate higher levels of income from more profitable activities.

Individual measures

(1) Removing meetings of creditors as the default position in insolvencies.

Changes proposed

51. The process of having a meeting of creditors to agree a resolution in insolvency proceedings dates back to the second half of the 19th Century, when the insolvency law framework as we know it today was established. Methods of communication now in use would have been unrecognisable as such at that time, but few steps have been taken to modernise the methods by which office holders engage with and seek the views of creditors.

52. At a meeting of creditors, attendees are able to vote on proposals and give their approval to the office holder for certain actions, for example agreeing a voluntary arrangement proposal, approving an office holder's release from office, or approving the office holder's remuneration. Proposals approved at meetings are often clearly in the best interests of the creditors, and holding the meeting is an unnecessary formality; because of this meetings are often poorly attended, or sometimes not attended at all, and the cost of this often unnecessary process is borne by creditors through expenses incurred by the office holder. Provisions are already in place for these meetings to take place remotely, but these provisions are little used (see below).

53. This measure will amend the process so that a physical meeting of creditors will not be the default mechanism for seeking the approval of creditors to proposals in insolvency proceedings and will result in a reduction in the number of physical meetings of creditors that will be held. In most cases the office holder will be able to use a process of deemed consent, where they write to creditors with a proposal, and provided that they receive objections from 10% or less of creditors by value then the proposal will be deemed to be approved. In the event that 10% or more of creditors object to the proposal then the office holder will use an alternative decision making process. Deemed consent will not be available for a limited number of processes, which will instead need to be dealt with using alternative decision making processes. Those processes are approval of an individual or company voluntary arrangement (see Annexe A), removal or replacement of an office holder, and approval of an office holder's remuneration. It is not anticipated that there will be any cost to using the deemed consent process over and above what would have been incurred had the office holder sent notices to creditors in advance of a meeting because under most circumstances the office holder will not be required to do anything further after the notices have been sent, and so the estimated savings from not holding the meetings are calculated only on the cost of room hire and time taken to hold them.

54. Although this does mean that some creditors will not be able to unilaterally prevent proposals which have been presented using the deemed consent procedure, they will still have the facility to object to them and raise any concerns with the office holder, who will in turn have a duty to consider whether deemed consent is the most appropriate mechanism to use. Small creditors will not have to liaise with other creditors with a view to raising a collective objection in order to achieve the threshold – it will be up to the office holder to assess whether the threshold has been reached. Therefore it is not considered that smaller creditors will be disadvantaged by this measure, particularly given the processes which are excluded from deemed consent (see paragraph above).

55. The form that an alternative decision making process takes will be at the discretion of the office holder, with one exception. An office holder may only call a physical meeting of creditors if (and only if) this has been requested by 10% or more by value/volume or 10 individual creditors, and it is open to them to do this at any time that their consent or approval is sought. This means that the expenses of calling a physical meeting will only be incurred and charged to the insolvency estate only where creditors have asked for this to happen, so unnecessary charges will be prevented. Insolvency Practitioners are regulated by professional bodies, and have a duty to conduct insolvency proceedings with a view to achieving the best possible results

in terms of returns to creditors. They must also provide creditors with accounts of income and expenditure in the proceedings, and the creditors have the power to seek to remove them from office, to not approve their remuneration, and to resolve against their release from office at the end of the proceedings. These provisions minimise any risk that office holders might use other processes to compensate for the loss of income from not charging insolvency estates for meetings.

56. Otherwise office holders may decide to use remote meetings, correspondence, a method of electronic voting, or any method by which they can engage with creditors without a physical meeting taking place. Future regulation by insolvency practitioners' regulatory bodies will include assessment of the extent to which office holders are providing value for money by using the most appropriate mechanism for decision making.

57. Where a meeting of creditors is held to allow the creditors to vote on the appointment of a liquidator in creditors' voluntary liquidations (see Annexe A), and a liquidator has previously been appointed at a meeting of the company itself, that liquidator will not be required to be present at the meeting in person, but may instead be represented by a suitably experienced official.

58. We have taken as an assumption that there will be an initial 40% reduction in meetings of creditors. It is possible that some procedures will have a greater than 40% reduction but 40% was seen as prudent, given because this will be 'new ground' for office-holders and creditors, who may feel that they would prefer to have meetings in some cases. However it is envisaged that as creditors and office holders become accustomed to the new processes the number of physical meetings will reduce further, so that after 10 years there will be one-fifth of the physical meetings of creditors that there are now. For the purposes of calculating the savings, a graded reduction from 40% to 65% has been used, in varying increments. This represents creditors and office holders becoming accustomed to the use of alternative decision making processes over time, and is considered to be a far more likely scenario than a drop to 30% immediately when the proposal becomes law. Stakeholder opinion has been sought regarding the validity of this assumption. A representative of a leading firm of insolvency practitioners, and a partner in a large regional firm of insolvency practitioners both said that they considered the assumption to be conservative and that the actual reductions in physical meetings could be greater than assumed. A major creditor representative and an insolvency practitioner in a smaller firm both said that they considered the assumption to be reasonable. In view of these opinions, an upper bound estimate of 60% initial reduction to 85% after 10 years has also been included. However, when this range of opinions was collected the policy included fewer criteria for calling a physical meeting (only 10% by value of debt), following legislative scrutiny additional criteria have been added (10% by volume or 10 individual creditors) which would make it easier for creditors to call a meeting. This means it is more likely that the more conservative estimate of a 40% reduction in meetings is the best reflection of the impact on the number of meetings and the upper bound estimate is likely to be the case if and only if creditors significantly reduce the use of physical meetings. We therefore treat our lower bound as our best estimate.

59. The meetings affected (and savings calculated on below) are: creditors' meeting in a creditors' voluntary liquidation (also known as a 'section 98 meeting'); first meetings in a compulsory winding up or bankruptcy; a meeting to consider the administrator's proposals; a creditors' meeting to consider a proposal for a company voluntary arrangement or an individual voluntary arrangement.

60. Where a physical meeting does not take place, the insolvency office-holder will still be required to share information with creditors. For example, where an administrator is not requested by the creditors to call a meeting of creditors to consider his/her proposals based on the circumstances of the case, he/she would still be expected to draft those proposals and communicate them to creditors. Accordingly, there is no saving on the time spent on preparing documents that might otherwise have been discussed at a meeting as such documents will still need to be produced. The saving from this proposal instead relates to the physical cost of the meeting – i.e. room hire – and on the time cost of the office-holder and his/her staff in holding it.

61. There are already provisions in the existing legislation for virtual meetings to take place, where the attendees are not necessarily required to be in the same location, but feedback received from stakeholders indicates that these are little used. In 2010 the Office of Fair Trading published a report on corporate insolvency and established the proportion of meetings which took place by correspondence and of the balance, which were virtual meetings.

See the notes after the tables for details of the numbers for each insolvency process. The meetings which would already take place by correspondence or virtually have therefore been excluded from the calculation of the estimated savings.

62. Case number estimates are based on actual published statistics for calendar year 2013, rounded to the nearest 100.

63. The cost of the meeting varies between procedures, based on the time required to conduct the meeting. Different procedures have different requirements of a meeting (and so the length of time taken to conduct it) hence the varying values. See paragraphs 34 and 38 above, and Annex B for details of how time/cost rates have been established for the purpose of this calculation. The time/cost rates have been applied to the length of time estimated for the type of meeting being held. Stakeholders were asked about the validity of the assumptions as to the amount of time taken to hold the meeting. A partner in a regional insolvency practitioner firm confirmed that half an hour was the amount of time usually allowed for a manager in dealing with a meeting in a company voluntary arrangement, and a representative of a national firm said that they considered one hour for a manager and one hour for a member of administration staff to be a conservative estimate for the time taken to deal with a meeting of any sort. ORs work for the Insolvency Service, and the time taken for their staff to deal with meetings of creditors is known from first-hand experience. The assumptions as to the lengths of time taken to process meetings in the various types of insolvency proceedings as stated in the tables below are therefore considered to be conservative estimates.

64. The length of the meetings themselves varies greatly with the insolvency process involved, and the level of creditor interest. For these calculations, the length of the meeting has not been considered, but rather the estimated amount of time taken for the various grades of staff to process it.

65. Room hire of £64 is added to the time-cost to make the final cost figure for a meeting. This reflects the data on administrative burdens gathered by PricewaterhouseCoopers in 2005, commissioned by government. The 2005 figure (£54) has been adjusted for inflation to the midpoint in the 2012/13 financial year, using the Treasury GDP Deflator tables.

66. Where a physical meeting is not held there will be an alternative decision making process. Various methods will be available for use by office holders, including meetings by correspondence (including email), remote/virtual meetings and telephone conferences, and electronic voting (where a website is used on which creditors may cast votes). The new processes are intended to encourage office holders and creditors to use new technology, and to use the cheapest available method, and in most cases there are no costs associated with this (see next paragraph). However in the case where there is a virtual or remote meeting, there will be a time cost to the office holder (but not room hire cost).

67. It is not anticipated that the time taken to undertake a virtual meeting will be any more or less than the time taken to undertake a physical meeting. Where a physical meeting is not being held the proportion of instances where a virtual or remote meeting is held is likely to be small, given that deemed consent will be available as well as other cheaper methods. Information from the OFT report (see assumptions section below tables in paragraph 69 below) indicates that the current incidence of virtual/remote meetings varies according to the type of insolvency process, with administration being the process with the greatest uptake, at 8%, and some processes (creditors' voluntary liquidation, compulsory liquidation, and bankruptcy) having no uptake at all. Given that the purpose of the measure is to encourage the use of virtual/remote meetings, an assumption is being made for the purposes of this calculation that there will be an 8% takeup in all processes following introduction of the new process, and the potential costs of virtual meetings has been assessed according to the increase. The reason that the administration process is being used as the measure for virtual meetings in the future is that it is the most recently developed insolvency process and is the flagship process in terms of business rescue. **Note:** This has not been applied to individual voluntary arrangement cases because 90% of cases are already dealt with by correspondence, so it is not expected that there would be a change as a result of these proposals.

Estimate of increase in virtual meetings

	CVL (IPs)	Administration (IPs)	CWU (ORs and IPs)	CVA (IPs)	Bankruptcy (ORs and IPs)	IVA (IPs)
No. virtual meetings now (%)	0	8	0	2	0	2
No virtual meetings under new process (%)	8	8	8	8	8	2
Increase (%)	8	0	8	6	8	0

Sensitivity analysis has been conducted to provide for the situations where virtual meetings increase to 10% or 6% (but in the latter case administrations assumed to remain at 8% rather than decreasing to 6%)

Virtual meetings increase to 10%

	CVL (IPs)	Administration (IPs)	CWU (ORs and IPs)	CVA (IPs)	Bankruptcy (ORs and IPs)	IVA (IPs)
No. virtual meetings now (%)	0	8	0	2	0	2
No virtual meetings under new process (%)	10	10	10	10	10	2
Increase (%)	10	2	10	8	10	0

Virtual meetings increase to 6%

	CVL (IPs)	Administration (IPs)	CWU (ORs and IPs)	CVA (IPs)	Bankruptcy (ORs and IPs)	IVA (IPs)
No. virtual meetings now (%)	0	8	0	2	0	2
No virtual meetings under new process (%)	6	8	6	6	6	2
Increase (%)	6	0	6	4	6	0

68. No other costs of any alternative decision making processes which an office holder might use instead of a physical meeting have been taken into account. There are several reasons for this, as follows:

- in many cases where a physical meeting was previously held, a process of deemed consent will be used. This will involve the office holder sending out notices to creditors with a proposal, and if there is no objection to this there will be no further notices to be sent. Therefore there will be no further cost to the deemed consent process as there was in the previous situation where notices were required to sent to creditors informing them of the meeting.
- in the situation where 10% of creditors do not agree to the use of deemed consent, then the office holder will be required to use an alternative decision making process, and will need to send notices to creditors of this. However the use of deemed consent is discretionary, and office holders will be able to use their experience to identify situations where the creditors are unlikely to agree with its use. Nevertheless there will be a small number of occasions where the office holder would be unaware there are likely to be any objections until the notices are actually sent, and in those cases extra notices will have to be issued. In the calculations for the savings for reducing the number of physical meetings, no savings have been identified for the notices being sent out. However in some cases under the present system, for example where the meeting is adjourned or rearranged, an extra set of notices may need to be issued. No savings have been identified with sending these extra notices, so it is considered reasonable not to include the potential costs of extra notices in a small number of cases under the proposed new processes.
- office holders are being asked to use the most appropriate method of engaging with creditors, which will be the most efficient, and in many cases, the cheapest way. Their adherence to these principles will be a part of the checks carried out by their regulatory bodies.
- the ability to attend a meeting of creditors remotely has been in the insolvency legislation since 2010, so it is considered to be a reasonable assumption that office holders will already have the equipment needed to undertake these. There will be no additional investment required in equipment.
- software for electronic voting is widely available and free (for example, Survey Monkey), as is software for video conferencing (for example Google Hangouts)

69. The following table presents an estimate of the savings which would be achieved if a reduction in physical meetings by 40% occurred in the first year that the new measure was in operation. Sensitivity analysis has been conducted to provide for a more optimistic 60% initial reduction in physical meeting which some stakeholders believed would occur. .

Central estimate: 2013 Calendar year cases, less 10%, 40% reduction in physical meetings

Removal of physical meetings as default position in insolvency proceedings						
	Creditors' Voluntary Liquidation (IPs)	**Administration (IPs)**	**Compulsory winding-up (ORs and IPs)**	**Company Voluntary Arrangement (IPs)**	**Bankruptcy (ORs and IPs)**	**Individual Voluntary Arrangement (IPs)**
No cases in 2013 calendar year less 10%	10,440	2,340	3,690	540	22,050	44,100
No meetings (see below)	10,440	1,313	44	529	353	4,322
Cost of meeting/£ (see below)	1 hour of admin time (103) plus 30 minutes manager time (127) plus room hire (64) =294	1 hour of admin time (103) plus 1 hour manager time (253) plus room hire (64) =420	1 hour of C2 grade time (61) plus 30 minutes admin time (19) plus room hire (64) =144	I hour admin time (103) plus 1 hour manager time (253) plus room hire (64) =420	1 hour C2 grade time (61) plus 30 minutes admin time (19) plus room hire (64) =144	1 hour admin time (103) plus 1 hour manager time (253) plus room hire (64) =420
40% reduction in year 1	4,176	525	18	212	141	1,729
Saving/£	1,227,744	220,584	2,592	88,872	20,333	726,096
Cost of increase in virtual meetings/£	306,936	11,029	634	17,774	5,083	0
Net saving/£						**1,944,765**[9]

[9] Note: for the sake of presentation, some figures in the above table, for example calculated numbers of meetings, have been shown as whole numbers. However to preserve a level of accuracy the savings associated with the measure have been calculated on the original number, which in most cases is not a whole number given that percentages are being used. This has the effect of showing a slightly different result for estimated savings than if the whole numbers shown in the table were to be used.

Upper bound estimate: 2013 Calendar year figures plus 10%, 60% reduction in physical meetings

Removal of physical meetings as default position in insolvency proceedings						
	Creditors' Voluntary Liquidation (IPs)	**Administration (IPs)**	**Compulsory winding-up (ORs and IPs)**	**Company Voluntary Arrangement (IPs)**	**Bankruptcy (ORs and IPs)**	**Individual Voluntary Arrangement (IPs)**
No cases in 2013 calendar year	12,760	2,860	4,510	660	26,950	53,900
No meetings (see below)	12,760	1,605	54	647	431	5,282
Cost of meeting/£ (see below)	1 hour of admin time (103) plus 30 minutes manager time (127) plus room hire (64) =294	1 hour of admin time (103) plus 1 hour manager time (253) plus room hire (64) =420	1 hour of C2 grade time (61) plus 30 minutes admin time (19) plus room hire (64) =144	I hour admin time (103) plus 1 hour manager time (253) plus room hire (64) =420	1 hour C2 grade time (61) plus 30 minutes admin time (19) plus room hire (64) =144	1 hour admin time (103) plus 1 hour manager time (253) plus room hire (64) =420
60% reduction in year 1	7,656	963	32	388	259	3,169
Saving/£	2,250,864	404,460	4,608	163,044	37,238	1,331,064
Cost of increase in virtual meetings/£	225,086	0	467	10,870	3,724	0
Total saving/£						**3,951,131**[10]

Notes

1. Explanations for numbers and costs of meetings are as follows:
    a. Creditors' voluntary liquidation: all physical meetings; no virtual meetings.
    b. Administration: OFT report indicates that there are physical meetings in 61% of cases (i.e. 29% of meetings held by correspondence); 8% of meetings are virtual meetings.

[10] See 8 above.

c. Compulsory winding-up: Insolvency Service records show that there are meetings in 1.2% of cases, of which none is by virtual meeting.

d. Company voluntary arrangements: Meetings in every case, of which 2% are virtual meetings.

e. Bankruptcy: Insolvency Service records show that there are meetings in 1.6% of cases, of which none is by virtual meeting.

f. Individual voluntary arrangements: Stakeholders have indicated that there are meetings in around 10% of cases (i.e. 90% are held by correspondence), of which 2% are virtual meetings.

2. Case numbers for administration, company voluntary arrangement, creditors' voluntary liquidation, and compulsory winding-up include Scottish cases. This is because (i) administration and company voluntary arrangement legislation is reserved and applies to Great Britain, and (ii) the process of company liquidation is devolved to Scotland, and the Scottish Government have indicated that they will provide a Legislative Consent Motion (LCM).

3. Key assumptions:

- Case numbers remain constant from 2013.
- That in the first year there is a 40% reduction in the number of physical meetings and that this reduction increases over a ten year period until after 10 years there is an 65% reduction, rather than there being an immediate drop of 65%. This assumption has been tested by consultation, and a representative of a leading firm of insolvency practitioners, and a partner in a large regional firm of insolvency practitioners both said that they considered the assumption to be conservative and that the actual reductions in physical meetings could be greater than assumed. A major creditor representative and an insolvency practitioner in a smaller firm both said that they considered the assumption to be reasonable. (see paragraph 58 above).
- That the research on the number of non-physical meetings currently held is correct.
- That the cost of a meeting does not change.
- That the number of e-meetings will increase to a level where 8% of decisions are made that way.

70. **Total saving from this measure in first year is between £1,944,765 and £3,951,131, with a best estimate of £1,944,765.** (2013 case numbers, e-meetings increase to 8%, and 40% initial reduction in meetings). The direct beneficiaries of the changes will be office holders (IPs and ORs) who will no longer be required to hold these meetings for creditors. In the case of IPs, creditors will directly benefit from increased assets available for distribution. Creditors generally include businesses, employees and HMRC, so a proportion of the benefit to creditors from this measure will accrue to non business and so will be out of scope of OITO. The priority of payments to creditors is determined in statute and analysis of a random un weighted sample of 125 records filed at Companies House over a 3 year period and a OFT market study[11] of insolvency practitioners estimated that non businesses accounted for around 10 per cent of the returns to creditors. ORs will be able to directly pass on the saving to creditors with lower fees leading to higher assets available for redistribution following the completion of the latest fee review in 2016.

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

71. The following table shows the ranges of savings in subsequent years, making the same key assumptions. The assumed pattern for the reduction in meetings is also illustrated.

Year/ reduction/%	Best estimate/£	Upper bound estimate/£
1 (40//60)	1,944,765	3,951,131
2 (45//65)	2,230,478	4,300,468
3 (50//70)	2,516,248	4,649,746
4 (50//70)	2,516,248	4,649,746
5 (55//75)	2,802,018	4,999,024
6 (55//75)	2,802,018	4,999,024
7 (60//80)	3,087,789	5,348,302
8 (60//80)	3,087,789	5,348,302
9 (65//85)	3,373,559	5,697,580

72. The total benefit in current prices over the life time of the appraisal has been estimated to between £20.2 and £36.7m, with the lower estimate taken as the best estimate based on the evidence available.

(2) Abolition of final meetings

73. Final meetings of creditors in liquidation and bankruptcy proceedings are held to allow the office holder to give a concluding report on the administration of the insolvency proceedings. The office holder would normally obtain their release from office upon reporting the outcome of the meeting to the Registrar of Companies (liquidation) or the court (bankruptcy), but creditors may resolve against the release at the final meeting, in which case they would need to seek their release by application to the Secretary of State (the effect of the release is that the office holder's liability for the administration of the proceedings ends). However these meetings have been found to have little value and are rarely, if ever, attended by creditors. This proposal scraps all final meetings of creditors where they occur – creditors' voluntary liquidation, compulsory liquidation where someone other than the official receiver is liquidator, and bankruptcy where someone other than the official receiver is trustee. Final meetings of members (shareholders) in members' voluntary liquidations will also be scrapped. It will still be necessary for the office holder to engage with creditors by sending them a copy of the final account of the administration, and creditors will continue to be able to object to the release of the office holder upon receipt of that document by notifying the office holder of their objection..

74. During the consultation process this measure received universal support from IPs, creditor groups, and professional bodies.

75. Liquidations and bankruptcies by their nature may last for a number of years (equally, for straightforward cases, they may end within months). Accordingly, while all new cases will receive the saving at some point in their life, the point at which the saving is realised cannot be predicted accurately because it is not possible to say when the final meeting will occur.

76. Even where a final meeting does not take place, the insolvency office-holder will still be required to share information with creditors, as now. Accordingly, there is no saving on the time spent on preparing information that might otherwise have been discussed at a meeting. The saving from this proposal relates to the physical cost of the meeting – room hire – and on the time cost of the office-holder and his/her staff in holding it, and is being considered separately from the other meetings proposals above. This is abolition of a process and so there are no costs of alternative processes to consider.

77. The cost of the meeting is based on 1 hour of administrative time, charged at £103/hr and 30 minutes of manager time, charged at £253/hr. Such meetings are poorly attended, if attended at all (hence the low time cost allocated here) but the existing law requires that provision for such meetings be made, which will incur a time cost (and that this will be constant across different procedures). The assumption for the amount of time taken to deal with a final meeting is considered conservative, but sensitivity analysis has been conducted on the times to accommodate for the uncertainty, hence scenarios where the time taken is 30 minutes of administrative time and 15 minutes of manager times, and 1½ hours of administrative time and an hour of manager time have been illustrated. Room hire of £64 is added to make the final cost figure. This reflects the data on administrative burdens gathered by PricewaterhouseCoopers in 2005 for work commissioned by government. The 2005 figure (£54) has been adjusted for inflation to the midpoint in the 2012/13 financial year, using the Treasury GDP Deflator tables.

78. Case number estimates are based on actual published statistics for calendar year 2013, rounded to the nearest 100. Sensitivity analysis has been conducted to provide for a +/-10 per cent difference in insolvency case numbers. This has been coupled with further analysis to include scenarios where the time taken to process the meetings takes a longer or shorter time than expected. These analyses generate lower bound, upper bound, and central estimates of the expected benefits of this measure.

79.

Lower bound estimate: 2013 calendar year case numbers, less 10%, 15 minutes manager time and 30 minutes administrative time

Abolition of all final meetings of creditors/members					
	CVL (IPs)	Para 83 CVL (IPs)	MVL (IPs)	CWU (ORs and IPs)	Bkcy (ORs and IPs)
Number	10,440	900	5,310	554	2,250
Cost of meeting	£179	£179	£179	£179	£179
Saving	£ 1,868,760	£ 161,100	£ 950,490	£ 99,166	£ 402,750
Total saving					£ 3,482,266

2013 Calendar Year figures

Abolition of all final meetings of creditors/members					
	CVL (IPs)	Para 83 CVL (IPs)	MVL (IPs)	CWU (ORs and IPs)	Bkcy (ORs and IPs)
Number	11,600	1,000	5,900	615	2500
Cost of meeting	£294	£294	£294	£294	£294
Saving	£ 3,410,400	£294,000	£ 1,734,600	£ 180,810	£735,000
Total saving					£ 6,354,810

Upper bound estimate: 2013 calendar year case numbers, plus 10%, one hour manager time and 90 minutes administrative time

Abolition of all final meetings of creditors/members					
	CVL (IPs)	Para 83 CVL (IPs)	MVL (IPs)	CWU (ORs and IPs)	Bkcy (ORs and IPs)
Number	12,760	1,100	6,490	677	2,750
Cost of meeting	£472	£472	£472	£472	£472
Saving	£ 6,022,720	£ 519,200	£ 3,063,280	£ 319,544	£ 1,298,000
Total saving					£ 11,222,744

Notes

Abbreviations – CVL = creditors' voluntary liquidation; MVL = members' voluntary liquidation; CWU = compulsory winding-up; Bkcy = bankruptcy..
'Para 83 CVL' refers to a creditors' voluntary liquidation that was immediately preceded by an administration. Such cases have a streamlined entry process and are recorded separately on published statistics.

80. **Total saving from this measure is between £3,482,266 and £11,222,744, with a central estimate of £6,354,810 (2013 case numbers and final meetings taking half an hour of manager time and one hour of administrative time).** The direct beneficiaries of the changes will be office holders (IPs and ORs) who will no longer be required to hold these meetings for creditors. Creditors will directly benefit from increased assets available for distribution. Creditors generally include businesses, employees and HMRC, so a proportion of the benefit to creditors from this measure will accrue to non business and so will be out of scope of OITO. The priority of payments to creditors is determined in statute and analysis of a random un weighted sample of 125 records filed at Companies House over a 3 year period and a OFT market study[12] of insolvency practitioners estimated that non businesses accounted for around 10 per cent of the returns to creditors. ORs will be able to directly pass on the saving to creditors with lower fees leading to higher assets available for redistribution following the completion of the latest fee review in 2016.

81.

Key assumptions:

- Case numbers remain constant from 2013. 10% is considered a reasonable figure for use in sensitivity analysis because insolvencies in general have been gradually declining over the past five years, and whilst individual types of insolvency proceedings have varied more or less than others, 10% represents a reasonable confidence level year on year.
- That the cost of a meeting does not change.
- 15% of compulsory winding up cases and 10% of bankruptcy cases are dealt with by insolvency practitioners, rather than the OR. There are no final meetings in official receiver cases.
- Case numbers include Scottish cases. This is because the process of company liquidation is devolved to Scotland, and the Scottish Government have indicated that they will provide a Legislative Consent Motion (LCM).

(3) Removal of requirement for liquidator to be present at a 'section 98' meeting of creditors in creditors' voluntary liquidation

82. A creditors' voluntary liquidation ('CVL') commences when a company, at a general meeting, passes a resolution that it be wound up. The company will also appoint a liquidator to wind up the company's affairs at this meeting.

83. Where the company is insolvent (i.e. its liabilities are in excess of its assets), it must call a meeting of the company's creditors, to be held within 14 days of the day of the company's meeting. At this meeting, which is sometimes known as a "section 98 meeting" because that is the section of the Insolvency Act under which it is called, the creditors can choose their own liquidator. If they do, their choice replaces that of the company; if they do not, the company's choice of liquidator continues. These meetings take place in all CVLs, other than those immediately preceded by an administration.

84. The law requires that the liquidator be present at this meeting of creditors. This is the only meetings provision throughout English insolvency legislation that requires the office-holder him or herself to attend. Such meetings could last for an hour, or more.

85. It is expected that in most cases (for what is generally a straightforward meeting) the insolvency practitioner will not attend following this measure. However, the liquidator will still have the option to attend such meetings where they feel that their presence would be necessary or beneficial. The

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

circumstances where this would be the case may be that there was significant creditor interest in the proceedings, where there was a suggestion or evidence of director misconduct, or where there are negotiations that the office holder in person may wish to lead. A representative of a major global firm which undertakes insolvency work, and an insolvency practitioner from a large regional firm were asked to assess what percentage of such meetings that the liquidator would be likely to wish to attend, and their estimates ranged between 20% and 40%, hence the mid-point of 30% has been chosen for the purposes of this analysis, with further sensitivity analysis conducted to reflect the position if 20% or 40% were the proportion of meetings attended by the office holder in person.

86. Case number estimates are based on actual published statistics for calendar year 2013, rounded to the nearest 100. An assumption has been made that case numbers will remain the constant. This measure applies only to physical meetings, and there will not be an alternative situation where a different decision making process has been used. No account has therefore been taken of a cost to an alternative process.

87. The following table presents an estimate of the savings which would be estimated to be achieved if a reduction in physical s98 meetings by 50% occurred in the first year that the new measure was in operation, in accordance with the estimated pattern of reduction of physical meetings estimated in paragraph 50 above. Sensitivity analysis has been conducted to provide for a +/-10 per cent difference in insolvency case numbers. This is coupled with further sensitivity analysis, to include scenarios where 40% and 60% fewer physical s98 meetings are expected, relative to the status quo. This analysis generates lower bound, upper bound, and central estimates of the expected benefits of this measure.

88.

	Meetings reduction	**No meetings after reduction**	**Proportion of meetings attended by office holder**	**No meetings where change actioned**	**1 hour partner time (366) less 1 hour manager time (253)/£**	**Saving/£**
Year 1, 11,600 cases	50%	5,800	30%	4,060	113	458,780
Year 1, 10,440 cases (-10%) and 60% meetings reduction	60%	4,176	40%	2,506	113	283,178
Year 1, 12,760 cases (+10%) and 40% meetings reduction	40%	7,656	20%	6,125	113	692,125

Key assumptions:

- Case numbers remain constant from 2013.

- That in the first year there is a 50% reduction in the number of physical meetings and that this reduction increases over a ten year period until after 10 years there is an 80% reduction (see paragraph 58 above).
- That where an office holder nominates a member of staff to attend the meeting, they would nominate a manager to be at the meeting and that the meeting would take an hour.
- That the assumption that the liquidator will still wish to attend 10% of meetings in person is accurate. This assumption represents a conservative view in terms of the savings generated because feedback from stakeholders is that there is very rarely any interest from creditors in section 98 meetings.
- The lower bound estimate has been selected as the situation where meetings reduce by 60% in the first year and then increase over a ten year period to a reduction of 90%, at the same time as case levels decrease by 10%. The upper bound estimate is the situation where meetings reduce by 40% in the first year, increasing to a reduction of 70% after 10 years, and case levels increase by 10%.

Case numbers include Scottish cases. This is because the process of company liquidation is devolved to Scotland, and the Scottish Government have indicated that they will provide a Legislative Consent Motion (LCM).

89. The following table shows the ranges of savings in subsequent years, making the same key assumptions. The assumed pattern for the reduction in meetings is also illustrated.

Year/ reduction/%	Lower bound estimate/£	Upper bound estimate/£	Central estimate/£
1	283,178	692,125	458,780
2	247,741	634,427	412,912
3	212,305	576,752	367,024
4	212,305	576,752	367,024
5	176,958	519,077	321,146
6	176,958	519,077	275,268
7	141,566	461,402	275,268
8	141,566	461,402	229,390
9	106,175	403,726	183,512

90. **Total saving from this measure in the first year is between £283,178 (2013 case numbers less 10%; 60% reduction in meetings; 40% still attended) and £692,125 (2013 case numbers plus 10%, 40% reduction in meetings; 20% still attended) with a central estimate of £458,780** (2013 case numbers; 30% still attended). The direct beneficiaries of the changes will be office holders (IPs) who will no longer be required to attend meetings, ORs will not be impacted by the change because they don't handle creditors voluntary liquidation cases. IPs will be required to pass these benefits on directly to creditors via increased assets available for distribution. Creditors generally include businesses, employees and HMRC, so a proportion of the benefit to creditors from this measure will accrue to non business and so will be out of scope of OITO. The priority of payments to

creditors is determined in statute and analysis of a random un weighted sample of 125 records filed at companies house over a 3 year period and a OFT market study[13] of insolvency practitioners estimated that non businesses accounted for around 10 per cent of the returns to creditors.

(4) Opting out of further correspondence

91. It is important that creditors are kept informed of the progress of insolvency proceedings, and the legislation provides that they receive notices such as the results of decision making processes, progress reports, and receipts and payments accounts from the office holder.

92. In some cases individual creditors may form the opinion that they have limited interest in the progress of the proceedings because it has become clear that there is little or no likelihood of a return to them. In those cases receipt of the notices may add little value in terms of their engagement in the proceedings, and add to the administrative cost of the creditor in dealing with the notices. This proposal allows creditors to opt out of receiving further correspondence. Upon receiving this notification there will be an obligation on the part of the office holder to send no further correspondence to that creditor.

93. Notices of intended dividends (payments to creditors) will not be subject to this provision, and if a creditor has previously opted out of receiving further correspondence then they will still receive such notices if issued by the office holder. The creditor will be able to opt back in to receiving correspondence at any time.

94. This will reduce unnecessary paperwork from being produced and issued by the insolvency office-holder and being disposed, unread, by the creditor. It will apply across all insolvency proceedings.

95. A table, breaking down the savings by procedure is included in paragraph 89. Total savings of £4.4m per annum have been identified from the measure.

96. The saving arising from this proposal is related to the physical cost of the documents that would otherwise have been produced – postage, paper, ink, envelopes. In 2010, the law changed to allow electronic communication between the office-holder and creditors (with the latter's consent). This has yet to be evaluated but that proposal's IA assumed a 30% take-up for electronic communication in administrations, company voluntary arrangements, and individual voluntary arrangements; a 10% take-up in creditors' and members' voluntary liquidation, and compulsory liquidation and bankruptcy where an IP is office-holder and no take-up where the OR was office-holder The figures below assume that these assumptions were correct and, as there is no physical saving in such cases from the current proposal, total cases has been reduced by the aforesaid percentages in calculating the benefit of this proposal.

97. In 2005, PricewaterhouseCoopers carried out some work for government on administrative burdens arising from legislation. Data gathered for this work identified the average number of creditors per case and this has been copied here. There is no economic argument to indicate that the number of creditors per case will change over time.

98. PWC's work identified the average cost of a notice in different procedures, including both the physical cost and the professional (time) cost of its drafting. Not all of the cost of the notice will be saved by this proposal – the document itself will still have to be drafted for those that still receive it (even if all but one creditor opts out) and that will bear a time cost for the procedure (unaffected by opting out). We have assumed that 75% of the cost of each individual notice is the physical cost because the office holder or their staff will need to draft a notice in every case. The 2005 figures have been adjusted for inflation to the midpoint in the 2012/13 financial year, using the Treasury GDP Deflator tables.

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

99. The legislation requires that certain notices be sent in all cases. The calculations make an allowance for 'allowable contact', that is contact that would still take place even where the creditor had opted out (or before that point). This would be the first contact (at which point a creditor could make their wish not too receive future correspondence known) and dividend-related correspondence (as otherwise a creditor might not submit a claim or receive a payment). The cost of these notices has been removed when estimating savings.

100. Case number estimates figures are based on actual published statistics for calendar year 2013, rounded to the nearest 100. Sensitivity analysis has been conducted to provide for scenarios involving both +10% and -10% differences in insolvency case numbers, relative to the status quo. Further sensitivity analysis has been undertaken on the assumed 20% take up, and includes scenarios where the creditor take up rate is 10% and 30%. These analyses generate lower bound, upper bound, and central estimates of the expected benefits of this measure.

2013 Calendar figures less 10%, 10% creditor take up

	CVL (a)	Para 83 CVL	CWU (OR)	CWU (IP)	Admin	CVA	Bkcy (OR)	Bkcy (IP)	IVA	
Number	10,260	810	2,790	450	2,340	540	19,890	2,250	44,100	
Net of existing e-comms	9,234	567	2,790	405	1,638	378	19,890	2,025	30,870	
Creds(members)/case	35	60	25	25	60	35	15	15	15	
Assumption	10%	10%	10%	10%	10%	10%	10%	10%	10%	
Times written to	8	7	3	8	5	7	3	8	8	
less allowable contact	2	1	2	2	1	1	2	2	1	
£cost/notice	2.62	2.62	0.87	2.62	3.50	3.50	1.17	2.62	3.50	
Saving	£ 508,055	£ 53,479	£ 6,069	£ 15,917	£ 137,592	£ 27,783	£ 34,907	£ 47,750	£ 1,134,473	
Total Saving										**£ 1,966,025**

2013 Calendar Year figures

	CVL (a)	Para 83 CVL	CWU (OR)	CWU (IP)	Admin	CVA	Bkcy (OR)	Bkcy (IP)	IVA	
Number	11400	900	3100	500	2600	600	22100	2500	49000	
Net of existing e-comms	10260	630	3100	450	1820	420	22100	2250	34300	
Creds(members)/case	35	60	25	25	60	35	15	15	15	
Assumption	20%	20%	20%	20%	20%	20%	20%	20%	20%	
Times written to	8	7	3	8	5	7	3	8	8	
less allowable contact	2	1	2	2	1	1	2	2	1	
£cost/notice	2.62	2.62	0.87	2.62	3.50	3.50	1.17	2.62	3.50	
Saving	£1,129,010	£118,843	£ 13,485	£ 35,370	£305,760	£61,740	£ 77,571	£ 106,110	£2,521,050	
Total Saving										**£ 4,368,939**

2013 Calendar year figures plus 10%, 30% creditor take up

	CVL (a)	Para 83 CVL	CWU (OR)	CWU (IP)	Admin	CVA	Bkcy (OR)	Bkcy (IP)	IVA	
Number	12,540	990	3,410	550	2,860	660	24,310	2,750	53,900	
Net of existing e-comms	11,286	693	3,410	495	2,002	462	24,310	2,475	37,730	
Creds(members)/case	35	60	25	25	60	35	15	15	15	
Assumption	30%	30%	30%	30%	30%	30%	30%	30%	30%	
Times written to	8	7	3	8	5	7	3	8	8	
less allowable contact	2	1	2	2	1	1	2	2	1	
£cost/notice	2.62	2.62	0.87	2.62	3.50	3.50	1.17	2.62	3.50	
Saving	£ 1,862,867	£ 196,092	£ 22,250	£ 58,361	£ 504,504	£ 101,871	£ 127,992	£ 175,082	£ 4,159,733	
Total Saving										**£ 7,208,752**

Abbreviations – as per paragraphs 65 and 'CVA' company voluntary arrangement; 'IVA' individual voluntary arrangement; Bkcy (OR) CWU (OR) bankruptcies and compulsory windings up with the official receiver as trustee/liquidator respectively.

Figures for administrations and company voluntary arrangements include Scotland.

101. Key assumptions:

- An assumption of 20% take-up from creditors of opting out has been used in valuing this saving. We believe that this is a conservative estimate taking into account the initial unfamiliarity with creditors of being able to opt out of receiving documents. In practice, the level of opting out is likely to vary depending on the possibility of the creditor receiving a return. For example, in an administration there is unlikely to be a return to unsecured creditors in between 40%-50% of cases and take up of opting out may be higher in those cases. Opinions have been sought from stakeholders regarding the validity of the assumption that 20% of creditors will take up the opportunity to opt out. A representative of a leading firm of IPs, a partner in a large regional firm, and a major creditor representative all said that they agreed that the assumption was reasonable and two of them thought the 20% figure to be conservative. Sensitivity analysis has been conducted on the 20% figure to reflect the possibility that opting out is taken up by 10% or 30% of creditors.

- Case numbers remain constant from 2013.
- That there is a 20% take-up from creditors of opting out.
- That the assumptions on e-communications made in the 2010 IA were correct.
- That 75% of the cost of a notice is the physical cost.
- That the data from the work done by PWC with regard to creditor number per non-official receiver case is valid.
- That numbers of creditors per case remains constant.

The total saving from this measure is between £1,966,025 (2013 case numbers less 10%; 10% creditor take up) and £7,208,752 (2013 case numbers plus 10%, 30% creditor take up) with a central estimate of £4,368,939 (2013 case numbers; 20% creditor take up). The direct beneficiary of the change will be office holders (IPs and ORs) who will no longer be required to incur the cost of the issuing the correspondence. Creditors will directly benefit from increased assets available for distribution. Creditors generally include businesses, employees and HMRC, so a proportion of the benefit to creditors from this measure will accrue to non business and so will be out of scope of OITO. The priority of payments to creditors is determined in statute and analysis of a random un weighted sample of 125 records filed at companies house over a 3 year period and a OFT market study[14] of insolvency practitioners estimated that non businesses accounted for around 10 per cent of the returns to creditors. ORs will be able to directly pass on the saving to creditors with lower fees leading to higher assets available for redistribution following the completion of the latest fee review in 2016.

(5) Administration extensions

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

Changes proposed

102. Administration automatically ends after one year, a feature designed to emphasise that the administrator should progress matters expeditiously to allow for the swift resolution of the administration. Administrations can however be extended either by creditors consenting to the extension or applying to court for permission to extend. Creditors can only consent to an administration being extended for a period of up to 6 months.

103. This measure will permit creditors to consent to an administration being extended for a period of up to 12 months.

104. Analysis of a sample of administrations from Companies House records indicates that around 80% of administrations end within 18 months (i.e. within the period that the court need not be asked for an extension). 11.6% of administrations lasted for between 18 months and 24 months, meaning that in each of those cases the administrator would have been required to make an application to court to approve the extension. Under this measure, applications such as those made in those cases would not be required. Data in this paragraph comes from a sample of 501 administrations which commenced in 2006, which was collected in 2010. It is a snapshot in time, but is the best data available. However, a representative of a major global firm which undertakes insolvency work, and an IP with a large regional firm both confirmed that these proportions aligned with their experience.

105. A senior member of the Judiciary has indicated that the cost of applying to court to extend the period of an administration is around £5,000. There is no additional cost caused by engaging with creditors for an extension; such engagement already takes place for 6 month extensions. This measure only increases the length of the extension that can be requested and so does not confer an additional cost.

106. Case number estimates are based on actual published statistics for calendar year 2013, rounded to the nearest 100. An assumption has been made that the level of administrations will remain the same but sensitivity analysis has been conducted to provide for scenarios involving both +10% per cent and -10% differences in insolvency case numbers relative to the status quo, and this has been informed by the variability of the administration data.[15]

[15] Number of administrations for the 3 calendar years up to 2013:

2012 – 2,700; 2011 – 3,000; 2010 – 3,000

	Administrations		
Total	2,340 (lower bound estimate: 2013 case numbers, less 10%)	**2600 (central estimate: 2013 case numbers)**	2,860 (upper bound estimate: 2013 case numbers, plus 10%)
Between 18 - 24 months (11.6%)	271	**302**	332
Cost of application £	5,000	**5,000**	5,000
Savings £	1,355,000	**1,510,000**	1,660,000

107. Key assumptions for this measure:

- Case numbers remain constant from 2013 (2,600 per annum).
- The assumed cost of making an application was provided by a stakeholder who is a senior member of the Judiciary experienced in insolvency, and who regularly assesses costs in insolvency proceedings.

108. **Total saving from this measure is between £1,355,000 (2013 case numbers less 10%) and £1,660,000 (2013 case number plus 10%), with a central estimate of £1,510,000 (2013 calendar year case numbers). The direct beneficiary of the change will be office holders, IPs who are no longer required to incur the cost of a court application for extending an administration.** IPs will be able to pass on benefits directly to creditors from increased assets available for distribution. Creditors generally include businesses, employees and HMRC, so a proportion of the benefit to creditors from this measure will accrue to non business and so will be out of scope of OITO. The priority of payments to creditors is determined in statute and analysis of a random un weighted sample of 125 records filed at companies house over a 3 year period and a OFT market study[16] of insolvency practitioners estimated that non businesses accounted for around 10 per cent of the returns to creditors. ORs do not act in administrations so are unaffected by this measure.

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

(6) Allowing an office-holder to pay a dividend in respect of a debt of less than £1,000 without the need for the creditor to submit a formal claim

Changes proposed

109. To receive a dividend[12] in an insolvency, a creditor must first submit a claim to the office-holder, which must contain certain statutory information. The office-holder may ask for further evidence from the creditor if thought necessary. Such claims must be scrutinised by the office-holder prior to distribution of any available dividend.

110. This measure will streamline the process of distributing funds from an insolvent estate by reducing the cost on the creditor of claiming money and on the insolvency office-holder in verifying claims and of the distribution itself.

111. By scrapping the requirement that a creditor need submit a claim for debts of less than £1,000 but instead permit the insolvency office-holder to rely upon the debtor's own records, a burden is lifted from both the office-holder and from the creditor.

112. There is a cost on the creditor of completing a claim and then a cost to the insolvency proceedings of the insolvency office-holder scrutinising the claim. We have allowed a nominal cost of £7.50 to a creditor for doing this. A representative of a major credit management group has confirmed that in their estimation this is a reasonable estimate, based on 30 minutes of time at £10 per hour, with an extra amount because of the frequent requirement to provide office holders with copy invoices. For office holders the amount allowed is £23.00, which has been assessed at £10.30 (a six minute unit of administrative staff time) plus £12.65 (one half of a six minute unit of manager time). This assessment has been arrived at through discussion with stakeholders. A representative of a major global firm that deals with insolvency cases estimated that the time taken to scrutinise a claim for payment could be as much as 30 minutes, and time to check for a manager would be additional to that. An IP partner in a large regional firm estimated that there would be 12 minutes of administration time plus time for a manager to check the claim for payment. The figure used for the purposes of this calculation is therefore conservative, and has been arrived at by taking into account economies of scale and efficiencies, where several claims for the same case may be scrutinised at the same time. This also takes allows for possible extra costs in unusual situation where an office holder makes a payment to a creditor based on information provided by the company (whether through a statement or through its records) and the creditor claims a higher amount. [17] Because of the uncertainty, sensitivity analysis has been undertaken, assessing the situations where the administration takes half of a six minute unit and where it takes two six minute units (£17.80 and £33.30 respectively). Where the OR acts as office-holder we have allowed for a cost of £1.90 which represents one half of a 6-minute time unit[18] for an insolvency administration officer (the grade of staff expected to scrutinise and record a claim received from a creditor)[19] which has been confirmed to be reasonable by an officer who manages staff in an Insolvency Service office which processes and pays dividends, and a half a unit of management time to approve the payment, which is £3.00, for a total of £4.90.

[18] OR staff record time spent on case-related matters in increments of 6 minutes.

[12] If full repayment of creditors' claims is not possible, payments are made to creditors by way of a dividend in proportion to the value of each claim.

113. In 2005, PricewaterhouseCoopers carried out some work for government on administrative burdens arising from legislation. Data gathered for this work identified the average number of creditors per case and this has been copied here. There is no economic argument to indicate that the number of creditors per case will change over time. A partner in a regional firm of insolvency practitioners and a representative of a national firm were asked to provide an estimate of the percentage of debts in an insolvency that fell below the £1,000 threshold. Their responses ranged from 'less than 5 per cent' to '20 per cent'. We have used a conservative estimate of 10 per cent to calculate the level of savings arising from the measure but have also conducted sensitivity analysis to provide for scenarios involving situations where 5 per cent and 15 per cent are the levels of debts falling below the £1,000 threshold.

114. There are few administration cases where payments are made to unsecured creditors. During the initial consultation stakeholders informed us that in Scotland, such payments were made in only 5% of cases, and this has been extended to Great Britain for the purposes of this calculation.

115. Case number estimates are based on actual published statistics for the calendar year 2013, rounded to the nearest 100. An assumption has been made that the level of cases will remain the same but sensitivity analysis has been conducted to provide for scenarios involving both +10% per cent and -10% differences in insolvency case numbers relative to the status quo. This analysis generates lower bound, upper bound, and central estimates of the expected benefits of this measure.

Lower bound estimate: 2013 calendar year case numbers, less 10%, 5% of creditors are owed less than £1,000, cost to office holders other than official receivers is £17.80

	CVL (IP)	Para 83 CVL (IP)	CWU (OR)	CWU (IP)	Admin (IP)	Bkcy (OR)	Bkcy (IP)	MVL (IP)
Number	10,440	810	279	900	117	1,989	2,250	5,310
Creditors/case	35	60	25	25	60	15	15	35
5% <£1000	2	3	1	1	3	1	1	2
Office-holder time saving per proof £	17.80	17.80	4.90	17.80	17.80	4.90	17.80	17.80
Creditor time saving per proof £	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50
Saving £	528,264	61,479	3,460	22,770	8,880	24,664	56,925	268,686
Total savings								£ 975,128

Central estimate: 2013 calendar year case numbers, 10% of creditors are owed less than £1,000, cost to office holders other than official receivers is £23.00

	CVL (IP)	Para 83 CVL (IP)	CWU (OR)	CWU (IP)	Admin (IP)	Bkcy (OR)	Bkcy (IP)	MVL (IP)
Number	11,600	900	310	1,000	130	2,210	2,500	5,900
Creditors/case	35	60	25	25	60	15	15	35
10% <£1000	4	6	3	3	6	2	2	4
Office-holder time saving per proof £	23.00	23.00	4.90	23.00	23.00	4.90	23.00	23.00
Creditor time saving per proof £	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50
Saving £	1,415,200	164,700	11,532	91,500	23,790	54,808	152,500	719,800
Total savings								£2,633,830

Upper bound estimate: 2013 calendar year case numbers plus 10%, 15% of creditors are owed less than £1,000, cost to office holders other than official receivers is £33.30

	CVL (IP)	Para 83 CVL (IP)	CWU (OR)	CWU (IP)	Admin (IP)	Bkcy (OR)	Bkcy (IP)	MVL (IP)
Number	12,760	990	341	1,100	143	2,431	2,750	6,490
Creditors/case	35	60	25	25	60	15	15	35
15% <£1000	5	9	4	4	9	2	2	5
Office-holder time saving per proof £	33.30	33.30	4.90	33.30	33.30	4.90	33.30	33.30
Creditor time saving per proof £	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50
Saving £	2,603,040	363,528	16,914	179,520	52,510	60,289	224,400	1,323,960
Total savings								£ 4,824,161

Abbreviations as previously. The official receiver may be replaced as office-holder by an IP, if creditors request this.

116. Key assumptions for this measure:

- Case numbers remain constant from 2013.
- That information from consulted stakeholders was valid, and the resultant estimate that 10% of creditors' debts are less than £1,000 is also valid.
- That there is a time cost of £7.50/proof per creditor in completing an insolvency claim form and that there is a £23.00/proof cost to the insolvency office-holder in scrutinising the claim once received (£4.90 in the case of the OR). The estimate for the cost to a creditor of completing a claim form has been confirmed as realistic by a representative of a major credit management organisation, and the costs for office holders have been formulated in consultation with stakeholders. That the data from the work done by PWC with regard to creditor number per case is valid.
- That numbers of creditors per case remains constant.
- That all CVLs, CWUs where the OR is not liquidator, MVLs, and bankruptcies where the OR is not trustee, result in dividends to creditors. In OR cases, 10% result in dividend payments.
- That 5% of administration cases result in payments to unsecured creditors within the administration proceedings.

117. **Total savings from this measure is between £975,128 (2013 case numbers less 10%, 5% of creditors owed less than £1,000, cost to office holders other than official receivers is £17.80) and £4,824,161 (2013 case number plus 10%, 15% of creditors owed less than £1,000, cost to office holders other than official receivers is £33.30), with a central estimate of £2,633,830 (2013 calendar year case numbers, 10% of creditors owed less than £1,000, cost to office holders other than official receivers is £23.00).** The direct beneficiaries of the changes will be creditors who will no longer be required to submit formal claims to office holders for the payment of dividends less than £1,000. Creditors generally include businesses, employees and HMRC, so a proportion of the benefit to creditors from this measure will accrue to non business and so will be out of scope of OITO. The priority of payments to creditors is determined in statute and analysis of a random un weighted sample of 125 records filed at companies house over a 3 year period and a OFT market study[20] of insolvency practitioners estimated that non businesses accounted for around 10 per cent of the returns to creditors.

(7) Crystallisation of Scottish floating charges

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

Changes proposed

118. A floating charge is a security arrangement that a company can enter into with a creditor which 'floats' above the company's assets covered by the charge. This differs from a fixed charge as the company is able to dispose of assets covered by a floating charge as it sees fit without the need for the consent of the charge-holder for each transaction. Floating charges typically cover assets which are regularly changing and being used in a business, such as stock, cash at bank and book debts. A floating charge only attaches to the assets (or 'crystallises') on the occurrence of certain events such as liquidation, and it is this event of crystallisation which ends the company's ability to dispose of property covered by the charge without the permission of the charge holder. In England and Wales, this 'crystallisation trigger' can be contractual but in Scotland the trigger points are provided for in statute, and it is not competent for parties to provide by contract for a floating charge to attach.

119. Currently in administrations in Scotland the law provides that a floating charge attaches to the property which is subject to the charge at the point when the administrator files a notice at Companies House stating that the company has insufficient property to make a payment to unsecured creditors, thereby crystallising the charge.

120. This works well in cases where only payments to the holder of a floating charge are expected. However, it does not work in cases where there are also likely to be payments to unsecured creditors.

121. This is because the order of priority in insolvency proceedings requires that holders of floating charges be paid in full before any funds are returned to unsecured creditors. However, as stated above, for payments to floating charge-holders to be made in Scottish administrations, the charge must have first crystallised. This cannot happen in cases where the administrator wishes to distribute to unsecured creditors, as the statutory trigger is the filing of a notice by the administrator stating that there is insufficient property held by the company for such payments to be made. In such cases, it is necessary for the administrator to put the company into liquidation (which is another statutory route to crystallise the charge), before distributing the funds to floating charge-holders and unsecured creditors.

122. This measure will avoid the need for such action, thus saving the cost of converting the administration into a liquidation (see Annexe A below).

123. Stakeholders' consultation responses have been used as the basis for estimating the cost of converting an administration to a liquidation. To obtain this figure of £8,250, estimated conversion costs from stakeholders were considered. One stakeholder told us that it cost £1,500, but a second said £10,000, and a third £7,000 to £15,000. The mid point between the highest and lowest estimates has been used for the purposes of this calculation, which given the weighting given to higher values in these estimates is considered conservative. The percentage of cases where payments are available for distribution to unsecured creditors (5 per cent) was also estimated by stakeholders. This is a small percentage because of the nature of administration proceedings, which are for business rescue or realisation of floating charges. Where an insolvent company has funds for unsecured creditors it is more likely that an alternative insolvency process would be used, such as liquidation, or, if the business is viable, company voluntary arrangement.

124. The estimated case numbers are based on actual published statistics for the calendar year 2013, rounded to the nearest 100. An assumption has been made that the level of administrations will remain the same but sensitivity analysis has been conducted to provide for scenarios involving both +10% per cent and -10% differences in insolvency case numbers relative to the status quo. This analysis generates lower bound, upper bound, and central estimates of the expected benefits of this measure.

	Scottish administrations		
Total	180 ((lower bound estimate: 2013 case numbers, less 10%)	**200 (central estimate: 2013 case numbers)**	220 (upper bound estimate: 2013 case numbers, plus 10%)
Cases where payments available to unsecured creditors (5%)	9	**10**	11
cost of conversion to liquidation £	8,250	**8,250**	8,250
Saving £	74,250	**82,500**	90,750

125. Key assumptions for this measure:

- Case numbers remain constant from 2013.
- Estimates given by stakeholders on the cost of conversion of an administration to liquidation are valid and support the assumed £8,250 cost. Stakeholders consulted included two regulatory bodies and a large national insolvency practitioner firm. £8,250 represents a mid-point between the highest and lowest figures suggested.

The 5% level of cases where payments are available to unsecured creditors provided by stakeholders would appear to be a reliable figure. Administration is a rescue process (i.e. to rescue the business, or a profitable part of it) and to be completed within a shorter period than a liquidation.

Total savings from this measure are between £74,250 (2013 calendar year figures less 10%) and £90,750 (2013 calendar year figures plus 10%), with a central estimate of £82,500 (2013 calendar year case numbers). The direct beneficiary of the change will be office holders (IPs) who will no longer be required to incur some of the costs of converting administrations in to liquidation. IPs will be able to pass these benefits on to creditors directly via increased assets available for distribution. Creditors generally include businesses, employees and HMRC, so a proportion of the benefit to creditors from this measure will accrue to non business and so will be out of scope of OITO. The priority of payments to creditors is determined in statute and analysis of a random un weighted sample of 125 records filed at companies house over a 3 year period and a OFT market study[21] of insolvency practitioners estimated that non businesses accounted for around 10 per cent of the returns to creditors. ORs do not act in administrations so are not effected by this measure.

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

(8) Removal of requirement to seek sanction for certain actions in liquidation and bankruptcy

Changes proposed

126. Office-holders in liquidations and bankruptcies require sanction (a form of permission) to exercise certain powers in the administration of the liquidation/bankruptcy. Such powers include, in bankruptcies, the power to bring, institute or defend any action or legal proceedings relating to the property comprised in the estate.

127. This requirement to obtain sanction to undertake certain actions exists to protect the insolvent estate, largely by restricting the exercise of certain powers that have a risk of resulting in a negative financial impact. This could for example include the commencement of certain legal proceedings, where an unsuccessful outcome may result in a reduced return to creditors.

128. In bankruptcies and compulsory winding-ups, sanction for these actions is currently required from the creditors' committee[22], or where there is none, from the Secretary of State or the Court. Creditors' committees are extremely rare (thought to be formed in around 3 per cent of cases) so sanction is usually sought from the Secretary of State which is considered less costly than an application to court. In CVLs sanction may be obtained from the creditors' committee, the court, or creditors in a general meeting. The latter route is considered less costly than an application to court.

129. As regulated professionals, IPs acting as office-holders in liquidations and bankruptcies are expected to act in the interests of creditors and should not undertake actions that are likely to have a negative financial impact on the estate. Such conduct may give rise to disciplinary concerns which may be addressed through the regulatory system. The requirement to seek sanction therefore imposes a burden that adds no practical value to the administration of a liquidation or bankruptcy, and this measure was therefore supported by most stakeholders.

130. Removing the requirement to seek sanction in most cases would also bring the provisions for liquidations and bankruptcies into line with administration, in that administrators do not require sanction for any of the acts, which if undertaken by a trustee or liquidator would require sanction (see Annexe A for definitions of these terms).

131. The following assessment has been made of the possible savings associated with this measure, based upon Insolvency Service data held by the unit to whom sanction requests are made and which is responsible for providing sanction on the Secretary of State's behalf. Stakeholder consultation responses have also been used as the basis for the typical cost of making such applications.

132. Sanction applications made pursuant to the provisions in the Insolvency Act 1986 are generally made in respect of the commencement of legal proceedings, for example in relation to the recovery or realisation of property. This cost only represents that of directly making an application for sanction as it is expected that any legal or other consideration given as to whether to commence any particular action would need to be undertaken in any event.

133. The estimate for the number of sanction requests made to the Secretary of State in respect of compulsory winding-ups and bankruptcies (2,006) was obtained from Insolvency Service records for the calendar year 2013. We have assumed that in the case of CVLs, the number of requests would be broadly equivalent as a percentage of total cases as those in compulsory winding-ups (26 per cent) for the exercise of powers that require sanction in both types of liquidation (67 per cent of all sanction requests).

[22] The principal functions of the committee are to sanction the exercise of certain of the trustee or liquidator's powers and to fix his or her remuneration.

134. It is possible that there will be savings associated with the removal in the requirements to make sanction requests to creditors' committees. However, although it is thought such committees are formed in only 3 per cent of cases, there is no data available with regard to the number of sanction requests that are made to them. Therefore such savings are considered unquantifiable.

135. It is thought that in CVLs, an application to court is the most expensive method of obtaining sanction. We have therefore assumed, in the absence of a creditors' committee, the office-holder would seek sanction by way of resolution in a general meeting of creditors. The cost of convening a meeting of creditors is the same as that used in paragraph 69.

136. In a very small number of cases the OR, acting as office-holder, will need to make a request for sanction in respect of specific duties. Such occurrences are rare so have not been quantified.

137. There will also be some savings which accrue to government through the removal of the requirement to process sanction applications but these have not been quantified as the saving has no impact upon business. As sanction requests are made to the Secretary of State not the Official Receiver, there is no provision for cost recovery, unlike in insolvency proceedings where the Official Receiver acts as the office-holder and recovers his/her costs through the case administration fee. In any event, any savings are expected to be very low.

Procedure	CWU and bankruptcy (IPs)	CVL (IPs)
Number of sanction requests	2,006	2,021*
Cost per request £	400	294
Saving £	802,400	594,174

*11,600 (number of CVL cases) x 0.26 (percentage of cases in which sanction requests are made) x 0.67 (percentage of cases where the particular power sought is required for both CWUs and CVLs)

138. Key assumptions for this measure:

- Case numbers remain constant from 2013.
- The incidence of the need to obtain sanction where required in CVLs is the same as in compulsory winding-ups. In those processes sanction requests are not made to the Secretary of State, so no data is available otherwise.
- Office-holders in CVLs would choose to seek sanction from creditors rather than the Court as this is a less expensive process

Total saving from this measure - £1,396,574. The direct beneficiaries of the changes are office holders (IPs and ORs) who will no longer be required to incur the cost of seeking a sanction. In the case of IPs, creditors will directly benefit from increased assets available for distribution. Creditors generally include businesses, employees and HMRC, so a proportion of the benefit to creditors from this measure will accrue to non business and so will be out of scope of OITO. The priority of payments to creditors is determined in statute and analysis of a random un weighted sample of 125 records filed at companies house over a 3 year period and a OFT market study[23] of insolvency practitioners estimated that non businesses accounted for around 10 per cent of the returns to creditors.

Other measures with no significant monetised benefits

139. The remaining measures have been assessed as having no or minimal cost or savings benefits. We set out below why we believe this to be the case.

(9) Abolition of Fast Track Voluntary Arrangements (FTVA)

140. FTVAs are a streamlined individual voluntary arrangement (IVA) procedure for cases where a debtor has already been made bankrupt. They are dealt with by the OR rather than IPs. The extremely low number of FTVAs in recent years indicates they do not meet a need in the market place so they are to be abolished.

141. As the OR is the only person capable of acting as the office-holder, only individual debtors are eligible for FTVAs, and creditors will not be affected as individual debtors may apply for an IVA instead of a FTVA, there is no financial impact on business. It is also thought there will be no financial impact on ORs as only 4 FTVAs have been entered into in the previous 4 years.

(10) Official receiver to be appointed trustee on the making of a bankruptcy order

142. The Insolvency Act 1986 currently provides that when the court makes a bankruptcy order the OR is appointed receiver and manager of the bankrupt's estate unless the court appoints an IP. This means that the OR's duties are limited to protecting the estate and dealing with any urgent realisations of assets that are required pending the appointment of a trustee. In many bankruptcy cases it is the OR who is subsequently appointed as the trustee, who then has full powers to deal with all the assets.

143. The initial appointment as receiver and manager has not been shown to have any practical benefit in the administration of bankruptcy cases and serves to delay the realisation of assets. This measure operates to change the process so that the OR is appointed trustee on the making of the order, unless the court orders otherwise.

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

144. This measure seeks to improve the efficiency of the initial stages of bankruptcy proceedings, and as such is likely to lead to benefits to business. However any savings will be indirect and not possible to quantify, so no attempt is being made to identify any savings associated with this measure.

(11) Clarification that a court application under paragraph 65 is not required where an administrator intends to make a prescribed part payment to unsecured creditors

145. In administration procedures there is a provision whereby unsecured creditors receive a proportion of the proceeds of assets realised which are subject to a floating charge. The reason for this is that preferential creditors are paid ahead of floating charge holders, and historically certain debts to Crown departments were given preferential status. The law changed in 2004 to remove that preferential status, and an equivalent amount of money which would otherwise have been paid to those creditors who were no longer preferential was used to provide returns to unsecured creditors instead. The amount which must be paid to unsecured creditors this way is known as the "prescribed part" and the method of calculating it is provided for in statute.

146. Where there funds to pay to unsecured creditors in administration proceedings other than through the prescribed part, the office holder must consider whether the administration proceedings should be converted into liquidation, which provides for more engagement of that class of creditor. However this may not always be desirable, and under circumstances where there are funds to pay to non-preferential unsecured creditors, the office holder must seek the court's permission to do so. The current legislation also suggests permission from the court before payments can be made from the prescribed part. As such payments are routine, the Government does not believe permission should be required in such cases. The measure therefore removes the need to seek court permission.

147. No savings have been calculated in relation to this measure as a certain degree of ambiguity in the current legislation may have lead to many practitioners interpreting the law as not requiring permission so this may reflect common practice. As prescribed part payments may be being made without court permission(though no data is held to confirm the extent), whilst this measure should deliver some savings to business, it is not possible to quantify them.

(**12) Clarification that a progress report must be issued to creditors where the liquidator changes within the first year of a creditors' voluntary liquidation.**

148. In liquidation and bankruptcy cases where the OR is not office holder, annual progress reports must be sent to the creditors starting with the anniversary of the date of insolvency. A progress report sets out what assets have been realised and the costs incurred in the administration of the insolvency (including the amount paid in remuneration to the office holder) and payments made to creditors. A similar report must be sent if the office holder changes, but the legislation as it is currently drafted precludes a report being issued within the first year of liquidation proceedings. This measure seeks to remove the barrier to the issue of a progress report if the liquidator changes within the first year.

149. It is possible that this measure will lead to the issue of an additional progress report in some individual cases where the liquidator changes within the first year and then the insolvency continues for more than a year thereafter. However this will be balanced by the benefits of increased transparency and getting the information to creditors at the right time. In most of the affected cases, the successor office holder is likely to be from the same firm, so the costs of issuing the report will be minimal. In cases where the successor is not from the same firm as the outgoing liquidator, the cost of preparation

of the report would in any case have been incurred, only at the end of the first year. No attempt has therefore been made to quantify any additional costs which may be incurred on the occasions where an additional progress report has been issued.

(13) Alignment of the time limit for an appeal against the outcome of an Individual Voluntary Arrangement (IVA) where there is no interim order with that where there is an interim order in place

150. Creditors and other interested parties may appeal against the outcome of a creditors' meeting in IVA proceedings where the debtor's proposal to their creditors has been accepted. At present a time limit for this appeal is prescribed for IVAs where there is an interim order but not for those (the majority) where there is not. An interim order is an order of court preventing creditors taking recovery action against the insolvent before the IVA is approved by creditors. This measure seeks to introduce a time limit for appeal in the cases for which none is currently prescribed.

151. Information provided by stakeholders indicates that the provision allowing for an appeal against the outcome of a meeting where an individual voluntary arrangement was accepted by the debtor's creditors, is rarely used. Appeals in cases where there has been no interim order, and which are therefore by their very nature less likely to be contentious, are rarer still. Therefore whilst this measure will serve to address a potential difficulty, it is not considered that it will have any significant costs or savings to business.

Summary of impacts

Table 3: Summary of total costs v benefits over 10 year period				
Year	**Costs £m**	**Benefits (central estimates) £**	**Benefits (lower bound) £**	**Benefits (upper bound) £**
1	0.1	3.0	2.9	3.2
2	7.5	18.8	11.6	31.1
3	0	19.0	11.8	31.3
4	0	19.3	12.1	31.6
5	0	19.3	12.1	31.6
6	0	19.5	12.4	31.9
7	0	19.5	12.4	31.9
8	0	19.8	12.6	32.2
9	0	19.8	12.6	32.2
10	0	20.0	12.9	32.5
Total NPV £	7.6	150.7	96.0	244.9

The total estimated saving over 10 years is £150.7m (lower bound estimate £96.0m; upper bound estimate £244.9m).

Table 4: Summary of costs v benefits within scope of OITO over 10 year period				
Year	**Costs £m**	**Benefits (central estimates) £**	**Benefits (lower bound) £**	**Benefits (upper bound) £**
1	0	2.7	2.5	2.8
2	7.5	16.9	10.3	28.0
3	0	17.1	10.5	28.2
4	0	17.3	10.8	28.4
5	0	17.3	10.8	28.4
6	0	17.5	11.0	28.7
7	0	17.5	11.0	28.7
8	0	17.8	11.2	29.0
9	0	17.8	11.2	29.0
10	0	18.0	11.5	29.3
Total NPV £	7.2	135.2	85.3	220.4

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

152. The preferred option is likely to impose on business the familiarisation costs detailed in paragraph 40 above. The monetised benefits to business are detailed below.

Measure	**Impact**	**Implementation date**	**Value of benefit within scope of OITO (central estimate)**
Removing meetings of creditors as the default position in insolvencies	Direct benefit to office holders, IPs and ORs. Office holders required to pass benefits directly to creditors (monetised). Official Receivers able to	April 2016	£1.75m[24]

[24] This figure will increase over the life time of the appraisal in line with a reduction in the number of meetings, see paragraph 51 to 73.

	pass on savings directly to creditors with lower fees following fee review in 2016.		
Abolition of final meetings	Direct benefit to office holders, IPs and ORs. Office holders required to pass benefits directly to creditors (monetised). Official Receivers able to pass on savings directly to creditors with lower fees following fee review in 2016.	April 2016	£5.71m
Removal of requirement for liquidator to be present at a 'section 98' meeting of creditors in creditors' voluntary liquidation	Direct benefit to office holder, IPs. IPs are required to pass benefits directly to creditors (monetised).	April 2016	£0.45m[25]
Opting out of further correspondence	Direct benefit to office holder, IPs and ORs. Office holders required to pass benefits directly to creditors (monetised). Official Receivers able to pass on savings directly to creditors with lower fees following fee review in 2016.	April 2016	£3.93m
Administration extensions	Direct benefit to office holder, IPs. IPs are required to pass benefits directly to creditors (monetised).	May/June 2015	£1.36m
Allowing an office-holder to pay a dividend in respect of a debt of less than £1,000 without the need for the creditor to submit a formal claim	Direct benefit to creditors (monetised)	April 2016	£2.37m
Crystallisation of Scottish floating charges	Direct benefit to office holder, IPs. IPs are required to pass benefits directly to creditors (monetised).	May/June 2015	£0.74m
Removal of requirement to seek sanction for certain actions in liquidation and bankruptcy	Direct benefit to office holders, IPs. IPs are required to pass benefits directly to creditors (monetised).	May/June 2015	£1.25m

[25] This figure decreases over the life time of the appraisal in line with an assumed fall in the number of meetings see paragraphs 82 -89.

Abolition of Fast Track Voluntary Arrangements (FTVA)	(not monetised)	May/June 2015	NA
Official receiver to be appointed trustee on the making of a bankruptcy order	(not monetised)	April 2016	NA
Clarification that a court application under paragraph 65 is not required where an administrator intends to make a prescribed part payment to unsecured creditors	(not monetised)	May/June 2015	NA
Clarification that a progress report must be issued to creditors where the liquidator changes within the first year of a creditors' voluntary liquidation	(not monetised)	April 2016	NA
Alignment of the time limit for an appeal against the outcome of an Individual Voluntary Arrangement (IVA) where there is no interim order with that where there is an interim order in place	(not monetised)	May/June 2015	NA

The direct beneficiaries of the measures vary by measure between creditors and office holders. Office holders are required to pass on benefits directly to creditors and so these benefits are directly beneficial to creditors. Not all benefits to creditors are within scope of OITO as some creditors such as HMRC are non business. Official receiver benefits have been assessed as within scope of OITO because the fees charged will reduce in line with the reduced regulatory activity in accordance Better Regulation Manual[26] following the completion of the latest fee review.

The total EANCB for the package of measures has been estimated to -£11.6 million. The measures that will be implemented in 2015 have been estimated to give an estimated EANCB of -£2.1 million and those to be implemented in 2016 have been to be estimated -£9.5 million.

[26] Page 41, Better Regulation Manual – Fees and Charges

Wider impacts

Specific impact tests

1. Competition Assessment – the package of measures will have no impact on competition as the legislative changes refine rather than substantively change the substance of current law.
2. Small Firms Impact Test – familiarisation costs for IPs and their staff will apply regardless of the type and size of the IP firm so there is no adverse impact on small firms.
3. Justice – the package of measures will have no impact on Legal Aid, as it is not available in respect of insolvency proceedings.
4. Sustainable Development - The package of measures will have no direct impact on sustainable development.
5. Greenhouse Gas assessment - The package of measures will have no direct impact on greenhouse gas assessments.
6. Other Environment – Some of the measures will have an incidental saving in terms of paper usage but these are expected to be small and have not been quantified.
7. Health – The package of measures will have no direct impact on health.
8. Equality Impact Assessments - The package of measures will not have an adverse or disproportionate effect on any person as a consequence of race, ethnic origin, religion, gender or sexual orientation.
9. Human Rights – Measures 9 and 11 have ECHR implications as they affect the Article 1, Protocol 1 ECHR right to peaceful enjoyment of possessions. Creditors will not be entitled to receive small dividend payments and will lose their entitlement to other dividend payments if they fail to cash them within 6 years of issue. The Article 1, Protocol 1 right is qualified where the public interest is otherwise. It must not impair the right of a state to enforce such laws as are deemed necessary to control the use of property in accordance with the general interest or to secure the payment of taxes or other contributions or penalties. The Insolvency Service believes that the proposed interference with the right has a legitimate aim and believes the measures are proportionate and strikes the right balance between the public interest and creditors' rights. The Insolvency Service also considers that the six year limit is proportionate to the interference to creditors' rights, and strikes a fair balance between the public interest and the rights subject to interference.
10. Rural Proofing – The package of measures will have no direct impact on Rural Proofing.

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.

Administrative Receivership

Administrative receivership is the term applied when a person is appointed as an administrative receiver. An administrative receiver is a licensed insolvency practitioner appointed by the holder of a floating charge covering the whole, or substantially the whole, of a company's property. He can carry on the company's business and sell the business and other assets comprised in the charge to repay the secured and 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.

Debt Relief Order

A process which provides an individual with debt relief, subject to some restrictions. They are suitable for people who do not own their own home, have little surplus income and assets and less than £15,000 of debt. An order lasts for 12 months. In that time creditors named on the order cannot take any action to recover their money without permission from the court. At the end of the period, if the individual's circumstances have not changed they are freed from the debts that were included in the order. DROs do not involve the courts but are run by the Insolvency Service in partnership with debt advisers who provide assistance to those applying for DROs.

Individual Voluntary Arrangement

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

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.

Annex B

Insolvency Regulations 1994, Schedule 2 – Official Receiver hourly rates

London Rates	
Grade according to the Insolvency Service grading structure/Status of Official	*Total hourly rate £*
D2/Official Receiver	75
C2/Deputy or Assistant Official Receiver	63
C1/Senior Examiner	58
L3/Examiner	46
L2 Examiner	42
B2/Administrator	46
L1/Examiner	40
B1/Administrator	46
A2/Administrator	40
A1/Administrator	35

Table 3

Provincial Rates	
Grade according to the Insolvency Service grading structure/Status of Official	*Total hourly rate £*
D2/Official Receiver	69
C2/Deputy or Assistant Official Receiver	58
C1/Senior Examiner	52

L3/Examiner	46
L2 Examiner	40
B2/Administrator	43
L1/Examiner	38
B1/Administrator	42
A2/Administrator	36
A1/Administrator	31