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STATUTORY INSTRUMENTS

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**2016 No. 1024**

**The Insolvency (England and Wales) Rules 2016**

**PART 17**

**CREDITORS' AND LIQUIDATION COMMITTEES**

**CHAPTER 6**

**Miscellaneous**

[Note: a document required by the Act or these Rules must also contain the standard contents set out in Part 1.]

**Expenses of members etc.**

**17.24.**—(1) The office-holder must pay, as an expense of the insolvency proceedings, the reasonable travelling expenses directly incurred by members of the committee or their representatives in attending the committee's meetings or otherwise on the committee's business.

(2) The requirement for the office-holder to pay the expenses does not apply to a meeting of the committee held within six weeks of a previous meeting, unless the meeting is summoned by the office-holder.

**Dealings by committee members and others**

**17.25.**—(1) This rule applies in a creditors' voluntary winding up, a winding up by the court and a bankruptcy to a person who is, or has been in the preceding 12 months—

- (a) a member of the committee;
- (b) a member's representative; or
- (c) an associate of a member, or of a member's representative.

(2) Such a person must not enter into a transaction as a result of which that person would—

- (a) receive as an expense of the insolvency proceedings a payment for services given or goods supplied in connection with the administration of the insolvent estate;
- (b) obtain a profit from the administration of the insolvent estate; or
- (c) acquire an asset forming part of the insolvent estate.

(3) However such a transaction may be entered into—

- (a) with the prior sanction of the committee, where it is satisfied (after full disclosure of the circumstances) that the person will be giving full value in the transaction;
- (b) with the prior permission of the court; or
- (c) if that person does so as a matter of urgency, or by way of performance of a contract in force before the start of the insolvency proceedings, and that person obtains the court's permission for the transaction, having applied for it without undue delay.

(4) Neither a member nor a representative of a member who is to participate directly or indirectly in a transaction may vote on a resolution to sanction that transaction.

(5) The court may, on the application of an interested person—

- (a) set aside a transaction on the ground that it has been entered into in contravention of this rule; and
- (b) make such other order about the transaction as it thinks just, including an order requiring a person to whom this rule applies to account for any profit obtained from the transaction and compensate the insolvent estate for any resultant loss.

(6) The court will not make an order under the previous paragraph in respect of an associate of a member of the committee or an associate of a member's representative, if satisfied that the associate or representative entered into the relevant transaction without having any reason to suppose that in doing so the associate or representative would contravene this rule.

(7) The costs of the application are not payable as an expense of the insolvency proceedings unless the court orders otherwise.

**Dealings by committee members and others: administration and administrative receivership**

**17.26.**—(1) This rule applies in an administration and administrative receivership.

(2) Membership of the committee does not prevent a person from dealing with the company provided that a transaction is in good faith and for value.

(3) The court may, on the application of an interested person—

- (a) set aside a transaction which appears to it to be contrary to this rule; and
- (b) make such other order about the transaction as it thinks just including an order requiring a person to whom this rule applies to account for any profit obtained from the transaction and compensate the company for any resultant loss.

**Formal defects**

[Note: section 377 makes similar provision to paragraph (1) for the validity of acts of the creditors' committee in a bankruptcy.]

**17.27.**—(1) The acts of a creditors' committee or a liquidation committee are valid notwithstanding any defect in the appointment, election or qualifications of a member of the committee or a committee-member's representative or in the formalities of its establishment.

(2) This rule does not apply to the creditors' committee in a bankruptcy.

**Special rule for winding up by the court and bankruptcy: functions vested in the Secretary of State**

**17.28.**—(1) At any time when the functions of a committee in a winding up by the court or a bankruptcy are vested in the Secretary of State under section 141(4) or (5) or section 302(1) or (2), requirements of the Act or these Rules about notices to be delivered, or reports to be made, to the committee by the office-holder do not apply, otherwise than as enabling the committee to require a report as to any matter.

(2) Where the committee's functions are so vested under section 141(5) or 302(2), they may be exercised by the official receiver.