Insolvency Practitioners Association

VPR VOLUME PROVIDER REGULATION

IMPLEMENTING CHANGE - IMPROVING QUALITY

BENCHMARK REPORT

2023

Insolvency Practitioners Association

VPR | VOLUME PROVIDER REGULATION

IMPLEMENTING CHANGE - IMPROVING QUALITY

CONTENTS

Executive Summary

The Insolvency Practitioners Association (IPA) is the only professional body whose sole purpose is to inform and regulate Insolvency Practitioners (IPs) licensed to operate within the UK.

The IPA's principal aim is to promote and maintain high standards of performance and professional conduct amongst those engaged in insolvency and insolvency related practice.

The IPA have amongst its regulatory population the largest share of IPs and firms operating in the personal insolvency market, especially at scale ('volume providers').

The IPA's Volume Provider Regulation (VPR) Scheme (the Scheme) provides in depth monitoring of IPA members who are volume providers of Individual Voluntary Arrangements (IVAs) and Protected Trust Deeds (PTDs). The Scheme is the only example of continuous monitoring within insolvency regulation.

Improving standards is a key aim of the Scheme. In this regard we were particularly pleased to see a continued reduction in complaints across Scheme members during 2023.

Key regulatory concerns in the volume IVA and PTD space include issues relating to poor quality advice, mis-selling, advertising practices and costs.

Historically, a considerable percentage of IVA and PTD appointments would be received by IPs from debt packagers. On 2 June 2023, the Financial Conduct Authority (FCA) published a Policy Statement announcing a ban on debt packagers receiving remuneration from debt solution providers. For debt packagers existing prior to 2 June 2023, a transition period to 2 October 2023 was in place.

In August 2023, the IPA produced guidance considering the implications of the ban and setting out best practice IPs should follow when they are seeking an appointment for an IVA or PTD. Scheme members have been closely monitored since the ban and this will continue throughout 2024 to review how the sector evolves following the ban.

Throughout 2023, the IPA have continued to collaborate with the FCA, Insolvency Service and other Recognised Professional Bodies (RPBs) to address concerns in the work introducer space. The IPA will continue to work collaboratively with stakeholders to address the concern around entities that are continuing with lead introductions notwithstanding the FCA changes. There are still several marginal operators that continue to have a disproportionate impact on the industry with substandard advertising and concerns around unregulated advice that can steer individuals to inappropriate debt solutions. Amendments to the Statements of Insolvency Practice (SIPs) will, in time, help address these concerns, but continued action is required from all regulatory stakeholders.

A revised version of SIP 3.1 relating to IVAs came into effect on 1 March 2023. The principal changes in the revised SIP 3.1 relate to the degree of emphasis on the IP’s responsibility to ensure that the debtor has received suitable advice prior to entering an IVA and during its implementation. This includes ensuring that the debtor is aware of all potential debt relief solutions available and that they are provided with adequate time to consider the consequences and the options available before instructing an IVA to be drawn up. The revised SIP 3.1 incudes a greater emphasis on documenting the process, including advice calls where appropriate, and on providing information to creditors that is more extensive and useful to them than before.

There is also a focus on providing tailored information and advice relevant to the debtor’s particular circumstances rather than relying on generic explanations and standardised texts.

A revised version of SIP 3.3 relating to Trust Deeds came into effect on 1 November 2023. The principal changes in the revised SIP 3.3 relate to the principles, key compliance standards and standards of specific application being, as far as practicable, harmonised with SIP 3.1 relating to IVAs. The amendments, however, take account of Scottish law, Trust Deed procedures and appropriate terminology.

The changes in 2023 do put more responsibility on IPs and their firms to ensure that criticisms, mainly about IVAs, are addressed. Despite the FCA changes, there remains risks in the client’s journey towards an IVA as an appropriate debt solution.

The profession has to ensure that each individual’s journey into an IVA is fully evidenced. This includes advertising from the start that advice needs to be consistent and fully documented along with all supporting considerations.

In 2024, there will be greater emphasis on the role creditors have after the FCA changes to Consumer Duty by ensuring that the profession is sustainable, that individuals are able to complete their chosen solutions once they are assessed as insolvent and they are able to complete their journey. Currently around 20% of IVAs fail and this is largely due to a change in circumstances after the IVA has started. Conversely, this means that currently around 80% of IVAs are completing and creditors are receiving repayments that help the wider economy and individuals are, in the majority of cases, writing off over 50% of their initial debt and becoming debt free. One of the IPA’s aims is to assist in reducing the failure rates. IVAs normally fail due to the consumer’s financial position worsening meaning that individuals cannot maintain the agreed repayments. In these circumstances, it is important to note that the transition to alternative debt solutions can be difficult in terms of timing and cost implications. The IPA advocates for a change in the IVA Protocol to allow more IP discretion and consistent outcomes for individuals.

With the commercial and publicly funded debt sectors and solutions working in collaboration, there should be greater sharing of outcomes to help improve debt advice and to assist with individual decisions.

The recent decision to remove the £90 fee for Debt Relief Orders (DRO) is a positive move but there needs to be more monitoring of this impact and consistent and informed policy decisions. To assist in this, there needs to be greater sharing of data and specifically the performance of each debt solution to make sure that it is appropriate and as effective as it can be. To assist with an individual's decision making, there needs to be greater data and transparency on the performance of all debt solutions including DRO, Bankruptcy and Debt Management Plans. One specific area where data is limited is regarding property owning individuals who are in debt. In 2021 the Census showed that 62.5% of households were home owners yet only around 10% of individuals in an IVA own a property. This suggests a considerable difference. One of the reasons for this anomaly could be the current complicated rules in a Protocol IVA which require a revalue of a property after month 54. This current requirement creates uncertainty and may encourage individuals into less suitable, more costly and longer debt solutions.

Key Considerations for 2024:

1. **Strengthened Regulatory Oversight:** In response to evolving regulatory requirements, the IPA has focused its monitoring efforts on being able to review the whole consumer journey for individuals along with reviewing the collective outcomes of all cases to help demonstrate that the IPA is meeting the Regulatory Objectives. A particular area of risk has been the changes following the FCA's ban on debt packagers receiving remuneration from debt solution providers. It is important for the IPA to continue to work with the FCA to address potential harms from FCA regulated and unregulated entities. The recent updates in SIP 3.1 and SIP 3.3 will assist, as greater emphasis is put on the importance of tailored advice and documentation to evidence that consumers receive appropriate guidance throughout their debt solution journey.

2. **Addressing Regulatory Concerns:** Despite progress, regulatory concerns persist, especially regarding issues such as poor quality advice, advertising practices and costs. The IPA continues to collaborate with stakeholders to mitigate risks associated with unregulated advice and substandard advertising, ensuring consumer interest remains paramount.

Areas of Concern:

1. **Consumer Vulnerability:** Concerns regarding consumer vulnerability and the complexity of debt solutions persist, highlighting the need for greater transparency and information sharing. The disparity in homeownership rates between the general population and individuals in IVAs underscores the importance of addressing barriers to accessing appropriate debt solutions.

2. **Enhancing Regulatory Monitoring:** The IPA is committed to enhancing regulatory monitoring to ensure consistency in advice and quality controls among IPs and their firms. Efforts to reduce the failure rates of IVAs and promote sustainable debt solutions are paramount, requiring collaboration across the commercial and publicly funded sectors.

The Benchmark report provides a comprehensive overview of regulatory activities undertaken by the VPR Scheme, including detailed insights into Scheme metrics, membership overview, statistical data on IVAs and PTDs, and Scheme activities in 2023.

Further details on regulatory findings, insights, strategic focus, and future outlook are included in the full report.

In conclusion, the IPA remains dedicated to promoting consumer protection, improving industry standards and facilitating informed decision-making in debt solutions. By addressing regulatory concerns, enhancing transparency and fostering collaboration, the IPA aims to create a more equitable and effective debt solutions landscape for individuals facing financial difficulties.

Introduction

The Benchmark Report is an opportunity to show how the IPA measures the performance of the Scheme members against industry standards and identify areas for improvement, which ultimately helps the members serve their clients better.

IVAs and PTDs comparisons

IVAs for England and Wales and PTDs for Scotland are both formal debt solutions for individuals struggling with unmanageable debt. Although similar in some respects, they differ in the legislative framework in which they operate and where they position with alternative debt solutions. The Scottish model has defined legislative solutions across personal debt solutions that is shown to serve individuals well when they are facing uncertainties.

Whilst IVAs have shown to have been flexible during the financial pressures of the Covid-19 pandemic and with the increased costs of living, completion levels are remaining high across Scheme members with individuals receiving debt write-offs totalling £489,869,270 during 2023. However, this figure is unlikely to improve further without uniform creditor acceptance of change to the IVA Protocol or legislative change.

The Benchmark Report rightly puts IVAs and PTDs in the spotlight to demonstrate what is working well but also areas of concern. One of the problems with these solutions often being in the spotlight is that there can be a tendency to focus on every perceived fault and consideration of the benefits of IVAs and PTDs is lost when there is no meaningful comparison against alternative debt solutions. To truly consider the effectiveness of debt solutions there needs to be comparable data across all solutions.

The legislation for PTDs has adapted and evolved which means that any individual declaring insolvency can pay a proportion of their debt back and, so long as they remain engaged in the solution, they will complete their PTD. By contrast, an IVA is reliant on creditors accepting any further compromise during its term, if it falls outside of the 15% discretion allowed under the IVA protocol. This important difference highlights the current inconsistency between the two markets.

Chief Inspector's Perspective

David Holland

I am pleased to present the latest Benchmark Report from the VPR Scheme, outlining the significant advancements made in monitoring and benchmarking within our industry since its inception. This report reflects our ongoing commitment to ensuring regulatory standards are not only met but continuously improved upon to protect consumers and promote the public interest.

The advancements made in monitoring and benchmarking within the VPR Scheme have been significant since its inception. Our ability to adapt to emerging issues and compare practitioner performance has been crucial in ensuring regulatory standards are met and improved upon.

One area of particular focus has been the development of advice monitoring, which allows us to verify that advice provided to clients is impartial, tailored to individual circumstances, and that individuals are making informed decisions about their debt solutions. This is essential for maintaining trust in the industry and ensuring the best outcomes for clients.

In our monitoring efforts, we have also compared IVAs for England and Wales with PTDs for Scotland. While both are formal debt solutions, they operate within different legislative frameworks and have distinct characteristics. By highlighting these differences, we aim to provide a more comprehensive understanding of debt solutions available to individuals across different jurisdictions.

Despite the benefits of IVAs, such as debt write-offs and pre-agreed fees, there remains scepticism and misconceptions, particularly regarding the failure rates and costs associated with IVAs. To address these concerns, we have advocated for legislative changes to provide greater flexibility and reduce administrative burdens for both debtors and insolvency practitioners. As legislative changes take time, 2024 is a perfect time to amend the IVA Protocol. This will allow more consistent outcomes, remove some of the uncertainty in IVAs and reduce the administrative and regulatory burden that is created via the current model of IVAs being heavily modified by numerous creditors.

A simplified Protocol IVA that largely removes modifications, simplifies property interests and increases the prospect of completion, if and when circumstances change, would be a significant benefit to all the debt sector and allow creditors with Consumer Obligations by demonstrating that there is a legally protected debt solution that allows a large proportion of the original debt to be written off. The report highlights that when the IVA sector performs well, IVAs and PTDs provide a valuable debt solution which can function well. The key is to ensure that the option is chosen based on quality advice.

Looking ahead, we will continue to work towards greater transparency and effectiveness of debt solutions. This includes advocating for legislative reforms to allow greater flexibility to transition to different debt solutions, enhancing monitoring and benchmarking processes, and promoting awareness of the benefits of IVAs and PTDs. We will continue to seek to address bad practice and advertising standards that fall below the required standards.

Overall, the regulatory work undertaken by the VPR Scheme plays a vital role in protecting consumers, maintaining industry standards and promoting the public interest. Through continuous improvement and collaboration with stakeholders, we are committed to ensuring fair treatment, consistent outcomes and high-quality services in the insolvency profession.

David Holland, Chief Inspector, VPR Scheme

Background and Scheme Overview

The IPA launched the Scheme in 2019 in response to the Insolvency Service's call for more stringent monitoring of volume IVA providers. The Scheme was subsequently expanded to include volume PTD providers.

A volume provider is defined by the Insolvency Service as an Insolvency Practitioner or an entity which has at any time within the previous 12 months been responsible for the administration of:

a) 1,000 or more cases in which one or more person(s) has acted as nominee in relation to an individual voluntary arrangement, and/or

b) 5,000 or more cases in which one or more person(s) has acted as supervisor in relation to an individual voluntary arrangement, and/or

c) 2,000 or more cases in which one or more person(s) has acted as trustee in relation to a trust deed (in Scotland) whether or not the trust deed is protected.

It is for the IP's RPB to determine whether an IP is a volume provider depending upon risk.

Whilst the Scheme is voluntary, all IPA regulated volume providers are expected to join.

Under the Scheme the IPA provides additional monitoring services to Scheme members. The additional monitoring provided by the Scheme covers the principles outlined in the following guidance: https://www.gov.uk/guidance/monitoring-individual-voluntary-arrangement-providers. Scheme members are defined as volume providers and agree to pay for the ongoing additional VPR monitoring service.

The Scheme is overseen by the IPA's Chief Inspector and carried out by a dedicated team. The key features of the Scheme are as follows:

- Continuous monitoring through Monthly Data Returns
- One full visit and up to four focused reviews a year
- Regular call monitoring
- Bespoke investigations into identified areas of concern
- Annual Financial Review
- Bi-monthly meetings between the Chief Inspector and each Scheme member IP representative(s)
- Quarterly meeting between the Scheme member firm owner(s) and the IPA's CEO and Head of Regulation
- Quarterly meetings between the IPA and the Scheme member representative group

The IPA's Regulation and Conduct Committee (the Committee) is charged with a responsibility to ensure that each of the IPA's licensed IPs continues to be a fit and proper person to hold an insolvency authorisation. The Committee comprises a majority of lay members, alongside insolvency specialists, including a number with particular expertise in the IVA/PTD field. Together, their primary objective is to promote the highest standards of practice and carry out the Committee's functions in accordance with the Government's Better Regulation principles.

Every inspection visit, review outcome and substantiated complaint is referred to the Committee for consideration. Should the Committee find a prima facie case of misconduct, it may refer to the Insolvency Service's Common Sanctions Guidance (CSG) to consider the appropriate sanction, or if it is more serious and it is appropriate, refer the matter to the Disciplinary and Appeals Committee. Under current legislation there is no maximum number of reprimands that an IP can receive but the Committee continues to consider an IP's fitness to practice. A copy of the current CSG can be found at: www.gov.uk/government/publications/disciplinary-sanctions-against-insolvency-practitioners/common-sanctions-guidance.

Historical Context

The Scheme objectives are:

- Standards - to maintain and improve standards across the Volume Provider IVA and PTD space.
- Credibility - to challenge perceptions and use Scheme information to build credibility and challenge pre-existing perceptions of the industry.
- Approach - to ensure the approach to monitoring of Scheme members is fully transparent to all stakeholders.
- Ambition - to lead by example and show a pragmatic, realistic but ambitious approach of how the Scheme members' performance is driving up standards.

Scheme Metrics in 2023

Membership Overview

Scheme members in 2023 were:

IVA Providers:
Bennett Jones
Creditfix
Debt Movement
Freeman Jones
Fresh Start Insolvency
Hanover Insolvency
Oakfield Financial
PayPlan Bespoke Solutions
PayPlan Partnership
StepChange Voluntary Arrangements
The Insolvency Group

PTD Providers:
Carrington Dean
Harper McDermott
PayPlan Scotland

Whilst predominantly an IVA provider, Hanover also administers a small number of PTDs.

The IPA were pleased to welcome an additional 5 new IVA provider members to the Scheme in January 2024, being Abbotts Insolvency, Advice Centre Group, AFA Insolvency, MoneyPlus Insolvency and My Debt Plan.

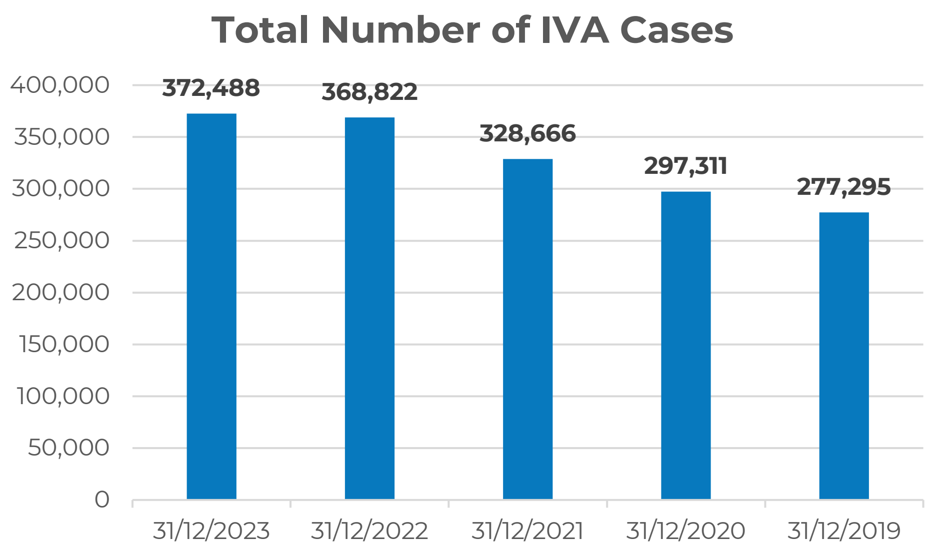
Statistical Insights into IVAs and PTDs

IVAs

At 31 December 2023, the total number of open IVA cases was 372,488[1]. This figure represents the number of both new and existing IVA cases.

The IPA are aware that there has been a cleansing of IVA data by the Insolvency Service throughout 2023 which therefore impacts the shown increase in IVA cases for 2023.

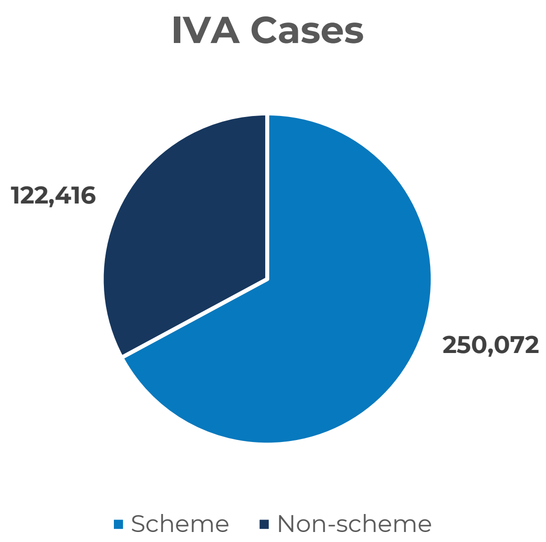
Date	Total Number of IVA Cases	Increase
31/12/2023	372,488[1]	3,666
31/12/2022	368,822[1]	40,156
31/12/2021	328,666[1]	31,355
31/12/2020	297,311[1]	20,016
31/12/2019	277,295[1]	-



Of the 372,488[1] cases, 250,072 were Scheme member cases (see table overleaf for breakdown). During 2023 Scheme members represented 67% of the IVA market.

[1] Figure provided by the Insolvency Service

Scheme Member	Number of IVA Cases at 31/12/23
Bennett Jones	11,179
Creditfix	113,759
Debt Movement	17,278
Freeman Jones	12,048
Fresh Start Insolvency	11,634
Hanover Insolvency	23,654
Oakfield Financial	9,071
PayPlan Bespoke Solutions	4,707
PayPlan Partnership	15,590
StepChange Voluntary Arrangements	4,220
The Insolvency Group	26,932
Total	**250,072**



In 2023, 64,050[1] IVAs were registered in England and Wales which is lower than the record high of 87,865 seen in 2022.

There were 32,854 new IVA appointments across Scheme members in 2023. During 2022 there were 55,113 new IVA appointments across Scheme members. Scheme member new appointments have therefore decreased by 22,259.

The IPA consider the reduction in IVA appointments across Scheme members is due to several factors, the two predominant ones being the increase in DROs and the FCA's ban on debt packager fees.

Fresh Start Insolvency, Hanover Insolvency and Oakfield Financial do not take new appointments and focus solely on working their existing appointments. Debt Movement only took one new appointment in 2023.

The table overleaf shows the movement in IVA Scheme member case numbers since 2020:

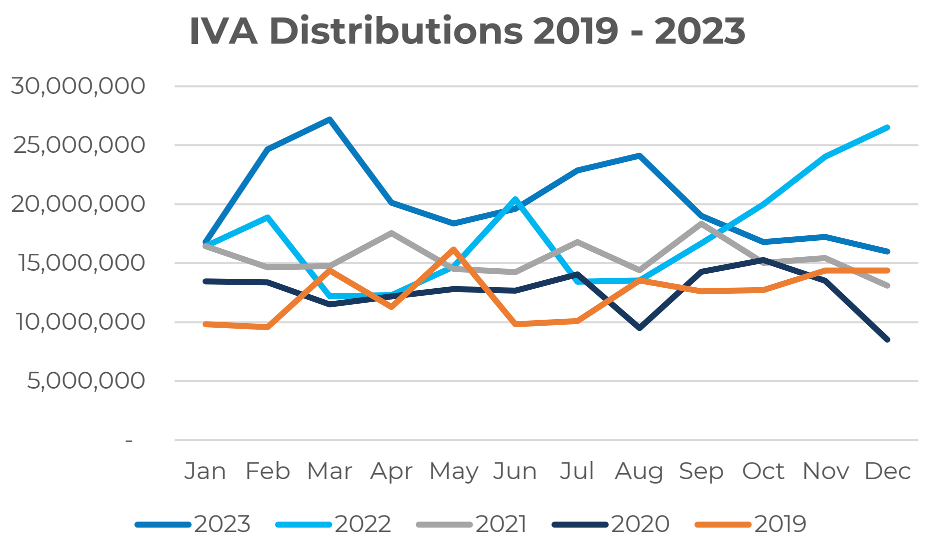
Scheme Member / Former Scheme Member	Number of Cases as at 31/12/23	Number of Cases as at 31/12/22	Number of Cases as at 31/12/21	Number of Cases as at 31/12/20
Bennett Jones	11,179	-	-	-
Creditfix	113,759	102,210	92,448	91,224
Debt Movement (formerly Jarvis Insolvency)	17,278	23,635	25,816	27,287
Freeman Jones	12,048	15,397	19,892	22,637
Fresh Start Insolvency*	11,634	13,699	9,696	-
Hanover Insolvency	23,654	36,756	35,972	30,255
Oakfield Financial	9,071	11,362	12,641	14,185
PayPlan Bespoke	4,707	4,313	4,183	4,381
PayPlan Partnership	15,590	13,786	12,809	12,854
StepChange Voluntary Arrangements	4,220	4,793	5,174	-
The IVA Advisor (former member)	-	-	3,994	-
The Insolvency Group**	26,932	7,049	-	-
Total	**250,072**	**233,000**	**222,625**	**202,823**

**Fresh Start Insolvency acquired the book of former Scheme member Quality Insolvency Services*
*** The significant increase in cases is primarily due to the transfer of cases from a non IPA regulated IP*

Between 1 January and 31 December 2023, the sum of £242,744,004 was distributed to creditors by IVA Scheme members. The total quantum of distributions has continued to increase since the Scheme's inception in 2019.

Year	Amount Distributed
2023	£242,744,004
2022	£209,146,182
2021	£185,337,753
2020	£151,148,736
2019	£148,833,623

As the data overleaf demonstrates the total amount of distribution can fluctuate from month to month. This is the case across all Scheme members. Distributions fluctuate due to new and closed cases as well as cases being put on hold for distributions. Cases can be put on hold for distribution for a number of reasons such as arrears, payment breaks or whilst a variation is in the process of being proposed.

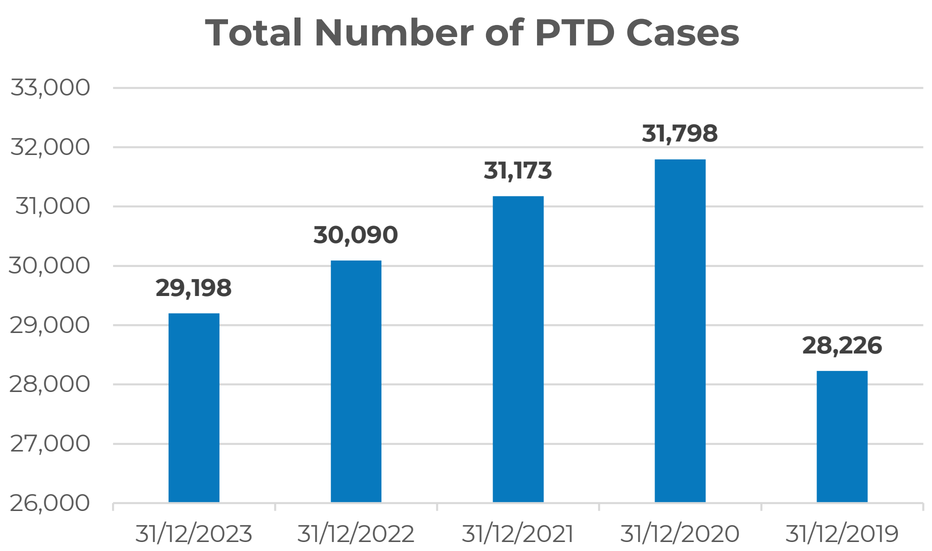


PTDs

At 31 December 2023, the total number of PTD cases was 29,198[2]. This figure represents the number of both new and existing PTD cases.

PTD cases have continued to decrease since the Covid-19 pandemic in 2020.

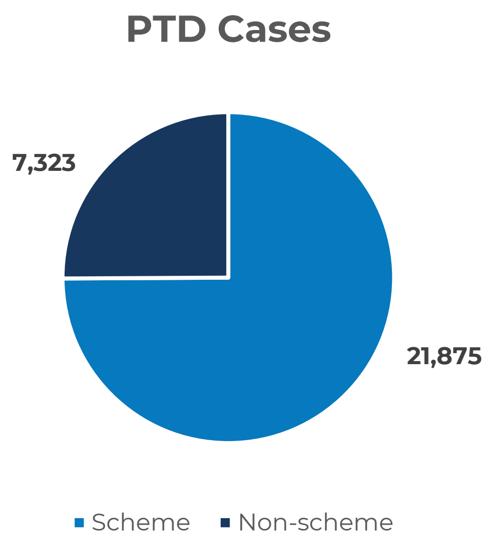
Date	Total Number of PTD Cases	Increase / (Decrease)
31/12/2023	29,198[2]	(892)
31/12/2022	30,090[2]	(1,083)
31/12/2021	31,173[2]	(625)
31/12/2020	31,798[2]	3,532
31/12/2019	28,226[2]	-



[2] Figure provided by Accountant in Bankruptcy

Of the 29,198[2] PTD cases, 21,875 were Scheme member cases (see table below for breakdown). During 2023 Scheme members represented 75% of the PTD market.

Scheme Member	Number of PTD Cases at 31/12/23
Carrington Dean	13,349
Hanover Insolvency	380
Harper McDermott	7,754
PayPlan Scotland	392
Total	**21,875**



There were 3,719 new PTD appointments across Scheme members in 2023. During 2022 there were 3,665 new PTD appointments across Scheme members. Scheme member new PTD appointments have therefore slightly increased by 54 during 2023. The table below shows the movement in PTD Scheme member case numbers since 2020:

Scheme Member / Former Scheme Member	Number of Cases as at 31/12/23	Number of Cases as at 31/12/22	Number of Cases as at 31/12/21	Number of Cases as at 31/12/20
Carrington Dean	13,349	14,431	17,016	14,479
Hanover Insolvency	380	564	675	684
Harper McDermott	7,754	7,216	6,524	-
PayPlan Scotland	392	358	379	418
Wilson Andrews (former member)	-	-	-	1,590
Total	**21,875**	**22,569**	**24,594**	**17,171**

Scheme Activities in 2023

Please see below for a summary of reviews carried out in 2023.

Type of Review	Carried Out	Cases Reviewed
Full Inspection Visit	12	163
Focused Review	36	328
Call Review	14	157
Additional Call Monitoring	-	187

Further detail on Call Reviews is given in page 18 of this report, Call Monitoring. Further detail on the Full Inspection Visits and Focused Reviews can be found in page 20, Comprehensive Overview.

Scheme members have continued to submit their Monthly Data Returns throughout 2023. The Monthly Data Return template is provided to the member by the IPA. The data returns assist the IPA with gathering statistical information. The data returns also assist with the early identification of any anomalies which can then be followed up and investigated further where necessary.

Quarterly meetings were held with the Scheme member IP representatives, the IPA's Chief Inspector and the IPA Scheme inspection team to discuss Scheme and industry wide issues in an open forum.

Individual bi-monthly meetings were held throughout 2023 with the Scheme member IP representative and the IPA's Chief Inspector.

During 2023 quarterly executive level meetings were held between the IPA's CEO and Head of Regulation and the Scheme members' CEOs/business owners in order to understand commercial and business strategies and address any concerns in this regard.

Insights into Scheme Activities

Monitoring activities largely concentrate on the higher risk areas of the initial Stages of entering IVAs and PTDs.

In 2023, significant attention was directed towards the initial stages of entering IVAs and PTDs. It is crucial for IPs to retain evidence of the advice provided to clients and the decisions made during this process.

Robust quality control measures are emphasised to ensure that IPs adhere to regulatory standards and provide clients with accurate and impartial advice that is tailored to individuals. This focus on the initial stages aims to uphold the integrity of debt solutions, safeguard the interests of consumers and build creditor confidence in the solutions.

Addressing Concerns Regarding Appropriate Advertising

Another area of focus in 2023 was addressing concerns related to appropriate advertising practices across all media types, particularly social media. With the increasing use of digital platforms for marketing and promotion, it is essential to ensure that advertising content is transparent, accurate and compliant with regulatory requirements.

The VPR Scheme will work closely with stakeholders to develop guidelines and best practices for advertising debt solutions, with a focus on promoting responsible advertising practices and protecting consumers from misleading or deceptive advertising.

Call Monitoring

The Scheme has evolved since its inception, allowing the IPA as a regulator to adjust to emerging issues and compare practitioner performance. The development of advice monitoring allows for the IPA to check that advice to clients is impartial and meets an individual's specific circumstances and needs, and most importantly that the individual has chosen the solution based on a clear understanding of the alternatives.

During 2023 the calls of 295 IVA and 49 PTD cases were reviewed by the Scheme Inspectors and the Scheme's sub-contracted call reviewers. Please see overleaf a breakdown of the call reviews carried out.

Member	Inspection Team	Call Reviewers	Total
IVA			
Bennett Jones	20	6	26
Creditfix	53	75	128
Debt Movement	8	-	8
Freeman Jones	8	16	24
PayPlan Bespoke	6	5	11
PayPlan Partnership	12	5	17
StepChange Voluntary Arrangements	6	5	11
The Insolvency Group	20	50	70
IVA Total	***133***	***162***	***295***
PTD			
Carrington Dean	12	10	22
Harper McDermott	10	10	20
PayPlan Scotland	2	5	7
PTD Total	***24***	***25***	***49***
Overall Total	**157**	**187**	**344**

The Scheme Inspection team selects the cases for all call reviewing from the monthly data returns. The number of cases selected for a call review is dependent on the number of appointments held by the Scheme member – the more appointments held, the more cases that are selected. The cases are selected using criteria defined in the Insolvency Service guidance for monitoring volume providers, including but not limited to the high-risk areas of vulnerable debtors and low disposable income.

All calls for each case selected are requested for review which includes, but is not limited to, any introduction/initial contact call, appointment making call and advice calls. The proposals and any pre-appointment letters and records are also requested for review alongside the call. The call handler's scripts are also requested for review.

The IPA considers that the quality of call advice has continued to improve since the inception of the Scheme in 2019 with standards rising and a consistency in approach across the majority of Scheme members. Scheme members are expected to adhere to best practice as well as the requirements of the SIPs. Advice calls are the first area to be monitored for new members to the Scheme to ensure their approach is consistent with other members.

Comprehensive Overview

During 2023 full inspection visits were carried out to all Scheme members.

Prior to a full inspection visit, a Pre-Visit Questionnaire is issued to the Scheme member IP(s) for completion and return. The questionnaire assists the Inspectors with planning the visit and includes questions on the following:

- The Insolvency Practitioner(s) details
- Practice information
- Office procedures
- Anti-Money Laundering procedures
- Staff numbers and structure
- Client money regulations
- Sources of work
- Fee size and basis
- Training and ongoing development

From the case data provided with the Scheme member's Monthly Data Return, a selection is made of the cases which are to be reviewed during the inspection. The number of cases selected is dependent on the number of appointments held. A full review will be carried out on a proportion of the cases selected, with the remainder subject to specific consideration of the following areas:

- Annual reporting to creditors and individual
- Arrears and whether payments are being followed up
- Breaches of arrangements and the treatment of those
- Completion and how quickly final payment arrangements are finalised
- Distributions and fees, checking timing and quantum accords with proposal
- Failure, checking that failure arrangements have been processed properly
- Income and Expenditure reviews to check arrangement progression
- Progression of cases generally
- Property 'month 54' reviews in relation to equity
- Time expired cases, where the initial proposal period has been exceeded
- Variations to arrangements and the processes for obtaining those
- Source of introduction and evidence of work undertaken by them

Meetings are held with the IPs and also with staff members to review the processes and procedures such as the cashiering function during the course of the inspection.

The outcome of each full inspection visit is used to determine the areas for the focused reviews.

There were no common risk areas identified across the members in the course of the full inspection visits.

Focused Reviews

The purpose of a focused review is to look at specific areas, such as case progression, income & expenditure (I&E) reviews etc. The need for this type of review may arise as a result of a number of factors. These could include any findings from a full inspection visit, intelligence from a complaint, or as a result of the Committee asking for a review to be focused on a particular area.

A total of 36 focused reviews were carried out during 2023. 13 reviews were carried out across Scheme members on Case Failure reviewing 124 cases; full details of this review can be found in Case Failure Analysis below.

A further 23 focused reviews were carried out reviewing 204 cases. Please see below for a breakdown of those reviews.

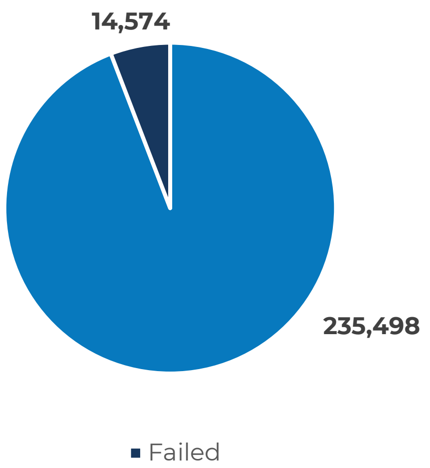
	Member	Area of Focus	Cases Reviewed
1	Hanover Insolvency	Arrears	15
2	Hanover Insolvency	Variations	5
3	Debt Movement	Post appointment service provider	-
4	Debt Movement	Annual Reporting	12
5	Debt Movement	I&E Reviews	12
6	Creditfix, Carrington Dean, Hanover Insolvency and Oakfield Financial	Post appointment service provider	-
7	Freeman Jones	Progression	6
8	Freeman Jones	Cases 6 years+	6
9	Creditfix	Arrears	10
10	Creditfix	Variations	10
11	Harper McDermott	Progression	10
12	The Insolvency Group	Annual Reporting	12
13	The Insolvency Group	I&E Reviews	12
14	PayPlan Partnership	Arrears	6
15	PayPlan Bespoke	Arrears	2
16	PayPlan Scotland	Arrears	2
17	PayPlan Partnership	Variations	4
18	PayPlan Bespoke	Variations	2
19	Fresh Start Insolvency	Progression	20
20	Fresh Start Insolvency	Annual Reporting	20
21	Fresh Start Insolvency	I&E Reviews	20
22	Oakfield Financial	Progression	12
23	StepChange Voluntary Arrangements	Progression	6
		Total Cases Reviewed	**204**

Case Failure Analysis

The Individual Voluntary Arrangements Outcomes and Providers annual statement published on 1 March 2024 by the Insolvency Service stated that many IVAs registered in 2019 or later remained ongoing as at 31 December 2023, so a definitive trend cannot yet be established, but there are preliminary indications of a decline in lifetime termination rates.

During 2023 a total of 14,574 IVA cases failed across Scheme members. This is 5.83% of cases, based on the total number of open Scheme member IVA cases of 250,072 at 31 December 2023.

2023 Scheme Member IVA Cases



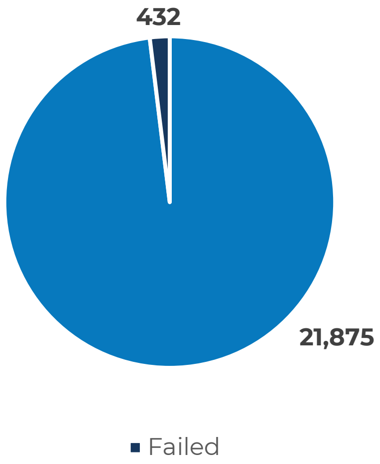
Scheme member IVA failure rates for 2023 compare to previous years as follows:

Year	Total of Failed Scheme Member IVAs	Failed Percentage of Total Open Scheme Member Cases
2023	14,574	5.83%
2022	13,735	5.69%
2021	12,833	5.74%
2020	13,173	6.49%

IVA failure rates for Scheme members have remained consistent since 2020.

During 2023 a total of 432 PTD cases failed across Scheme members. This is 1.97% of cases, based on the total number of open Scheme member cases of 21,875 at 31 December 2023.

2023 Scheme Member PTD Cases



Scheme member PTD failure rates for 2023 compare to previous years as follows:

Year	Total of Failed Scheme Member PTDs	Failed Percentage of Total Open Scheme Member Cases
2023	432	1.97%
2022	936	4.15%
2021	496	2.02%
2020	254	1.48%

For the 5.83% of IVA cases, and 1.97% of PTD cases, which failed in the year to 31 December 2023, please see below detail in which year of the IVA/PTD the case failed.

Year of Failure	1	2	3	4	5	6+	Total
IVA Cases	2,546	4,328	2,826	2,213	1,294	1,367	14,574
PTD Cases	76	46	57	116	82	55	432

During 2023 the data shows that IVA case failures were more prevalent in year two. For 2022 the data showed that IVA case failures were more prevalent in years one and two and for 2021 the data showed that IVA case failures were more prevalent in years two and three.

During 2023 the data shows that PTD case failures were more prevalent in year four. For 2022 the data showed that PTD case failures were more prevalent in years three and four, and for 2021 the data showed that PTD case failures were more prevalent in years two and three.

As per previous years, focused reviews on failures were carried out across all Scheme members during 2023 in order to assess if there are any underlying concerns or trends.

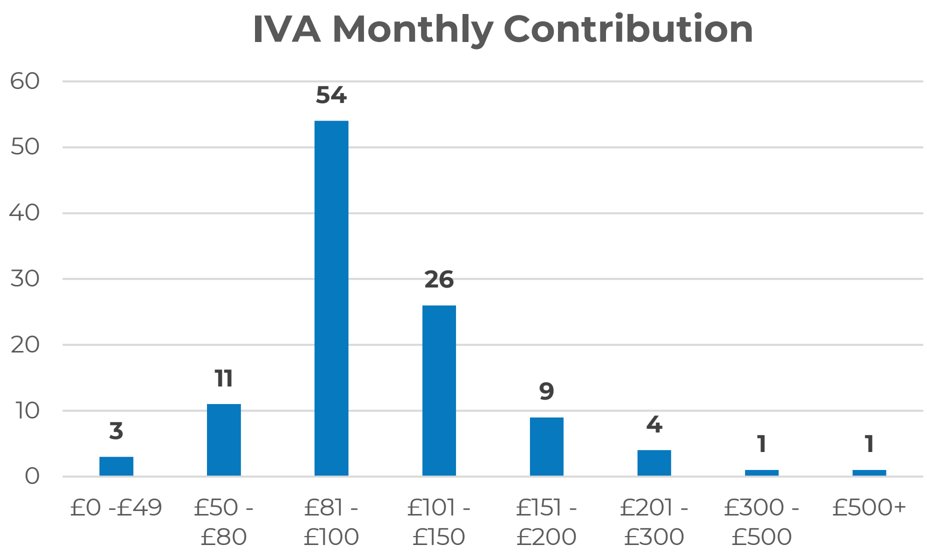
Please note a focused failure review was not carried out at Bennett Jones due to this being their first year in the Scheme and the initial focus of the Inspectors was on advice.

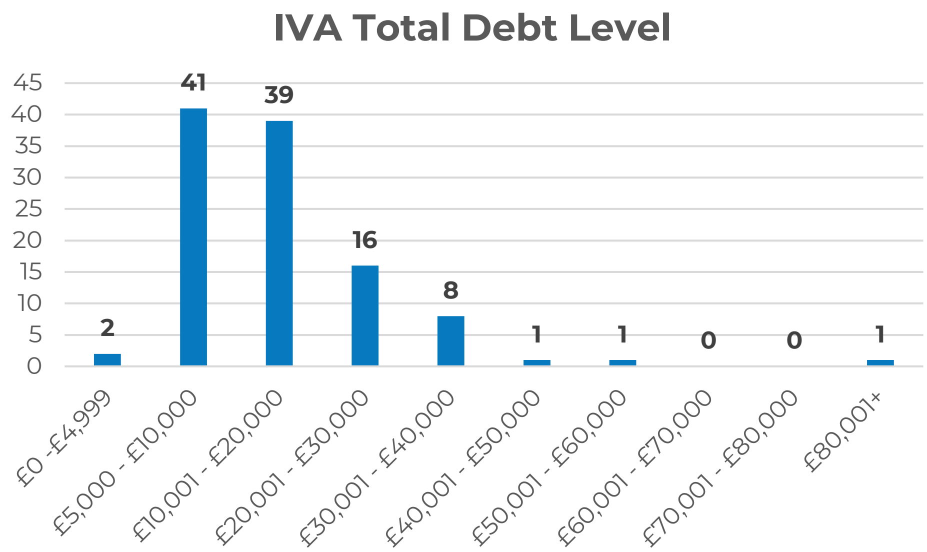
The reviews sought to establish the reason(s) for failure and to ascertain whether the advice given prior to appointment had had any impact on the failure or could be considered to be a contributing factor.

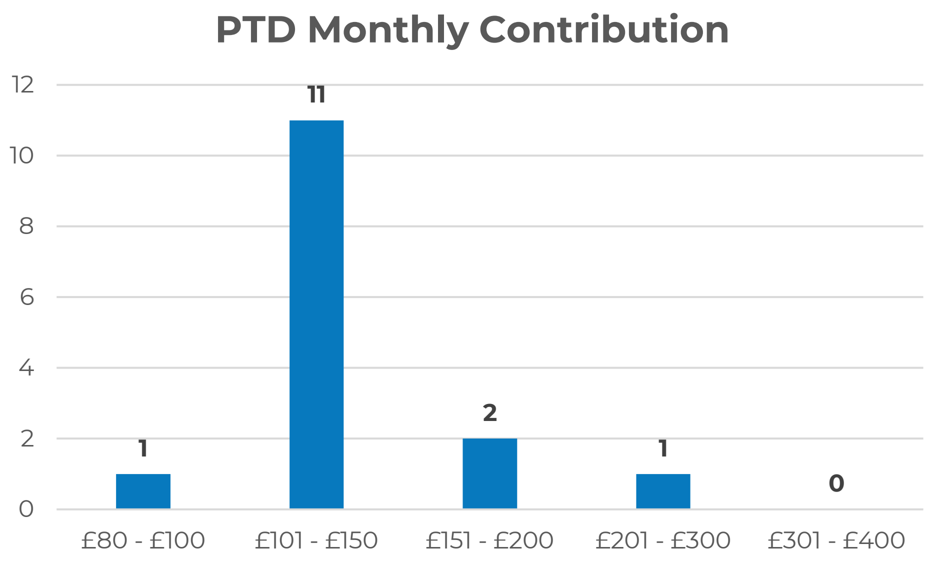
A total of 109 IVA and 15 PTD cases were reviewed. Please see below for a breakdown of the cases reviewed for each Scheme member together with the age of the case at failure:

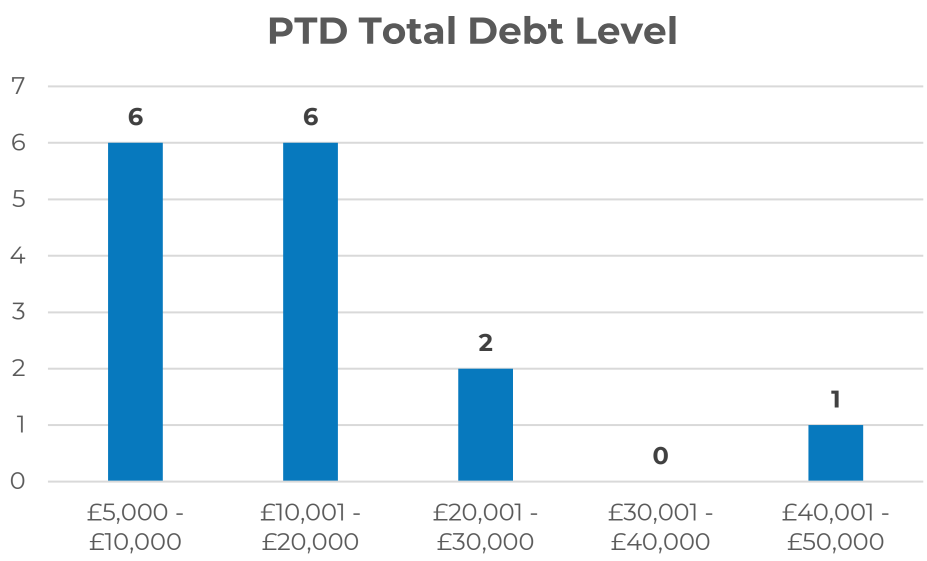
Member	Failed Within (Months)						Total
	6	7-12	13-18	19-24	25-36	37-48	
IVA							
Creditfix	5	19	6	-	-	-	**30**
Debt Movement	1	7	4	-	-	-	**12**
Freeman Jones	-	3	3	1	3	-	**10**
Fresh Start Insolvency	-	7	3	-	-	-	**10**
Hanover Insolvency	1	3	2	2	2	-	**10**
Oakfield Financial	-	-	-	-	1	5	**6**
PayPlan Bespoke	1	-	1	-	-	-	**2**
PayPlan Partnership	1	2	1	-	2	-	**6**
StepChange Voluntary Arrangements	-	3	1	1	-	-	**5**
The Insolvency Group	4	5	3	6	-	-	**18**
							109
PTD							
Carrington Dean	-	1	2	3	2	-	**8**
Harper McDermott	-	1	4	-	1	-	**6**
PayPlan Scotland	-	1	-	-	-	-	**1**
							15

The cases reviewed were selected by the Inspectors and covered a range of different criteria such as level of contribution and total debt level. Please see the following charts for a breakdown of the monthly contribution and total debt level for the cases reviewed.

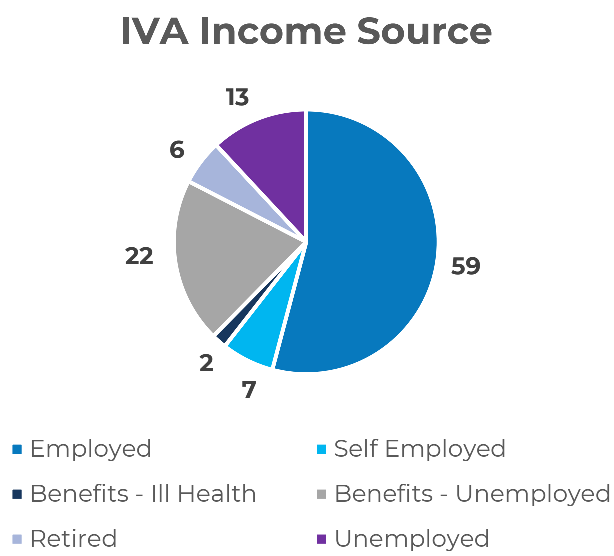

IVA Monthly Contribution
60
50
40
30
20
10
0
3
11
54
26
9
4
1
1
£0 -£49
£50 - £80
£81 - £100
£101 - £150
£151 - £200
£201 - £300
£300 - £500
£500+

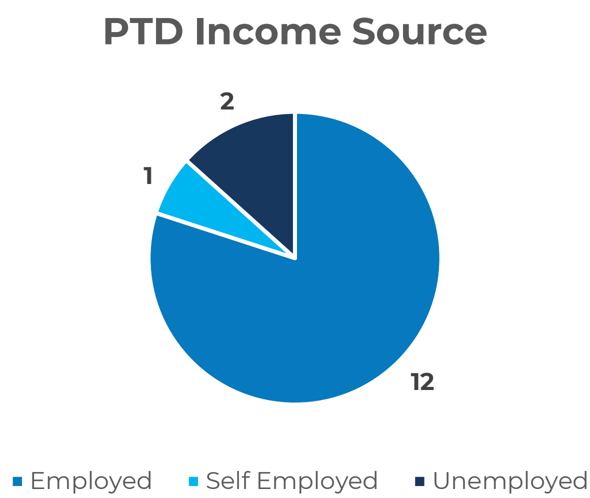

IVA Total Debt Level
45
40
35
30
25
20
15
10
5
0
2
41
39
16
8
1
1
0
0
1
£0 -£4,999
£5,000 - £10,000
£10,001 - £20,000
£20,001 - £30,000
£30,001 - £40,000
£40,001 - £50,000
£50,001 - £60,000
£60,001 - £70,000
£70,001 - £80,000
£80,001+


PTD Monthly Contribution
12
10
8
6
4
2
0
1
11
2
1
0
£80 - £100
£101 - £150
£151 - £200
£201 - £300
£301 - £400



The cases reviewed were also selected to encompass a range of different income sources such as employed, self-employed and benefit only income. Please see the following charts for a breakdown.





The Inspectors reviewed the documentation for each case together with the pre appointment calls where appropriate.

Reasons for failure were noted as follows:

Reason	Number of Cases IVA		Number of Cases PTD	
Arrears	53	49%	4	26%
Change in Circumstances (CIC)	27	25%	10	67%
Debtor's request	27	25%	1	7%
Other	2	2%	0	0%
Total cases reviewed	**109**	**100%**	**15**	**100%**

The reason for failure in a number of cases fell into more than one category. For instance, a case may have failed due to arrears, however the arrears had accrued due to a change in circumstances (CIC). Another reason may have been that the debtor requested the termination due to a CIC. In cases of this nature the most pertinent reason has been allocated.

CIC is where the debtor's circumstances have changed, impacting on their income and expenditure, making the IVA/PTD no longer sustainable or viable. Changes include illness, divorce/separation, and changes to income.

A debtor's request is where the debtor has requested that their IVA/PTD be terminated without a change in circumstances prompting the request. In these cases, the debtor had changed their mind and/or had decided to pursue another available solution/option.

Where the reason for failure is noted as 'other' this relates to two IVA cases where creditors objected to the IVA. The creditors claimed to have not been notified accordingly of the proposed IVAs and that, had they been, they would have voted against so the IVAs were failed. These two cases were cases at two different Scheme members.

The 2023 review reached the same conclusion as the reviews carried out in previous years in that there was no overriding trend identified from the cases reviewed. The failures did not fall into any specific category of case characteristic.

Out of the total 109 IVA cases reviewed, 3 cases have been identified where the Inspectors consider that the failure could be attributed to the pre appointment advice as follows:

Case 1: I&E not prepared satisfactorily in order to fully assess options. The debtor was in receipt of Personal Independence Payment (PIP), however this was not offset in the debtor's expenditure, and the debtor was due to start a new job so the I&E should have been prepared on this basis. Both of these factors could have resulted in a different disposable income amount.

Case 2: The debtor's disposable income amount was based on a household basis on which the debtor was determined as ineligible for a DRO. However, the debtor may have been eligible on a sole income basis.

Case 3: DRO not sufficiently explored.

There were no PTD cases where failure was identified to be attributed to advice on the cases reviewed.

By contrast to the failures, 35,609 IVAs and 4,555 PTDs were successfully completed during 2023.

Exploring Reasons for Choosing IVA Over Other Insolvency Solutions

Scheme members are subject to regular call reviews. As part of the call review process the Inspectors check that the debtor has made an informed decision when choosing a personal insolvency (PI) solution.

All Scheme members are expected to ask, and check, the reasons why a debtor does not wish to choose another available PI solution over an IVA. This is so that the call handler can be satisfied that the debtor fully understands all options available and is therefore making an informed decision.

The other formal PI solutions in England and Wales are Bankruptcy, Debt Management Plan (DMP) and Debt Relief Order (DRO).

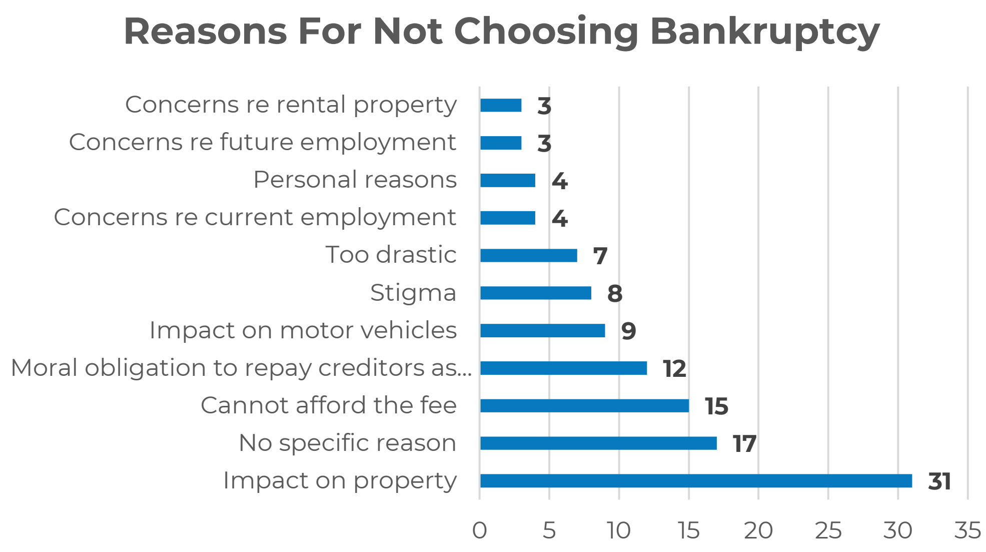
For this review, 97 cases were selected across Scheme members and the particular reasons noted for why the debtor did not wish to choose any of the other available formal PI solutions.

The cases reviewed were selected by the Inspectors. The cases covered calls conducted on appointments from December 2022 – September 2023.

The findings from the review are detailed below. They are consistent with the findings from the same type of reviews carried out in 2022 and 2021.

Bankruptcy

The reasons given by debtors for not wishing to proceed with the Bankruptcy solution are detailed below. It should be noted that in some cases debtors gave more than one reason for not wishing to proceed with Bankruptcy. All reasons given have been recorded.



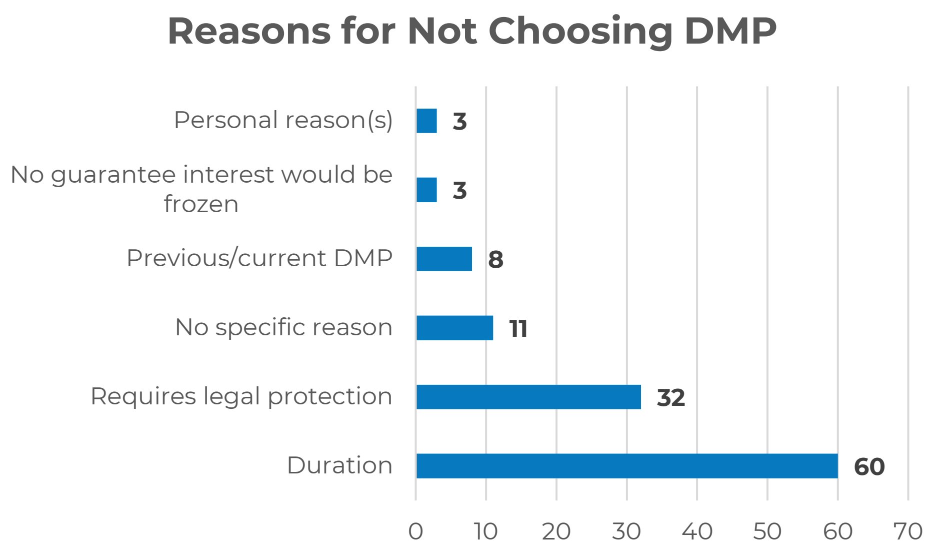
Reasons for Not Choosing Bankruptcy	Number of Debtors	Percentage of Debtors
Impact on property	31	32%
No specific reason	17	18%
Cannot afford the fee	15	15%
Moral obligation to repay creditors as much as possible	12	12%
Impact on motor vehicles	9	9%
Stigma	8	8%
Too drastic	7	7%
Concerns re current employment	4	4%
Personal reasons	4	4%
Concerns re future employment	3	3%
Concerns re rental property	3	3%
Total	113	

In all of the cases where the debtor cited not being able to afford the fee in Bankruptcy as the dominant or one of the reasons for not choosing Bankruptcy, they were advised that the fee could be paid in instalments. However, debtors did not want to wait whilst they paid the fee in instalments as they required a more immediate solution. Reasons given for a more immediate solution were primarily mental health and creditor pressure.

Where 'no specific reason' has been recorded, these are cases where the debtor was adamant they did not wish to proceed with Bankruptcy but could not give a particular reason as to why.

DMPs

The reasons given by debtors for not wishing to proceed with the DMP solution are detailed below. It should be noted that in some cases debtors gave more than one reason for not wishing to proceed with DMP. All reasons given have been recorded.



Reasons for not Choosing DMP	Number of Debtors	Percentage of Debtors
Duration	60	62%
Requires legal protection	32	33%
No specific reason	11	11%
Previous/current DMP	8	8%
No guarantee interest would be frozen	3	3%
Personal reasons	3	3%
Total	117	

DROs

In all 97 cases reviewed the debtor did not meet the DRO eligibility criteria on the date the calls were carried out.

Complaints Overview

The Insolvency Service's Complaints Gateway is the main source of complaints referred to the IPA regarding IPs.

The Complaints Gateway will assess the complaint initially. If there are grounds for the matter to proceed, it will refer the complaint to the relevant regulator responsible for IP licensing.

Investigations may also arise from monitoring visits, decisions of the IPA's Regulation and Conduct Committee (the Committee) or other intelligence.

Complaints Handling Process

During the initial assessment stage, the Secretariat will thoroughly review the complaint to determine whether there are any facts or matters that an IP may have engaged in behaviour that warrants disciplinary action. At this stage, a decision will be made as to whether the complaint should be dismissed or further investigated for potential professional misconduct.

If the Secretariat, during the initial assessment of a complaint, finds that the issue is not serious enough to be considered professional misconduct but still falls short of good practice, they will bring it to the attention of the Inspection team. This may then influence the specific areas that require a focused review. The goal is to share intelligence and conduct risk profiling to ensure that appropriate measures are taken to address any potential issues.

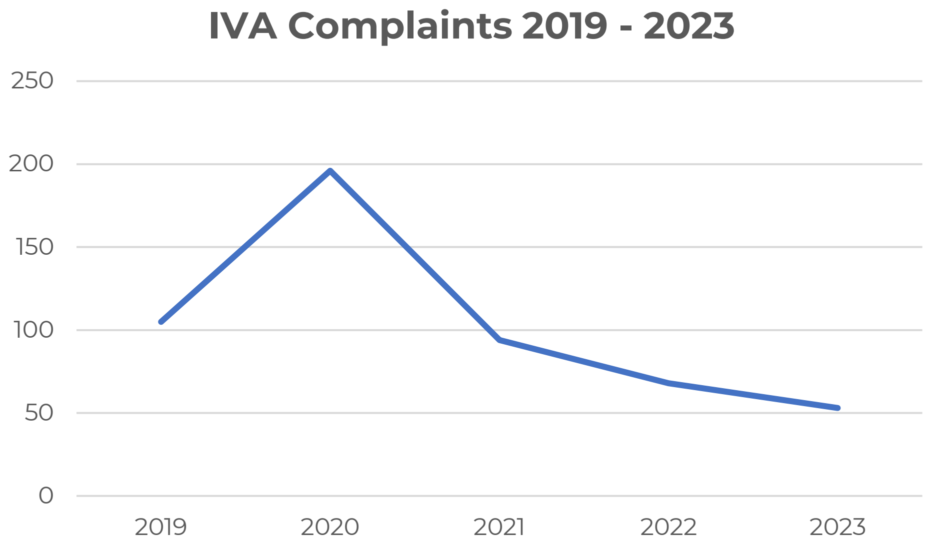
If there is potential misconduct after the preliminary investigation, a draft of the misconduct allegation will be created. This draft will be presented to the IP for their final representations. After the IP's feedback is received, the complaint will be presented to the Committee for a final decision. The Committee will determine whether a prima facie case of misconduct exists.

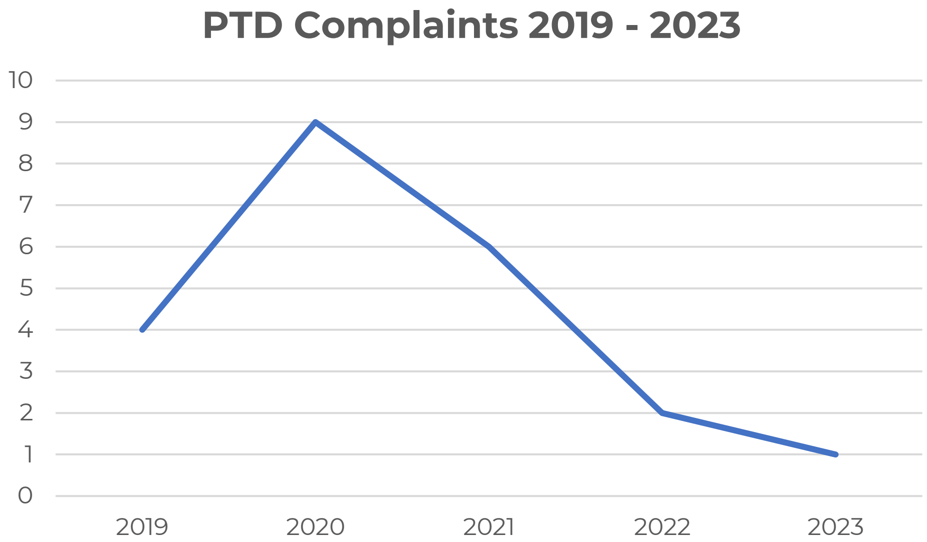
The Committee is responsible for reviewing any issue that the Secretariat identifies as requiring attention related to the fitness of licensed IPs or their liability to disciplinary action. Additionally, the Committee considers all applications for authorisation. If the Committee concludes that there is a case of misconduct based on the complaint, it has the authority to initiate licence restriction/withdrawal proceedings and request consent for disciplinary sanctions, including reprimands and fines.

Complaints in 2023

During 2023 there were 54 complaints received against the firms in the Scheme, of which 53 related to IVAs and 1 related to PTDs.

In 2022, there were 70 complaints (with 68 related to IVAs and 2 related to PTDs). In 2021, there were 100 complaints (with 94 being related to IVAs and 6 related to PTDs). In 2020, there were 205 complaints (with 196 related to IVAs and 9 related to PTDs). Finally, in 2019, there were 109 complaints (with 105 being related to IVAs and 4 related to PTDs).





Complaints received in 2023 remain low, representing 0.02% of IVAs and less than 0.01% of PTDs administered by the Scheme members.

A total of 37 complaints were closed in 2023. The Secretariat closed some of these complaints during the initial assessment stage, while others were closed by the Committee after a formal investigation was initiated. This is a significant decrease from the previous year, 2022, where 79 complaints were closed.

The following table provides an overview of the number of cases in which a decision by the Committee was requested in 2023 and concluded in 2023. The figures provided do not include any matters that have been carried forward into 2024.

Complaints	IVA	PTD
Number referred and outcome reached (including complaints referred under Conduct Rule 2.3)	2	-
Number where a prima facie case of misconduct was made out by the Committee	2	-
Nature of complaints	- Communication breakdown - Inadequate procedures in place to ensure proper advice and verification of the debtor's income and expenditure	-

Complaint Themes in 2023

Communication issues and closure delays resulted in the most complaints in 2023. Additionally, complaints were received regarding initial advice given, allegedly mis-sold IVAs, allegedly unauthorised remuneration and dividend delays.

Complaint Theme	IVAs					PTDs				
	2023	2022	2021	2020	2019	2023	2022	2021	2020	2019
Defective Voluntary Arrangement	-	-	2	56	50	-	-	-	1	1
Breakdown in communication	18	22	24	53	28	-	-	-	-	-
Breach of SIP3.1/3.3	18	24	32	42	-	1	1	1	1	-
Breach of ethical guidance	-	-	-	16	16	-	-	1	6	3
Competence and due care	-	3	9	13	1	-	-	1	-	-
Other	17	19	27	16	10	-	1	3	1	-
Total Complaints	**53**	**68**	**94**	**196**	**105**	**1**	**2**	**6**	**9**	**4**

GLOSSARY

CIC: Change in circumstances

DMP: Debt Management Plan

DRO: Debt Relief Order

FCA: Financial Conduct Authority

IP: Insolvency Practitioner

I&E: Income & Expenditure

IVA: Individual Voluntary Arrangement

PI: Personal insolvency

PTD: Protected Trust Deed

RPB: Recognised Professional Body

SIP: Statement of Insolvency Practice

General Data Protection Regulation (GDPR) Statement
The IPA is committed to ensuring the security and protection of the personal information that we process, and to provide a compliant and consistent approach to data protection. If you have any questions related to our GDPR compliance, please contact us.

Insolvency Practitioners Association

46 New Broad Street
London
EC2M 1JH

T: 020 8152 4980
E: secretariat@ipa.uk.com

insolvency-practitioners.org.uk