



## **VOLUME PROVIDER REGULATION (VPR) SCHEME (the Scheme)**

An Individual Voluntary Arrangement (IVA) is a formal insolvency solution. It is a legally binding agreement between an individual and their creditors to pay back their debts over a period of time. A payment plan is offered to creditors over a period of usually 5 or 6 years and the creditors have to agree to this. An IVA is seen as an alternative to Bankruptcy.

Whilst there are other formal and informal debt solutions available, IVA's have proved the most popular option over recent years, with the total number of IVAs rising from 50,693 in 2010 to 77,964 in 2019.

The growth of the IVA and Protected Trust Deed (PTD), which is the Scottish alternative to an IVA, market presented regulators with new challenges.

Recognising that the volume IVA market needed a new form of regulation to provide assurance that it was functioning as it should, the IPA responded and with the full support and engagement of the largest IVA firms in the market implemented the Scheme.

The IVA/PTD firms that are classed as volume and are regulated by the IPA are all members of the Scheme. The firms within the Scheme all hold over 2% of the overall IVA market, or 2% of new appointments over a rolling three-month period and 10 % of the PTD market. The Scheme covers 69% of IVAs registered and 57% of PTDs

The structure and process of the Scheme ensures that regulation continues to focus on areas that require improvement and change. The ability of the IPA Inspectors to continuously monitor the firms in the Scheme has proved a key feature.

Prior to the implementation of the Scheme volume IVA/PTD provider members would receive one inspection visit every 12 months. Under the Scheme members receive one full inspection visit per year and up to four focussed reviews along with regular call monitoring. The increased number of visits allows the Inspectors to drill down into any areas that require improvement and are known risk areas within the market, and through shorter monitoring reports we can reach regulatory outcomes at pace. The Scheme Inspectors will benefit from a deeper insight and knowledge of both the IP and the operations being regulated. This is regulation on a scale, which we believe is unprecedented in the financial and legal services sector.

Monthly case management information from each firm enables the Inspectors to monitor a number of areas monthly and recognise any areas of concern at an earlier stage. Together with monthly working groups and quarterly group meetings.

Developing increased communication with members and creditor groups, and working closely with the complaints team, gives the IPA insight into issues from the debtor, creditor, and IP/firms perspective.

Since the Scheme began in 2018 it has evolved and will continue to evolve and move with the constantly changing times.

The Benchmark report gives further information on the Scheme in the first 12 months and this can be found here: [link to Benchmark to be inserted]. This report will be produced each year and highlight the monitoring work undertaken.

### **Key Features of the Scheme**

- Continuous monitoring through monthly data returns
- One full visit and up to four focussed reviews a year
- Quarterly 'advice' call monitoring
- Bespoke investigations into identified areas of concern with deep dive case reviews
- Volume IVA providers provide annual accounts, details of their corporate structures and other data as required
- Regular meetings are held with the volume IVA providers to discuss trends and issues
- Offers transparency in the market, which should improve the perception of the industry
- The same inspectors deal with all Scheme firms/IP's and can therefore encourage the same standards across the Scheme in line with what the Insolvency Service expects

The IPA believe that the scheme is the most thorough in the financial services regulation, certainly in insolvency.

### **Focus of the scheme**

#### **During 2019**

Given the concerns of regulators and those seen in media reports the primary focus of 2019 was to concentrate on the advice prospective clients receive. Each firm in the Scheme has now been subject to two sets of call centre reviews. Following these we have been able to more clearly set out the consistent standards required for each new client the firm receives; that the background of each client is fully understood and that all options are clearly discussed, with the client's understanding and reasons for the chosen solution clearly established in the call.

Dedicated inspectors are attempting to ensure that the same standard of advice is provided by each firm and that this standard remains consistent.

#### **During 2020**

The focus for this year is early failure rates, introducer firms, and advertising and marketing. The focus will continue on advice, but these three areas have been identified as key risk areas for the

next 12-month period.

### **Join the Scheme**

At the IPA we are currently reviewing how we regulate firms with a high number of cases, but under the threshold for the Scheme. Increased case numbers makes the old style of regulation insufficient and we need to increase the monitoring to those firms in order to satisfy the Insolvency Service that they are being monitored efficiently.

The Scheme is open to any IP or firm who feels they may benefit from the continuous monitoring, dedicated inspectors who know and understand the firm and offer pragmatic regulation, and anyone that would like an opportunity to enhance transparency.

The IPA would be happy to speak to anyone wishing to join the Scheme, please email [ivaworkinggroup@ipa.uk.com](mailto:ivaworkinggroup@ipa.uk.com) for further information.