

Statement of Insolvency Practice 9 Remuneration of Insolvency Office Holders

Statement of Insolvency Practice (SIP) 9 has been amended to reflect changes in legislation which came into force in April 2005: the amendments are side-lined in the text which appears on the IPA Website. The amended SIP 9 is effective from **1 August 2005**.

The remuneration of insolvency office holders remains a subject which attracts both a high proportion of complaints across The Insolvency Service and all the RPBs, and critical comment from the Insolvency Practices Council and others, particularly following the Cabletel Installations Limited judgment. Perhaps that is not altogether surprising given that the work of the insolvency practitioner involves apportioning loss amongst the creditors while he/she has statutory duties and responsibilities to be fulfilled, and paid for, but which might seem to bring little or no added value to them. Nevertheless, it is still appropriate that the insolvency practitioner should make every effort to ensure that creditors are fully informed, not only to comply with the terms of SIP 9 but to mitigate potential complaints.

The Practice Statement issued subsequent to the Cabletel judgment includes a comment that: “The remuneration of appointees should reflect and be fixed and approved so as to reward the value of the service rendered by the appointee, not simply to reimburse the appointee in respect of time expended and cost incurred.” (A copy of the Practice Statement was included in the October edition of “Dear IP” and is available on the IPA Website under Info/Technical – General)

It should be noted that SIP 9 already addresses the “value” of the insolvency practitioner’s work. For example at para 3.4, practitioners are reminded of the need (where remuneration is based on time costs) not only to provide details of the time spent and charge out rates but also to provide sufficient information to explain *what the office holder has achieved* and *how it was achieved*, in order to support the level of remuneration. The Insolvency Service and all the RPBs see it as important that insolvency practitioners remember the reasons for the provision of this type of information in their dealings with creditors and committees. The Joint Insolvency Committee of the RPBs and The Insolvency Service intends to undertake a fuller review of the SIP over the next few months with particular regard to the clarity of information provided to creditors.

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