

## **UK insolvency litigation market grows to £1.5bn, coupled with significant rise in third-party finance**

- **New report by Professor Peter Walton reveals a 50% increase in the value of insolvency claims since 2015 to £1.5bn per annum**
- **Third-party financing of insolvency cases also increased significantly in the past four years**
- **The use of funders provides a far quicker resolution, reducing costs and leading to a higher recovery for creditors**

**9 April, London** – A new study<sup>1</sup> published by Professor Peter Walton of Wolverhampton University reveals that the UK insolvency litigation market has increased by 50% in the last four years to £1.5bn per annum.

Professor Walton's report – [\*Insolvency Litigation Funding – in the best interests of creditors?\*](#) – also highlights the significant shift to financing cases by third parties from 'no-win no-fee' methods ('Conditional Fee Arrangement' or 'CFA').

**Professor Peter Walton of Wolverhampton University commented:** "The [insolvency litigation] market is now turned upon its head. Far more cases are offered to funders as a first step... the use of funding is fast catching up the use of CFAs."

The study analyses the market since the LASPO Act 2012 (the 'Jackson Reforms') came into force in respect of insolvency proceedings in April 2016 when CFA success fees and after the event ('ATE') insurance premiums were no longer recoverable from the defendant.

Since the insolvency exemption to the Jackson Reforms ended in April 2016, the report notes that three in five (58%) of Insolvency Practitioners (IPs) have started to use third-party funders or increased the use of third-party funders.

**Michelle Thorp, CEO of IPA, commented:** "Professor Walton has once again enhanced our understanding of the work of Insolvency Practitioners by empirical research and careful analysis of his findings. His report is measured and acknowledges the limitations of the methodology but, nonetheless provides clear findings and recommendations for the profession's development in this important area."

Half (50%) of professionals surveyed agreed that third-party funding is the most effective in bringing about a swift, commercial resolution to an insolvency claim. They acknowledged that it is a far quicker resolution to a dispute, therefore keeping costs down and proportionate, resulting in a higher recovery for creditors. HMRC is often the largest creditor in many insolvency cases and benefits most from successful insolvency claims.



The report cites Lord Justice Jackson's observations on how CFAs operated, prior to legal changes in April 2016, which had caused disproportionate costs to be incurred by successful insolvency claimants. He found that claimant costs in CFA cases had ranged from between 158% and 203% of the damages awarded.

**Bob Pinder, Director of ICAEW, commented:** "Professor Walton's report provides excellent insight into how the insolvency litigation market currently functions, while recognising that it is not yet operating in a fully-informed manner. An insolvency practitioner's statutory and fiduciary duty is to maximise returns to creditors. Litigation funding is maturing and can be an additional tool in the practitioner's toolkit to enable a better return to creditors than otherwise might have been the case."

In the report, Professor Walton states that funding is now an integral and important part of the system and that a proportion of the profession has decided that using third party funders or assignees is their default position for certain types of claim which would previously (before the Jackson Reforms) have been actioned using a CFA.

The report asserts that the third-party financing market has expanded significantly and estimates the total claims being pursued was likely to be in the region of £720m per annum.

**Steven Cooklin, CEO of Manolete Partners Plc, commented:** "The use of a well-financed third-party funder provides a far quicker resolution, which keeps costs proportionate and maximises returns to the creditor estates. We are proud to be the leader of the third-party insolvency litigation market, with a 67% share. From our experience, we know that the significant market growth and a material shift in the insolvency litigation market from CFAs to third party funding and assignments is a positive industry trend which will benefit creditors in the long run."

**-ENDS-**

## Notes to Editors

1. Professor Walton's report was commissioned by Manolete Partners Plc, the leading insolvency litigation finance company in the UK and supported by the leading professional organisations, the Institute of Chartered Accountants in England and Wales (ICAEW) and the Insolvency Practitioners Association (IPA). The report examines the impact of the Jackson Reforms on the insolvency litigation market and includes survey data from 173 Insolvency Practitioners and other industry professionals. Professor Walton has produced two previous studies into the insolvency litigation market in 2014 and 2016 and is recognised as the foremost authority on the subject in the UK.

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