



Insolvency Practitioners Association model submission for responses to the Insolvency Service's call for evidence on insolvency practitioner regulation

The Insolvency Practitioners Association (IPA) is setting out the detailed arguments for enhancing, rather than replacing, the current regulatory regime in our formal submission which will be published shortly.

Having an evidenced argument is only one part of our approach to this consultation. We also have to demonstrate that the positions we set out in our submission are shared across the industry. To do this, it would be helpful for there to be as many submissions from individual members as possible.

We understand that you have many other priorities, so to assist you in producing your own submission, we have prepared a summary with the key arguments from our detailed submission. Members may want to adapt these arguments and perhaps put them into your own words, but we hope this is helpful in making it easier for you to add your voice to that of the IPA.

You do not need to produce a formal document to respond to the consultation. Most responses received to consultations held by the Insolvency Service and other government agencies are one- or two-page letters. You can submit your letter to the Insolvency Service at Judith.Marsden@insolvency.gov.uk

Or by post to:

Judith Marsden
The Insolvency Service
Policy Team
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London
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If you wish to talk through your response or would like any assistance in producing your own submission, please do not hesitate to contact us at the IPA:

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Model Arguments for Submissions to the Insolvency Service

- The IPA supports the use of the Regulatory Objectives (ROs), introduced under the Small Business, Enterprise and Employment Act 2015 (SBEEA15), as a measure of regulatory performance, as well as being able to robustly demonstrate that we meet the ROs. There is strong evidence that demonstrates that the system is functional and operating well (though of course, there are always improvements that can be made).
- Any change, therefore, to the regulatory framework, should be carefully assessed to ensure that the benefits of such a change outweigh what might be lost from the current framework.
- Insolvency Practitioners already work within a statutory framework. The IPA, as a regulator, already goes above and beyond what is required by law and has undertaken reforms over the last few years to keep up with unprecedented market changes. For example, the IPA has shown the flexibility and adaptability of the current regime by introducing real-time monitoring of high-volume IVA providers, which offers an unprecedented level of regulation and scrutiny, unmatched by any other regulator in financial services. Now that the Association of Chartered Certified Accountants (ACCA) is going to withdraw from insolvency regulation, there are effectively only two regulators working across the whole of the UK. The IPA is now the only specialist insolvency regulator – it is in nobody’s interest to lose that expertise.
- A ‘one size fits all’ regulator is not suited to such a complex and diverse profession where some firms offer Restructuring, Advisory and Turnaround services, whilst others specialise in contentious, commercial or personal insolvency.
- When the current insolvency regulators are already acting to respond to rapid changes in the market, moving to a single regulator would simply mean additional significant costs to businesses without meaningful benefits. This might affect practitioner numbers or returns to creditors. The work of regulators like the IPA is about more than imposing sanctions and penalties. They provide guidance and education, share best practice and help firms overcome weakness - all elements of the RPBs’ mission to maintain and improve standards throughout the profession.
- We do recognise that there is a need to improve the perception of the regulation of the industry. For example, there is a case for authorisation of firms in which IPs operate (in addition to regulating the individual IPs themselves). Similarly, the IPA supports efforts by the Insolvency Service to explore a system of compensation within the regulatory framework whilst recognising that any such system will require careful design.
- Although the idea of a single regulator might appear appealing as a simple solution, the ability to reflect different sectors of the insolvency market, rapidly adapt regulatory methodologies, and agree commercial solutions as changes are needed could be lost.
- After all, it is not the number of regulators, but the quality of regulation that is important.

- The RPBs, including the IPA, have worked with government to establish consistent processes where they are required, and we recognise the important role that they play, for example the Complaints Gateway, Common Sanctions Guidance (CSG) and the Joint Insolvency Committee (JIC).
- Under the SBEEA15, the key test for whether a single regulator was needed was that the ROs had not been effective in improving the regulation of insolvency. We are not aware of any evidence that they have failed in achieving this objective and there are many indicators of professional standards improving.
- Now is not the time to introduce upheaval into an essential part of the UK's business environment. Investors in the UK, who are already looking at a more complex set of risks when making decisions, need the certainty that the existing stable and fair system of insolvency resolution offers.
- In conclusion, our view is that the public interest will be best served by continuing the evolution of the existing regulators, rather than a total rework of the current system.