IPA Volume Provider Regulation Scheme

2019 Benchmark Report

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IPA Chief Inspector

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CEO Introduction

Michelle Thorp

Welcome to the first benchmark report of the IPA's volume provider regulation (VPR) scheme.

The rising demand for Individual Voluntary Arrangements (IVAs) has led to changes in the way that those solutions are delivered to those in need of financial support. For those Insolvency Practitioners (IPs) who specialise in providing IVAs, the market has developed rapidly, and some providers now control large numbers of cases, through complex and technology-enabled processes. It was clear to us at the IPA that the market needed a new form of regulation to provide assurance that it was functioning as it should, and in response we implemented the VPR scheme, in November 2018, in partnership with the Volume IVA Providers and following additional conversations with IPs, the Government, debt charities and creditors. I was particularly pleased by the swift rate at which the scheme was implemented and adopted.

Those who are classified as a Volume IVA/PTD Provider and who are regulated by the IPA must conform to the scheme or should be regulated elsewhere.

Now, with a year since the scheme was implemented, I'm delighted that almost 70% of the IVA market is covered by this new, enhanced and bespoke form of regulation – the first example of continuous monitoring in insolvency regulation and, we believe, as close a scrutiny of any financial services provider.

In July 2019, the scheme was extended to cover Scottish Protected Trust Deeds (PTDs) administered at volume, defined at 10% of the market, over 2,500 cases. At just over six months since implementation, 57% of the PTD market is now covered. This now means that the IPA covers most insolvencies in the UK.

The ability of the IPA inspectors to continuously monitor the firms in the scheme has proved a key feature of the framework, as has the focussed nature of inspections, the provision for inspectors to access whatever information is deemed pertinent for a particular case, and the higher number of inspection visits that can be held throughout the year – this is now up to four. Crucially, through shorter, clearer monitoring reports, we can reach regulatory outcomes at pace and benefit from deeper knowledge about the operations of those we regulate.

The structure and processes of the VPR scheme will evolve over time to ensure that regulation continues to work on areas that require change. The monthly working group calls held with all

Scheme Members and the quarterly group meetings greatly assist us with this measure. Looking ahead, we are also recruiting new people to enhance our capability and extend our reach, looking at more matters that may be of concern, in greater depth, and keeping pace with this sector as it further develops.

If an individual enters into an IVA with a Volume IVA Provider, they need to have trust in the help they are getting, if they unfortunately find themselves in debt. I'm hopeful that the changes we've made will help to provide this assurance and foster a more trusted environment to help people out of debt. It takes time for change to take effect, but we have put in place strong foundations to deliver the best possible outcomes.

We can't do this in isolation, and so we look to other regulators, government, creditors and the IVA and PTD community to help continue to make improvements to the regulatory environment. In our response to the Government's call for evidence on insolvency regulation, we recommended that the insolvency regulators should have strengthened powers to regulate IPs' firms. Currently, we regulate the practitioners as individuals. If this was extended to the organisations that the practitioners work within, it would avoid any potential conflicts between firm policies and IP responsibilities. While we have implemented the scheme and govern the firms' commitment to insolvency regulation, having that enshrined in legislation would be better.

I'd like to give my thanks to the practitioners, firms, and those from the creditor community who have played a vital role in helping us to design and implement the scheme.

Michelle Thorp
Chief Executive Officer

Chief Inspector Summary

David Holland

Working as an inspector for eight years I have seen a huge amount of change in the IVA sector. When planning for one of my first visits to a Volume IVA Provider, in 2013, the previous inspection report for the same practice showed a small operation but in the intervening period the number of cases had increased tenfold to over 4,000 IVAs. This presented an entirely different monitoring challenge.

The rapid increase in IVA appointments is a pattern that was repeatedly seen across the IVA market and has redefined the term 'Volume IVA Provider'. The Insolvency Service published guidance on 'Monitoring Individual Voluntary Arrangement providers' in April 2014 and this was updated in October 2019[1]. The guidance provided for anyone with over a 2% market share to be visited annually and in 2014 this was any firm with over 1,500 cases. From 1 January 2020 the 2% market share is any firm dealing with more than 5,500 cases.

The Insolvency Service statistics to 2018[2] show a regular increase in annual IVA registrations which, given rising levels of consumer debt, looks set to continue. From 2014 to 2016 the number of new IVAs per year were between 40,000 and 50,000; this figure increased to nearly 60,000 in 2017, with 77,982[3] for 2019.

As the average IVA now remains open closer to six years this has meant that the number of cases being administered by the leading firms has increased dramatically. The market leaders have also made several acquisitions, purchasing smaller firms who were struggling in a crowded market.

Prior to the introduction of the VPR scheme the annual visits to the market leaders would last nearly two weeks and included an extended period of offsite call reviewing. The inspection reports were often lengthy and the subsequent processing by the IPA's regulatory committee(s) took time, with some matters still being resolved by the time of the next visit. The introduction of the VPR scheme in 2019 has enabled the IPA to recruit specific IVA inspection resource in order to undertake more reviews. It has also allowed us to build better links with creditors so that we can understand their concerns directly and at the earliest opportunity.

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[1] ***Guidelines for the monitoring of Volume Individual Voluntary Arrangement and Protected Trust Deed Providers [The Insolvency Service]***

[2] ***Individual Voluntary Arrangements: Outcome Status 1990 – 2017 and Provider Breakdown 2018, England & Wales [The Insolvency Service]***

[3] ***Individual Insolvency Statistics, Q4 October to December 2019 [The Insolvency Service]***

For monitoring purposes, the VPR Scheme has been a real game-changer for both the Scheme Members and in respect of the monitoring process. The Scheme Members can react more quickly to potential regulatory concerns and address them at an earlier stage. The inspection team is now able to focus on monitoring activity on key areas of concern while still undertaking more general reviews on the wider practices.

The receipt of monthly case management information from each Scheme Member has enabled us to track activity, gain an idea of 'normal' operating levels and address any deviation at an earlier stage. We have been able to conduct a full spectrum of reviews in key areas of compliance for marketing, advice, progression and closure, for IVAs and PTDs.

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.

I have high hopes for 2020, with additional resource being applied to the inspection team which will allow us to develop our continuous monitoring techniques and initiate further change in this sector.

David Holland
Chief Inspector

1. Background and Scheme Outline

1.1 The IPA is a professional body whose purpose is to license and regulate Insolvency Practitioners within the UK and Northern Ireland. The IPA has around 2,000 individual and firm members and over 600 licensed IPs and is the second largest of the Recognised Professional Bodies (RPBs). Our principal aim is to promote and maintain high standards of performance and professional conduct amongst those engaged in insolvency and insolvency related practice. We also look to encourage wider knowledge and understanding of insolvency within and outside of the Insolvency Profession. The IPA maintains a leading role in the development of professional insolvency standards and our IPs are licensed to accept appointments in relation to formal insolvencies conducted in England, Wales, Scotland and Northern Ireland.

1.2. At the beginning of 2019 the IPA launched a new regulatory framework, the Volume IVA Provider Regulation Scheme (the Scheme), in response to The Insolvency Service's (IS) call for more stringent monitoring of the Volume IVA Providers. In July 2019 the Scheme was extended to also include Volume PTD Providers.

1.3. While the Scheme is voluntary, there is an expectation that all volume providers who are IPA monitored take part. A volume provider is classified as being responsible for at least 2% of the overall IVA market (currently just over 5,545 IVA cases) or 2% of new appointments over a rolling three-month period and 10% of the PTD market (currently 2,822 cases). The Scheme covers 69% of IVAs and 57% of PTDs registered.

1.4. Overseen by our Chief Inspector and with two dedicated inspectors in support and an office-based Regulation Officer, the Scheme was implemented to increase the frequency of monitoring, from the historic, annual, visit cycle to more regular and continuous monitoring.

1.5. Under the Scheme, practitioners are subject to one full visit every 12 months, regular call centre monitoring and up to four focussed reviews per year. At the full visit the inspection team will cover all areas of the firm's operations. The key areas of a focussed review will depend on any matters identified during routine monitoring and/or intelligence from different sources. Scheme members are required to submit monthly data returns, to allow for statistical review and identification of any problem areas.

1.6. In bringing these changes into force, the IPA has more detailed and real time insight into the operation of firms' practices. Inspection reports and visits are more focussed, targeting key areas and enabling the IPA to get to the heart of any concerns immediately, including, where necessary, issuing sanctions.

1.7. The number of individuals entering into an IVA is increasing, with the vast majority being administered by volume IVA providers. The IPA is hopeful that this new intensive regulatory system will provide greater confidence to all stakeholders concerned, including creditors, parliament and government, press and insolvent individuals.

1.8. The key features of the Scheme are as follows:

- 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

1.9. This report provides more detail on the operation of the Scheme and our activity in 2019.

2. The Scheme in Numbers

3
Inspectors

5,832
Figures scrutinised

1
year old scheme

305
Call reviews

125
Complaints

16
Inspections

94
Cases closed in 2019

£141m
Dividends paid

56,312
Nominees appointed

159,827
IVAs

17 IPs
& 300 staff

28,226
Protected Trust Deeds

3. Scheme Members

IVA Providers

Aperture Debt Solutions

Creditfix Limited

Freeman Jones Limited

Hanover Insolvency Limited*

Payplan Partnership Limited Payplan Bespoke Solutions Limited

Vanguard Insolvency Practitioners Limited

**Whilst predominately an IVA provider Hanover also administer a small percentage of PTDs.*

PTD Providers

Carrington Dean Group Limited

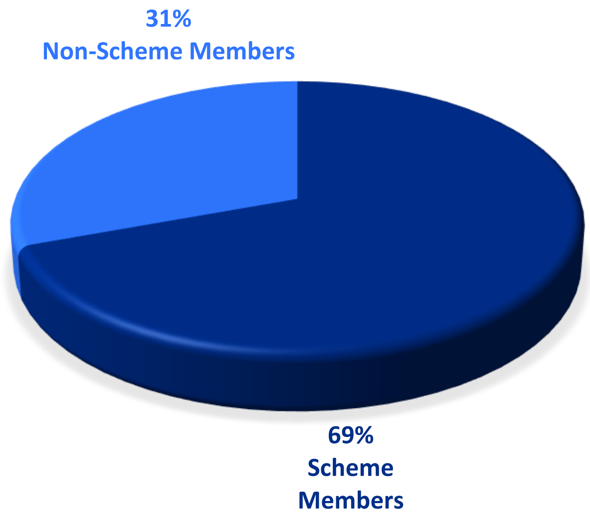
Payplan Scotland Limited

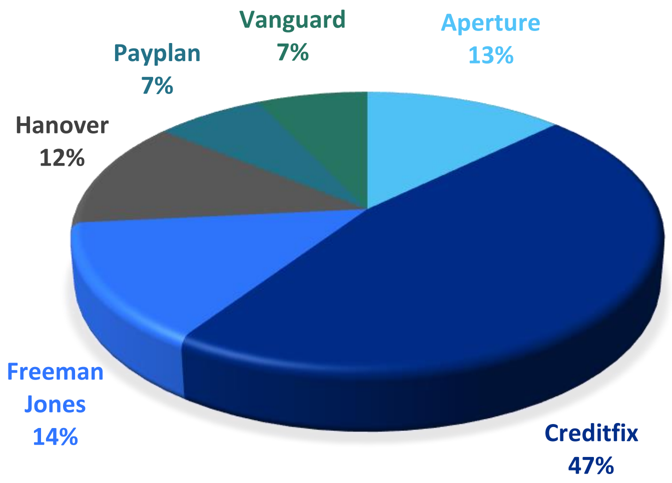
Wilson Andrews Limited

4. IVAs and PTDs in Numbers

4.1 The table below sets out the current climate of the IVA and PTD Market.

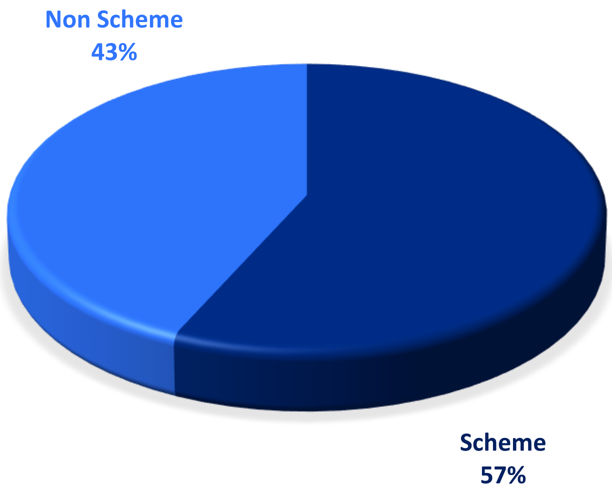
IVAs

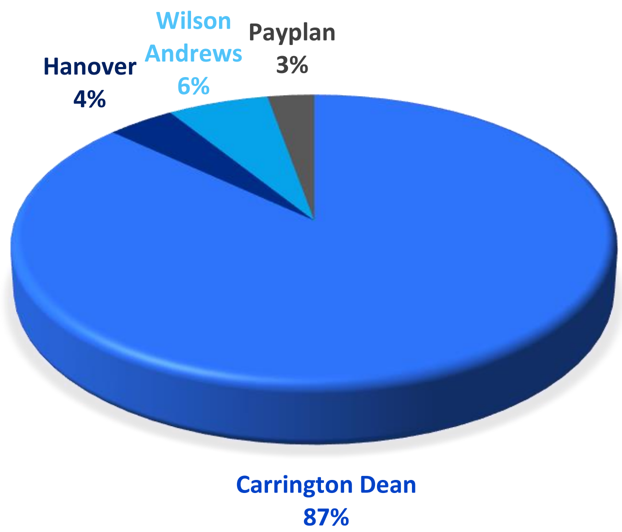




4.2 As at 1 December 2019 the total number of active IVA cases was 277,295. This figure represents the number of both new and existing IVAs. Of those cases, 192,615 were Scheme Member cases. This is 69% of the IVA market.

PTDs





4.3 As at 1 December 2019 the total PTD cases was 28,226. Of those cases, 16,040 were Scheme Member cases. This is 56.83% of the PTD market.

5. Scheme Activity 2019

5.1 In this chapter we have set out the monitoring activity undertaken in 2019 at the Scheme Member practices in order to meet the objectives of the Scheme.

5.2 Summary of Reviews carried out in 2019

Type of Review	Carried Out	Cases reviewed	Outcome
Full Inspection Visit	9	247	• Sanctions given and in one case a licence Restriction imposed • Disciplinary Allegations
Call Review	13	305	• Advisory notices issued • Allegations issued
Focussed Review	9	88	• Advisory notices issued • Allegations issued
Website reviews	6	-	• Minor findings remedied following review • Continued Focus of 2020 areas of concern
Total	**37**	**640**	

5.3 Full Inspection Visits

5.3.1 During 2019 we have carried out full inspections to all six IVA providers and two of the PTD providers, looking at all areas of the firm's operations and reviewing a total of 247 cases. The full visit to Payplan and Payplan Bespoke have been counted as two separate visits in the table above because the nature of the two practices was slightly different, with separate IPs.

5.3.2 Prior to a full inspection visit a Pre-Visit Questionnaire is issued to the Insolvency Practitioner for completion and return prior to the visit. 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
- Case data

5.3.3 From the case data provided 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, at least five, 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 arrangement
- Failures, checking that failed 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
- Rejections, and the reason why proposed arrangements were not approved
- 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

5.3.4 Meetings are also held with staff members to review the processes and procedures such as the cashiering function.

5.3.5 The outcome of the full inspection visit is used to determine the areas for the focussed reviews.

5.3.6 The main risk areas that we have identified in the course of our reviews are:

- Compliance with Statement of Insolvency Practice 3.1 (IVAs) / 3.3 (PTDs) [4]when giving advice
- Income & Expenditure reviews
- Case Progression
- Trust Cases
- Annual reporting

[4] Statement of Insolvency Practice set principles and key compliance standards with which insolvency practitioners are required to comply.

5.4 Call Monitoring

5.4.1 The first focus of the Scheme was to review the consistency of advice given by firms as this was seen as a common concern from interested parties and featured in a number of complaints.

5.4.2 We have carried out 13 call monitoring reviews listening to the calls on 305 cases.

5.4.3 Breakdown of call reviews undertaken:

	Provider	**Call reviews completed**
1	Hanover	26
2	Creditfix	43
3	Vanguard	15
4	Freeman Jones	26
5	Wilson Andrews	4
6	Payplan	30
7	Creditfix	30
8	Hanover	29
9	Vanguard	22
10	Payplan Bespoke	14
11	Payplan Scotland	6
12	Carrington Dean	30
13	Creditfix	30
	Total	**305**

5.4.4 A case selection is made by the Inspector(s) prior to the review. All calls pertaining to the case selected are requested along with the supporting documentation which includes a copy of the proposal, any written record of the telephone conversation, engagement letter, any written advice and the Chairman's report of the meeting of creditors.

5.4.5 Calls are reviewed for compliance with Statements of Insolvency Practice 3.1/3.3. Statements of Insolvency Practice (SIPs) are issued to Insolvency Practitioners by the regulatory bodies to promote and maintain high standards by setting out required practice and harmonising practitioners' approach to particular aspects of insolvency work. SIPs combine statements of the principles to be adopted with an explanation of key compliance indicators. SIP 3.1 relates to IVAs and SIP 3.3 PTDs.

5.4.6 The Principles of SIP 3.1 are as follows:

> *'An IP should differentiate clearly between the stages and roles that are associated with an IVA (these being, the provision of initial advice, assisting in the preparation of the proposal, acting as the nominee, and acting as the supervisor) and ensure that they are explained to the debtor and the creditors.*
>
> *An IP should ensure that the information and explanations provided to a debtor about all the options available are such that the debtor can make an informed judgement as to whether an IVA is an appropriate solution.*
>
> *An IP should explain to the debtor, the debtor's responsibilities and the consequences of an IVA.*
>
> *Where an IVA is to be proposed, an IP should be satisfied that it is achievable and that a fair balance is struck between the interests of the debtor and the creditors.*
>
> *An IP's reports should provide sufficient information to enable creditors to make informed decisions in relation to the proposal and the IVA, and report accurately in a manner that aims to be clear and useful.'*

5.4.7 The Principles of SIP 3.3 are as follows:

> *'The IP should differentiate clearly to the debtor his role in providing initial advice from his responsibilities as Trustee. The debtor should be advised of the IP's requirement to maintain independence. The IP should make it clear to the debtor that his duties as Trustee, once the Trust Deed is signed, cannot be influenced by the wishes of the debtor.*
>
> *An IP should ensure that the advice, information and explanations provided to a debtor about the options available are such that the debtor can make an informed judgement on which process is appropriate to his circumstances. An IP should also explain the debtor's responsibilities and the consequences of signing a Trust Deed.*
>
> *If a Trust Deed is proposed, an IP should ensure that a fair balance is struck between the interests of the debtor and those of the creditors.*

5.4.8 All calls are listened to for compliance with SIP 3.1/3.3. Any areas of non-compliance are noted and reported on. The associated documentation is reviewed to ensure it is compliant and also an accurate reflection of the call. The calls and documentation must also comply with the Insolvency Code of Ethics.

5.4.9 Each case will take 1 to 3 hours to review.

5.4.10 The call monitoring has developed and evolved since the Scheme started, with the introducer details on each case now requested. Where the case has come by way of a direct approach to the provider these calls are now required for review in addition to the SIP/verification call. This will continue into the coming year.

5.4.11 The Scheme Members have responded well to the call reviews with advice taken on board and steps commenced to implement any recommendations. Any areas for improvement will be subject to follow up reviews.

5.5 Focussed Reviews

5.5.1 The purpose of a focussed review is to look at specific areas, such as, case progression, income and expenditure reviews etc and the need for this type of review may arise as a result of any findings from the full inspection visit or intelligence from a complaint.

5.5.2 The IPA inspection team carried out 9 focussed reviews, reviewing 88 cases.

	Provider	Area of review	Number of cases
1	Hanover	Income & Expenditure A selection of cases were reviewed to check that Income & Expenditure reviews are carried out in accordance with the relevant statute and that any evidence provided is reviewed and changes made accordingly.	20
2	Creditfix	Internal Call Review Process Following a review of calls a meeting was held, and a demonstration given of the internal call review process.	N/A
3	Creditfix	Post Appointment set up & processes A meeting was held to discuss the post appointment team structure which is ran from an office in Mauritius, the current processes, procedures and the planned changes which are being implemented.	N/A
4	Aperture	Income & Expenditure / Progression A selection of cases were reviewed to check that Income & Expenditure reviews are carried out in accordance with the relevant statute and that cases are being progressed in a timely manner and to identify any delays or issues.	10
5	Aperture	Trust cases (this review is ongoing)	6

	Provider	Area of review	Number of cases
6	Aperture	Annual Reporting A selection of cases were reviewed to check that annual reports are issued within the statutory timeframes and are compliant.	8
7	Vanguard	Progression A selection of cases were reviewed to check they are being progressed in a timely manner and it identify any delays or issues.	20
8	Hanover	Income & Expenditure This was a follow up review to check that the proposed changes had been implemented.	10
9	Hanover	Progression A selection of cases were reviewed to check they are being progressed in a timely manner and it identify any delays or issues.	14
		Total cases reviewed	**88**

5.6 Website Review

5.6.1 A focussed review of each Scheme Member's website was carried out. The review was to check that the Scheme Members' websites were fair and not misleading, did not contain unsubstantiated or disparaging statements, complied with relevant codes of practice and guidance in relation to advertising and contained details such as the IP(s), RPB and Complaints Gateway.

5.6.2 There were no significant findings, however Scheme Members were advised of any minor findings which required rectifying, such as ensuring that IP names were included on the website and that the data is up to date.

5.7 Monthly Reporting

5.7.1 The Scheme Members submitted monthly data returns during 2019 which allows for a review of statistics and identification any problem areas. The data returns assist with identifying any anomalies quickly which can then be followed up and investigated further where necessary. The return covers 25 areas as:

- New Nominee Appointments and New Supervisor Appointments
- Rejections
- Number of Open Cases
- Cases Closed, Failed or Completed
- Cases in Arrears
- Age of Arrears
- Cases in Breach
- Dividends Paid
- Variations
- Mass Variations
- Income & Expenditure Reviews Due and Completed
- Progress Reports Due and Completed
- Fixed Fee cases
- Complaints
- Introducers
- Expenses
- New, Open and Closed Trust Cases
- Early Exit Loans
- Cashiering
- Staff

5.8 Quarterly meetings / monthly calls

5.8.1 Each Scheme Member has an Insolvency Practitioner representative. Quarterly physical meetings are held with the representatives collectively to discuss the Scheme and any industry wide issues. Monthly calls are then held individually with the Scheme representatives and the IPA's Chief Inspector.

5.9 Safe Harbour/Contingency plan

5.9.1 Due to the volume of cases held, we have asked all Scheme Members to provide us with a copy of their business contingency plan in the event that they can no longer operate. This is to be followed up when all responses have been collated.

6. Focus Areas Summary

6.1 This chapter provides more detail on key focus review areas, setting out the monitoring considerations and work undertaken.

6.2 Income & Expenditure (I&E) Reviews

6.2.1 During each Scheme Member's full inspection visit, a selection of I&E reviews were inspected.

6.2.2 An Insolvency Practitioner is required to carry out an I&E review on each case every 12 months. The review is to enable the Insolvency Practitioner to identify any changes in the individual's circumstances which may affect the IVA and its successful completion.

6.2.3 The main issue experienced by the Scheme Members is that a high percentage of individuals fail to provide the relevant documentary evidence when requested in order for the review to be fully carried out. If the individual is up to date with payments and there are no other apparent issues, the question for the Insolvency Practitioner is whether this sufficient a reason to fail the case.

6.2.4 The IPA has been working with the Insolvency Practitioners to improve and streamline the I&E process. Each firm has its own systems in place. From the reviews carried out the Inspectors have noted that the I&E process is started at an earlier stage prior to the annual report, all attempts to obtain the relevant documentary evidence is recorded and any failure by the individual to adhere to the request is reported in the next annual report to creditors.

6.3 Case Progression

6.3.1 A typical IVA is proposed over a term of five years, extended to six years for those that have property, unless they release equity by way of a re-mortgage or secured loan, or the equity was under £5,000. The term of an arrangement can also be extended by way of modification from the outset if creditors wish to see a greater return.

6.3.2 The monthly return shows the total number of cases that are over six years old for each Scheme Member. The figures for August showed a total of 189,282 open IVAs across the Scheme Members, 27,060 of those cases were over six years old.

6.3.3 A review of a selection of those cases has taken place during the full inspection visits in order to identify any issues. Focussed reviews on progression have been carried out and will continue to be carried out during the forthcoming year to ensure and that progression is being made and the case has been formally extended where necessary.

6.4 Trust Cases

6.4.1 Historically many IVAs have included trust clauses that capture all assets for the benefit of the IVA, even after the IVA has completed. Receivables such as claims relating to Payment Protection Insurance are generally captured under the trust clauses but delays in becoming aware of some claims or in processing the claims has led to a rise in monies being paid once an IVA has been completed. The former IVA supervisor will normally be named as the trustee for the funds held but as the trust is not covered by insolvency law, the regulation of this area represents a challenge.

6.4.2 The IPA considers this to be a risk area. It will continue to attempt to review any firm considered to be high risk and has issued guidance on such trust cases and the retention of trust funds.

6.5 Annual reporting

6.5.1 The Annual reporting to creditors and those in IVAs is an area of focussed review that will continue into 2020 to check that they are issued within the statutory timeframes and include the right content.

6.6 Property / Month 54 Review

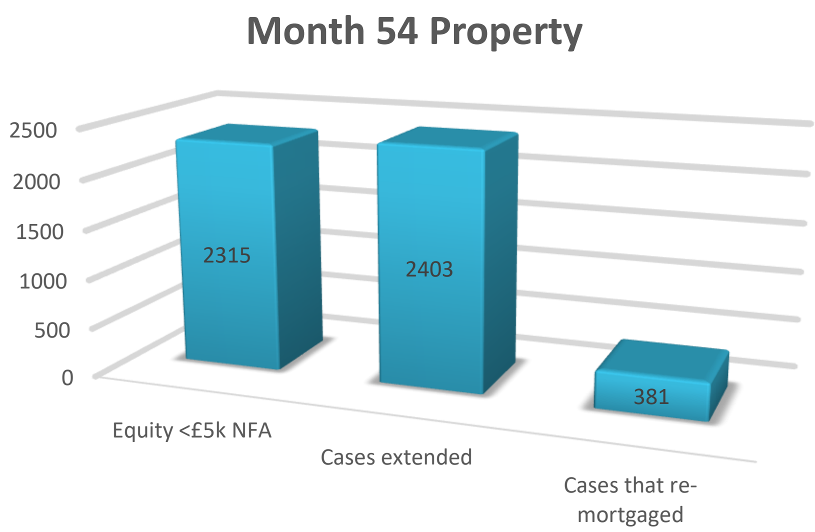
6.6.1 In cases where an individual owns, or jointly owns, a mortgaged property a valuation will be carried out on the property by a third party on behalf of the Supervisor six months before the expected end of the IVA (Month 54).

6.6.2 The Straightforward Consumer IVA Protocol 2016[5] defines the requirements to review the equity and the obligations to try and release funds to the IVA.

6.6.3 The chart below shows cases with property that reached month 54, and out of those cases how many:

- Had less than £5,000 of equity and therefore no further action was required
- Were successful in securing a re-mortgage in order to release equity
- Were not successful and therefore extended by 12 months in lieu of equity

[5] *The Straightforward Consumer IVA Protocol 2016*



6.6.4 The IPA will continue to review this area during 2020 to ensure that the process is being carried out in line with the IVA protocol.

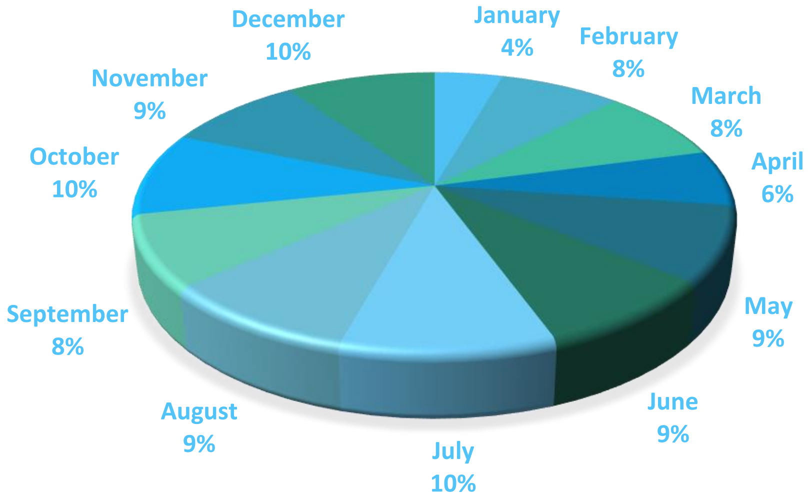
6.7 New Appointments/Rejections

6.7.1 When an individual engages an Insolvency Practitioner to assist them with proposing an IVA to their creditors the Insolvency Practitioner's role changes from advisor to Nominee.

6.7.2 The Nominee puts forward the individual's proposal to the creditors for voting on the acceptance or rejection of the proposal. A 75% majority vote is required from creditors to accept the proposal. If creditors vote to accept the proposal, the Insolvency Practitioner then becomes Supervisor of the IVA.

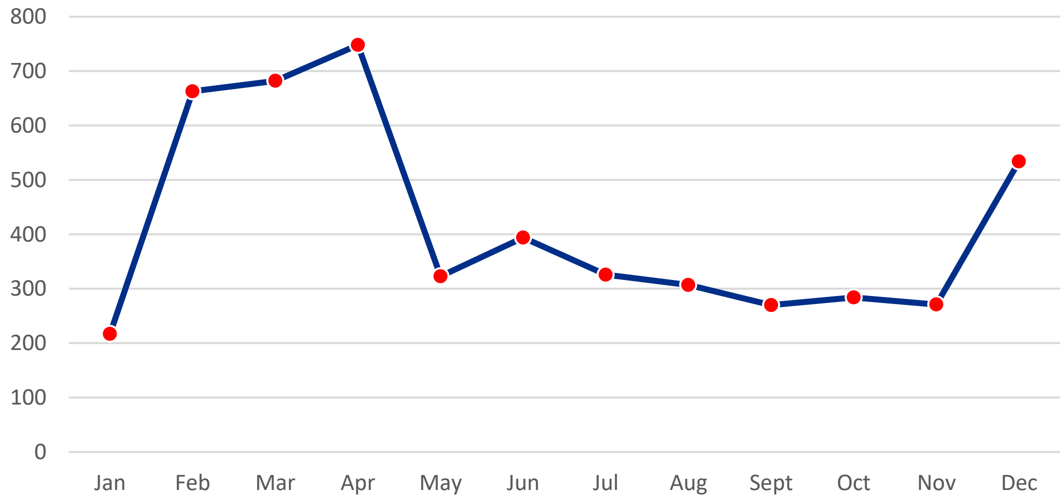
6.7.3 The total number of new Nominee appointments during 2019 for Scheme Members was 56,312. The following chart shows the percentage of new Nominee appointments each month. With this data we can look at trends such as whether appointments are seasonal.

NOMINEE APPOINTMENTS 2019 - 56,312



6.7.4 Of the 56,312 Nominee appointments, 4,505 (8%) of proposals were rejected by creditors. The chart below shows the percentage of rejections each month.

REJECTIONS 2019 - 4,505



6.7.5 If on receiving advice on the alternative debt solutions the individual decides to proceed with proposing an IVA, the Insolvency Practitioner will be appointed Nominee. The Nominee's role is to assist the individual with drafting the proposal and undertake the appropriate checks to ensure that it is fit, fair and feasible. Creditors will be invited to consider the IVA proposal and lodge its vote on whether to accept, with or without any modification(s) to the terms, or reject it.

6.7.6 In the event that a creditor accepts the IVA subject to modification(s), these will be discussed with the individual and his or her consent obtained. Creditors may also reject proposals for a variety of reasons, for instance, some creditors have guidelines as to a minimum amount of dividend they will accept, unless they are FCA regulated.

6.7.7 As such, if the monthly return indicates that a Scheme Member was above average for rejections in any given month then this would be flagged and investigated further to understand the reason for the rejections.

6.7.8 Rejections are not currently considered a risk area, but a selection of rejected cases are reviewed as part of the call monitoring process to ensure that the call with the individual is compliant and that any possibility of a rejection has been identified where applicable.

6.8 Closures/Failures

6.8.1 An IVA will fail if the terms of the arrangement have not been adhered to and the arrangement cannot be successfully concluded. It may also fail if following a change in the individual's circumstances a variation to the terms of the IVA cannot be agreed with creditors, who elect to fail the IVA.

6.8.2 A selection of cases was reviewed for failure at each full inspection visit. From the cases reviewed, the main reasons for failure were non-compliance with the terms of the arrangement by the individual or a change in the individual's circumstances that meant the IVA was no longer viable.

6.8.3 Over the next 12 months the Inspectors will look in greater depth at failed cases and the reasons for failure, including those that have failed at an early stage and whether the initial advice could have been better in those cases.

6.9 Distributions

6.9.1 A total of £141,390,391.46 has been distributed by the Scheme Members to creditors between January and December 2019.

6.9.2 The monthly return highlights any anomalies or reductions in distribution which would then be investigated. A selection of cases was reviewed for distributions at each full inspection visit and distributions were also reviewed as part of a focussed review on progression.

6.9.3 We are also working with the creditor groups in order to compare distribution rates and improve any areas where issues are reported.

7. IVA and PTD Complaints Overview

7.1 Whilst not specifically part of the Scheme we have and will continue to process complaints about this sector and Scheme Members. This chapter explains how we process complaints and the activity in 2019.

7.2 The majority of complaints dealt with by the IPA are referred from the Insolvency Service's *'Complaints Gateway'*, which is the hub that must be used in order to make a formal complaint against an Insolvency Practitioner. The Insolvency Service conducts its own initial assessment of the complaints it receives, and a proportion may not reach the RPBs but others will be referred to us and we will look into those.

7.2.1 Some investigations may, however, be opened by the IPA because of matters that we have been alerted to other than by a complaint via the Gateway. For instance, following a monitoring visit, decision of the Regulation and Conduct Committee or as a result of other intelligence.

7.3 Complaints handling

7.3.1 *Stage 1 - Initial assessment:*

The Secretariat undertakes a review of the complaint to establish whether there are facts or matters that indicate the Insolvency Practitioner has potentially become liable to disciplinary action. A decision will be made at this stage as to whether the complaint should be rejected or taken forward for a formal investigation of professional misconduct.

7.3.2 **Intelligence sharing / Risk Profiling**

If, during the initial assessment of the complaint, the Secretariat does not consider that it is sufficiently serious to constitute professional misconduct, but nevertheless it is not considered *'good practice'* the matter will be drawn to the attention of the inspection team and it may influence the specific areas requiring a focussed review. Complaints of a similar nature are also monitored by the Secretariat.

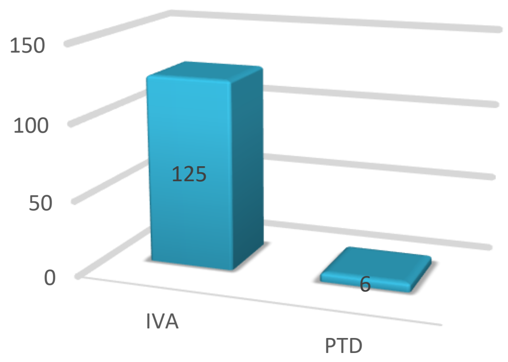
7.3.3 *Stage 2 - Formal investigation:*

At this stage, a draft allegation will be formulated and put to the Insolvency Practitioner for their final representations before the complaint is then presented to the Regulation and Conduct Committee for a final determination on whether there is a prima-facie case of misconduct.

7.3.4 The Regulation and Conduct Committee is responsible for considering any matter the Secretariat identifies as requiring Committee attention relating to the fitness of licensed Insolvency Practitioners or liability to disciplinary action, including applications for authorisation. If on consideration of the complaint the Committee determines that there is a prima-facie case of misconduct, it has the power to invoke a licence restriction/withdrawal proceedings and invite disciplinary sanctions by consent, including reprimands and fines.

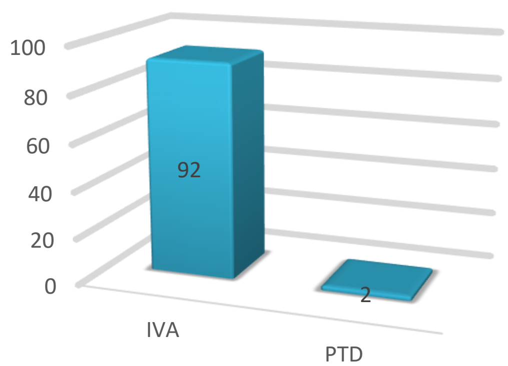
7.4 Complaints in 2019

7.4.1 In 2019 there were 131 complaints recorded against the firms in the Scheme, of which 125 related to IVAs and 6 related to PTDs.



7.4.2 Complaints received in 2019 remain low, representing 0.04% of IVAs and 0.03% of PTDs administered by the firms in the Scheme.

7.4.3 There were also 94 complaint closures in that same year, either by the Secretariat at the initial assessment stage or, in cases where a formal investigation was opened, following consideration/sanction by the Investigation Committee/Regulation and Conduct Committee. (the formal regulation committees of the IPA that considers complaints and adjudicates over possible misconduct) Given the complaints handling process and the length of investigations, some of these 94 complaints closed were received prior to 2019.



7.4.4 Given the nature of the complaints handling process, closures are now measured against the number of complaints received in 2019, thus the above chart is a comparison of the number of complaints received and closed at any one time in 2019.

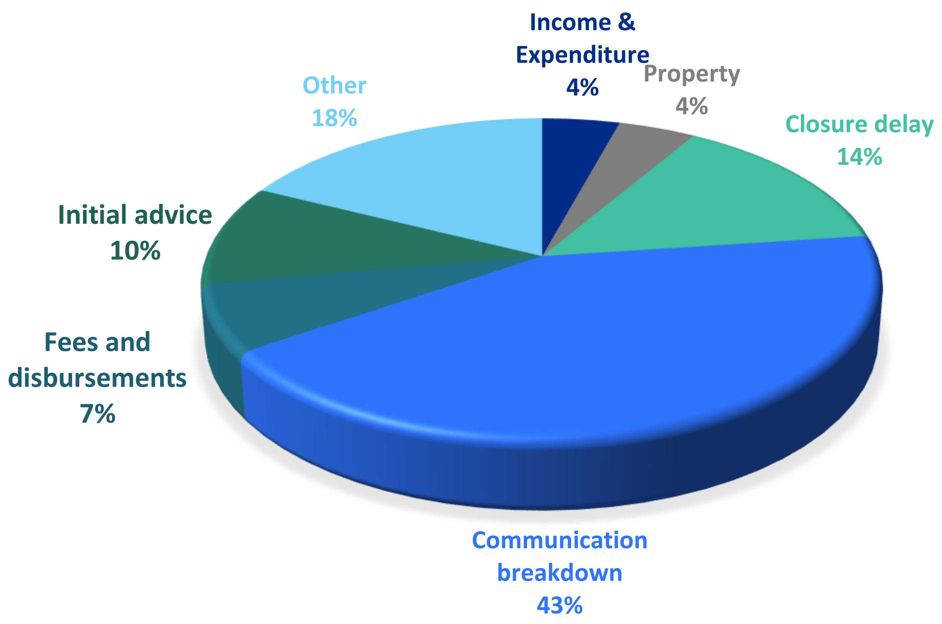
7.4.5 The table below provides an overview of the number of cases where a Committee decision was requested in 2019:

	IVAs	**PTDs**
Number referred and outcome reached	35	2
Number where a prima-facie case of misconduct was made out by the Committee	32	2
Nature of the complaints	Breakdown in communication Closure delay Other	Income & Expenditure Other

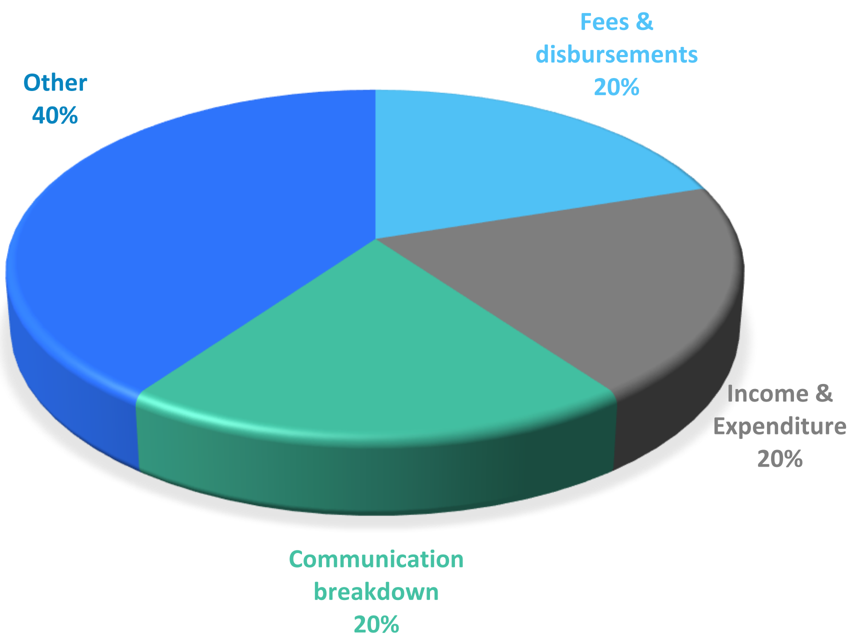
General themes across complaints received in 2019

7.4.6 The IPA has found that the complaints primarily concerned communication issues, i.e inaccurate information, delays and/or failures to respond etc.

IVAs



PTDs



8. A Changing Profession and IVA Sector

8.1. The insolvency profession and the IVA sector continues to change. The following list of changes have had, or will have, an impact on the volume providers and the regulation of the practitioners involved.

8.2. Increase in IVA numbers

8.2.1. In 2010 there were 27,543 live cases on the IVA register, by 2014 this had risen to 46,751. The most recently reported figures are from 31 December 2019 show the total live cases as being 277,262.

8.3. Increase in PTD numbers

8.3.1. In 2010/2011 there were 7,980 PTDs registered. In the year 2013-2014 a total of 6,681 PTDs were registered. As at 1 December 2019, the total number of live PTDs was 28,226.

8.4. Fixed fee

8.4.1. Most members of the Scheme have been proposing IVA cases on a fixed fee basis. The feedback is that many creditors and creditor groups are in favour of the fixed fee model, albeit the quantum of the fee charged by some members is not agreed with all creditors.

8.4.2. The IPA supports the general principle of the fixed fee model and in line with the Statement of Insolvency Regulations feels it offers transparency and avoids the many issues we have previously found relating to disbursements and payments to associates.

8.5. IVA Protocol

8.5.1. The Straightforward Consumer IVA Protocol is currently being redrafted by the IVA Standing Committee to ensure it is fit for purpose within the current market. The IVA Standing Committee was set up to meet regularly and provide information about the operation of the IVA Protocol, for instance, identifying any problems/issues, acting as a discussion forum for stakeholders, reviewing the terms and conditions periodically and making changes where required.

8.6. Ethics Code

8.6.1. The Ethics Code for Insolvency Practitioners has been modernised in line with a similar code governing the accountancy profession and is due for release in May 2020. The Ethics Code is intended to assist Insolvency Practitioners meet the obligations expected of them by providing professional and ethical guidance.

8.7. Trust Guidance

8.7.1. The IPA issued guidance[6] on how Insolvency Practitioners should deal with non-Insolvency work. The guidance states that where a Licensed Insolvency Practitioner (LIP) or former LIP is acting as trustee of a continuing trust arising from an IVA or other related but unregulated work and is not engaged in other work which requires insolvency authorisation, they should nonetheless maintain an insolvency licence of at least non-appointment taking status and be subject to monitoring as for appointment taking LIPs in relation to such work in order to maintain public confidence.

8.8. Advisory Notices

8.8.1. Inspectors are now able to issue formal notices to Insolvency Practitioners of improvements that are required. These are not sanctions but they highlight an issue that should be addressed, and if not monitored by the scheme member could result in further regulatory action or sanctions being incurred in the event of recurrence.

[6] https://www.insolvency-practitioners.org.uk/news/newsoct1913

9. The Scheme 2020 Focus

9.1 This chapter sets out the key areas that the IPA will be focussing on, as we move into the second year of the Scheme, given known concerns and intelligence received.

9.2 Failure rates

9.2.1 The monthly return allows us to review how many cases were completed and how many failed.

9.2.2 During 2020 the focus will be on early failure cases in order to determine if there are any links to the initial advice or other apparent trends, including vulnerability.

9.3 Marketing/Advertising

9.3.1 In late 2019, we requested all Scheme Members provide us with a report on any recent advertising and marketing activity carried out in the last quarter of 2019 and any planned for the first quarter 2020, with future reports to be submitted on a quarterly basis.

9.3.2 This information will assist the IPA in addressing concerns raised in this area and allow the IPA to take steps in relation to any areas of advertising and/or marketing that are not deemed appropriate.

9.4 Work Introducers

9.4.1 We have begun working with the FCA in sharing intelligence and training in order to improve the advice given prior to the Insolvency Practitioner receiving the case.

9.4.2 We also worked with The Insolvency Service to issue new guidance for introducers to be FCA regulated. While we are waiting for this to become a formal requirement by The Insolvency Service, we have asked for our members to instigate this new policy early. This has already led to some providers ceasing to work with some introducers.

9.5 SIP 3.1 Advice

9.5.1 SIP 3.1 will continue to be reviewed, with staff turnover and alterations to call centre scripts meaning this area is constantly changing. Continuous monitoring is key in demonstrating that in every case there is a fully documented understanding of both the individual’s reasons for debt and their background to ensure that appropriate advice is given for all relevant debt solutions.

9.6 Complaints

9.6.1 The complaints team will continue to monitor any themes in the nature of complaints received and work with the monitoring team where there is an indication of a systemic, training or other competency issue.

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.

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