INSOLVENCY PRACTITIONERS ASSOCIATION

2024/25

ANTI-MONEY LAUNDERING ANNUAL REPORT

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INSOLVENCY PRACTITIONERS ASSOCIATION

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Introduction

Rachel Lai, IPA AML Committee Chair

I am pleased to introduce the Insolvency Practitioners Association (IPA)'s statutory Anti-Money Laundering (AML) Annual Report for 2024-25 which provides details of the IPA's work as an AML Supervisor in 2024-25.

The Board's AML Committee oversees the IPA's work as an AML Supervisor, and I thank my fellow Committee members and IPA staff for their work through the year and their unwavering commitment to maintaining the highest standards of AML supervision.

Effective AML compliance is a vital part of an Insolvency Practitioner (IP)'s work. The IPA is a proactive AML Supervisor. This means providing clear guidance, practical AML education and training at conferences, roadshows and webinars, and effective supervisory planning with robust risk management of supervised practitioners and fair enforcement measures.

The AML landscape constantly changes, whether in terms of legislation or the external business environment, impacting on the work of IPs. Our role at the IPA is to keep abreast of these developments and to make sure that our supervised population is aware.

We look forward to continuing our effective supervisory AML role in 2025-26 and beyond.

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Message from David Holland

IPA Chief Inspector and Nominated Officer

Over the past year, the IPA has continued to strengthen its AML supervisory activity, with a particular focus on more effective communication, information sharing and support for those we regulate. We recognise that a risk-based regulatory approach depends not only on proportionate oversight, but also on enabling the profession to share knowledge, identify threats early and take meaningful steps to reduce exposure to money laundering, terrorist and proliferation financing risks.

The insolvency profession is, in general, increasingly aware of these risks. However, this awareness must be supported by internal and external risk awareness. IPs need to protect themselves and the public by demonstrating clear, effective AML policies and procedures, supported by ongoing training and reviews. AML must not be a one-off exercise but embedded throughout the lifecycle of every appointment to help prevent insolvency services from being exploited.

This fifth annual AML report from the IPA is published following the 2025 National Risk Assessment (NRA), which confirms that legal and accountancy services are at high risk of misuse by criminals. Given their advisory and investigatory roles, IPs must be alert to the 'red flag' issues in the NRA, including complex ownership structures, diverse and opaque beneficial interests, and the use of phoenixism, stooges or nominee directors to conceal true control.

The IPA continued to meet its regulatory responsibilities in 2024-25. One example is our collaboration with Leeds University on the research project *Behind Closed Books: Money Laundering in UK Insolvency Proceedings* which explores potential AML risks in insolvency cases, with the aim of identifying patterns and broader economic crime risks. An emerging theme from this work is the importance of information sharing across regulators, academia and practitioners.

More generally, the risk profile of insolvency case types continues to evolve, with three particular areas of high risk: administration, particularly in relation to verifying the source of funds and wealth; Members' Voluntary

Liquidations (MVLs), particularly in relation to verifying the source of funds and wealth; and Creditors' Voluntary Liquidations (CVLs), which are only mitigated when a full investigation is clearly evidenced. On the other hand, personal insolvency remains generally lower risk, though concerns persist around the use of personal accounts for money muling and financial exploitation of vulnerable individuals.

Another growing area of concern is proliferation financing. Despite its increasing relevance being reaffirmed in the 2025 NRA, it is often not explicitly considered in firms' risk assessments, even though the risk of sanctions escalated significantly in 2024-25, with global developments and regime changes. There are examples of distressed entities attempting to use insolvency procedures to shield assets from impending sanctions. IPs must be alert to these risks and understand how their services could be inappropriately utilised.

Encouragingly, the profession is responding. There is growing evidence of improved AML procedures, greater engagement with IPA guidance and events, and more technical and timely queries to the IPA's AML Helpline. The quality and volume of Suspicious Activity Reports (SARs) is also improving, although more work is needed to ensure clearer narrative content that provides actionable intelligence. High-quality SARs give law enforcement a usable framework to progress investigations.

Money laundering is a shared problem. Solutions must be collaborative too. Public-private partnerships (PPPs) offer a practical way forward by sharing timely intelligence between supervisors, law enforcement, government, and practitioners, and developing tools such as typology guides for suspicious insolvency behaviour. This can help to embed AML efficiently into everyday practice, as a core professional responsibility. Ultimately, AML systems must evolve as quickly as the threats they are designed to detect. Timely intelligence is not a compliance luxury; it is an essential defence. Our role at the IPA, as an AML supervisor, is not only to regulate but to improve standards in the profession. We aim to close the gap between what is known and what is shared in order to protect the integrity of the insolvency profession, the wider financial system and the public interest.

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About the Insolvency Practitioners Association

The IPA has led the way in professional insolvency standards since 1961.

The IPA is a Recognised Professional Body (RPB) under the Insolvency Act 1986 and a regulator of IPs under the Regulated Professions Register with Regulatory Objectives defined in statute. The Insolvency Service is the oversight regulator of RPBs. The IPA is UK's largest insolvency regulator by insolvencies covered and the only regulator that works across the UK and that is dedicated exclusively to the regulation of insolvency and as an AML supervisor.

The IPA offers professional training and development to all those who work in insolvency, and at all stages of their career, with respected qualifications and publications, and the sharing of good practice and wide networks.

IPA members help shape the future of the insolvency profession by participating in the IPA's Board and Committees, influencing industry standards, fostering innovation and upholding the highest levels of professional standards.

The IPA's commitment is to excellence in professional insolvency practices and AML standards. By providing IPs with valuable resources, fostering collaboration and advocating for rigorous regulatory oversight, the IPA helps to ensure the integrity and credibility of the insolvency profession in the UK. We do this through our supervisory and enforcement roles and by providing operational support to IPs and their firms, as in the diagram below and in subsequent sections of this report.

Supervisory: AML inspections and compliance reviews, dealing with AML queries and reviewing risk profile of supervised members

Enforcement: assisting members to raise standards through Advisory Notices and, where appropriate, the use of dissuasive sanctions

Operational: reviewing and approving new members, new Beneficial Owners, Officers and Managers (BOOMs), AML training and guidance for members, and publication of AML alerts and newsletters

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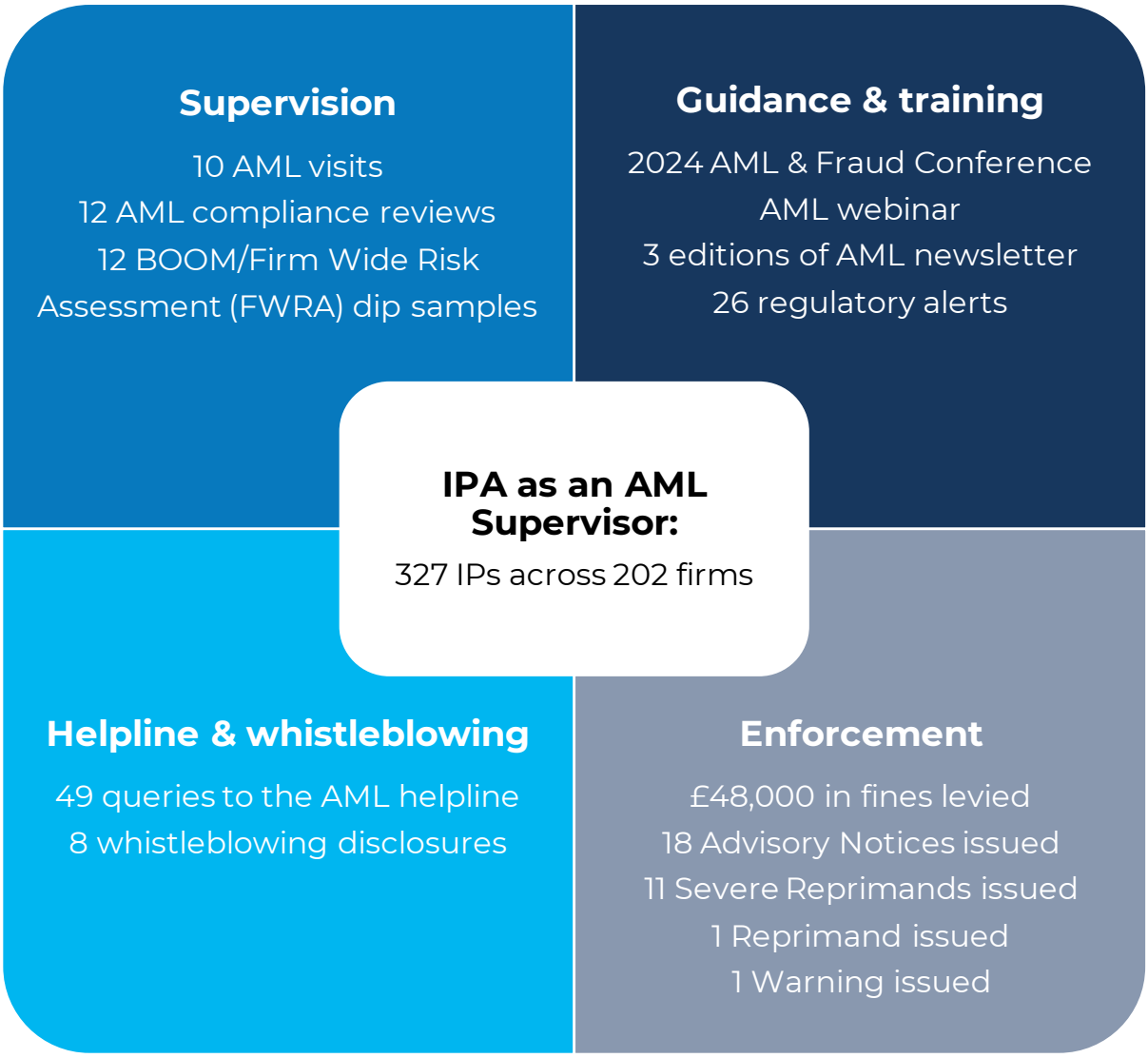
IPA AML highlights 2024-25



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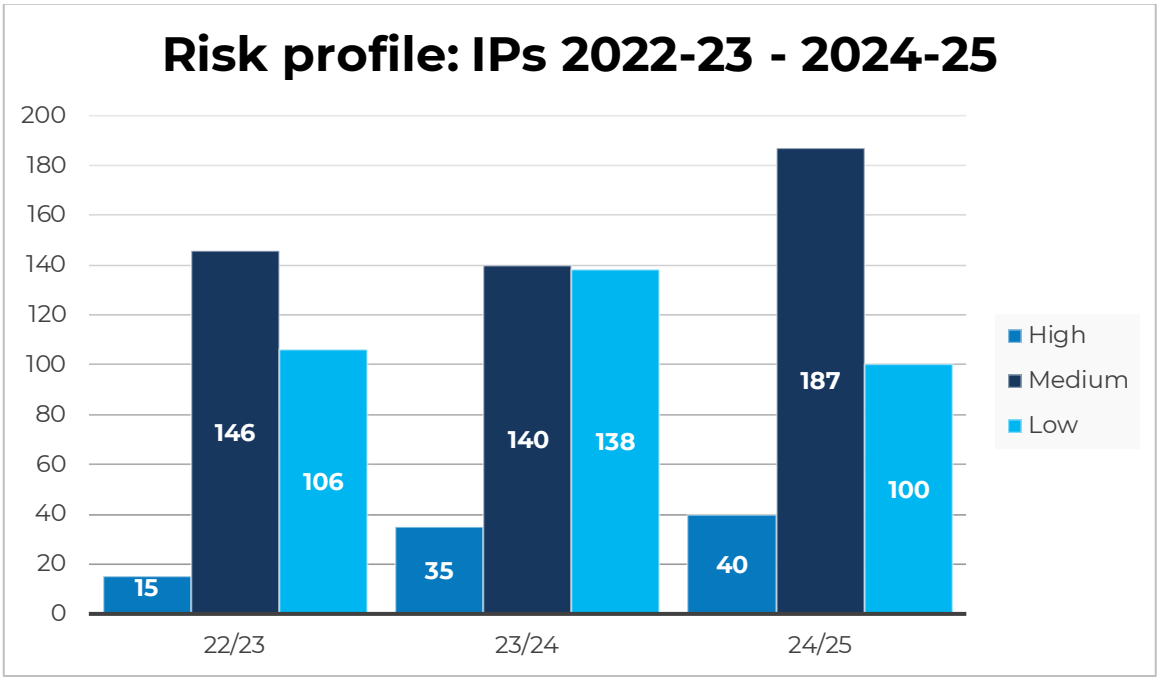
Supervision

Risk profile

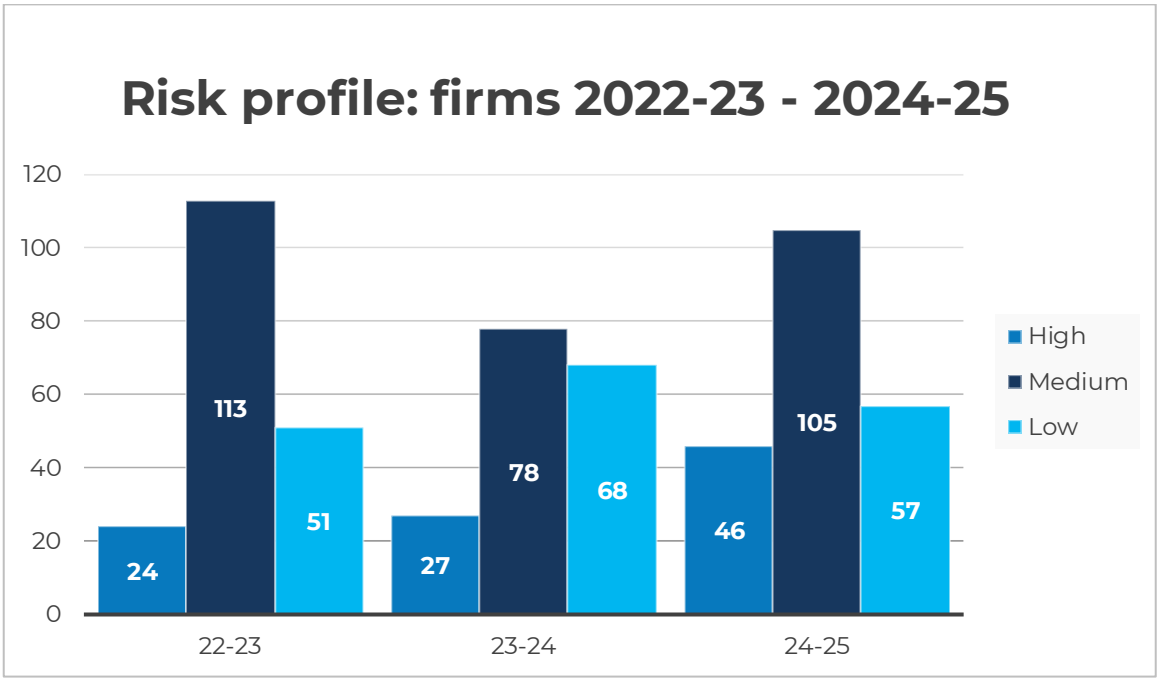
The IPA regularly assesses all AML-supervised firms and IPs on several data points and applies a risk score, which is updated as necessary with information from licence renewals, supervisory action or any relevant intelligence received.

The IPA supervises 327 IPs across 202 firms. The risk profile of supervised IPs over the last three years is below.



The increase in the number of IPs is due to more IPs choosing to be regulated by the IPA. In this period, more IPs have been assessed as medium risk due to the profile of the appointments being undertaken, including MVLs and no/low asset CVL cases, as well as IPs who have not lodged any SARs.

The recent risk profile for firms is as follows:



The number of supervised firms has increased in line with the higher number of IPs regulated by the IPA. The rise in the number of high-risk firms results from calibrating risk to the highest risk-rated IP in each firm.

Moreover, if the Nominated Officer (NO) in a firm has lodged no SARs with the National Crime Agency (NCA), this results in an increase in the firm's risk rating.

Supervisory work 2024-25

The IPA undertakes five types of AML supervisory work. The first four of these are:

- Dip sampling
- Compliance reviews
- Inspection visits
- Reviews of AML work as part of routine IP inspections

Fifth, and in addition, we conduct reviews of AML as part of inspections of IPA 'Volume Providers' of personal insolvency products. Details of these are contained in the IPA's annual Benchmark Report on volume regulation.

1. Dip sampling

The IPA undertakes a dip sample each year of Reg 18/18A FWRAs and BOOMs after the completion of IPs' licence renewals. In this year, six firms' FWRAs were reviewed and six firms' BOOMs notifications were reviewed.

There was a noticeable improvement in the FWRAs reviewed in 2024-25. Of the firms reviewed, two needed an assessment of proliferation financing under Reg18A, and only one needed further work to assess the level of the risks identified from the work undertaken.

In the IPA's 2024-25 review of BOOMs, it was good to see that the details provided in five out of the six firms reviewed matched the details provided from licence renewal information and held at Companies House.

One firm had not advised the IPA of a new Person with Significant Control (PSC). The firm was asked to provide these details, including their current DBS check, following receipt of which, BOOM approval was granted.

Case Study 1
A supervised member's Reg18/18 FWRA, provided as part of their licence renewal, was subject to a dip-sample review. The FWRA contained a clear review of the services, clients, geographic areas, delivery channels and transactions, and highlighted specific areas of risk in each, with ways that the risks would be managed and mitigated. The FWRA also reviewed other risk factors including any high-risk indicators provided by the IPA as AML Supervisor that impacted on the firm's work. The FWRA also considered proliferation financing risks as per Reg 18A and noted that the impact and risk may increase if any cases in relevant industries were accepted. No remedial action was required.

Relevant points for IPs:

- Your FWRA is not 'set in stone' – remember to keep the assessment under regular review and amend or update it if any information or details from cases indicates a change in your risk profile
- Consider the high-risk indicators provided by your AML Supervisor and whether they impact on work undertaken by your firm
- Consider whether any issues on SARs reported to the NCA indicated cases where a higher risk may exist. If so, amendments to the FWRA may be necessary
- Ensure the FWRA is reviewed at least annually and circulated to all staff. Consider training in respect of any changes
- Check that staff are aware of, and can articulate where, cases may be categorised a higher risk so that effective Enhanced Due Diligence (EDD) and management and mitigation of those higher risk cases can be undertaken

2. AML inspection visits

The IPA conducts AML visits to the firms we supervise for AML purposes. A visit reviews:

- AML policies and procedures
- SARs
- A selection of cases to review due diligence and, where appropriate, investigations
- Interviews with the NO and/or IPs
- Interviews with other staff to discuss their understanding of AML, the firm's polices and their responsibilities in reporting suspicions of financial crime

Nine visits were undertaken in the period: two to high-risk firms, four to medium-risk firms and three to low-risk firms. From the visits undertaken, there were three Advisory Notices issued and only one allegation of potential misconduct.

The general issues of concern from the visits were:

- Reg 18A needs to be included as part of the Reg 18 FWRA
- Lack of adequate file notes on conclusions for case risk assessment as part of Customer Due Diligence (CDD) verification work
- Lack of proper policies and procedures as per Reg 19/19A
- Ineffective SARs policies which failed to ensure that staff could understand their responsibilities in reporting suspicions to their NO

Case Study 2

A visit was carried out to a small insolvency practice. The IP was also the designated NO for the practice.

The IP was able to articulate a considered approach to AML risks and management of riskier cases, and the IP (acting as NO) could demonstrate a clear approach and review of suspicions raised via the use of a SARs form. The form allowed the IP to provide clear notes as to the reasons for a report being made, or why a SAR was not issued, but closer management of the case was needed to ensure that reporting to the NCA could be revisited if necessary.

Staff were largely able to articulate the firm's approach to AML and outline risk areas and their responsibilities in reporting suspicions.

There was clear due diligence papers and conclusions as to the case risks on each file and the AML risk was reviewed throughout appointments via file reviews.

The only matter where changes were required was in relation to adding details in the SARs policy on Defence Against Money Laundering (DAML) requests, as this was an area where staff had difficulty in articulating when these might be necessary and how they should proceed.

Prior to the visit an updated SARs policy was provided that included the necessary details on DAML requests.

The visit indicated that the firm had a proactive approach to AML and that regular meetings with staff to discuss cases and AML matters helped embed AML compliance within the team.

Relevant points for IPs:

- Use file notes to explain work undertaken and conclusions reached, especially on the assessment of case risks as part of the initial and ongoing due diligence work
- Ensure that AML training is regularly undertaken, test the training for its effectiveness and make AML part of team meetings to check understanding and discuss matters that may have arisen in work
- Ensure that policies and procedures are regularly reviewed, circulated and discussed with staff so that they understand what the practical requirements are to ensure effective compliance
- Ensure that any SARs policy is clear on reporting responsibilities and covers matters such as DAML requests and tipping-off.
- Ensure that your NO has training for their role, is supported by senior management or the Board and has an open-door policy to discuss concerns with staff

3. AML compliance reviews

A compliance review is an off-site review that focuses on a firm's AML policies and procedures. A small sample of cases is reviewed for due diligence checks and meetings are held with the IP and NO to discuss AML compliance. No staff interviews are undertaken as part of a compliance review.

Thirteen reviews were undertaken in this period: three with high-risk firms, seven with medium-risk firms and three with low-risk firms.

There were four Advisory Notices issued in respect of the compliance reviews relating to due diligence and Reg 18/18A issues. The issues of concern from the reviews were:

- Accepting funds before CDD checks were completed
- No Reg 18A in FWRA
- Lack of detail on tipping-off in SARs policy
- DAML details in SARs policy

Case Study 3

An AML compliance review was undertaken, and it was noted that the Reg18/18A FWRA was non-compliant.

The FWRA did not consider the risks from:

- Information made available by the IPA as the firm's AML Supervisor
- Customers
- Geographic areas
- Products and services
- Transactions
- Delivery channels

A case reviewed contained a high-risk indicator, as advised by the IPA, but the risk had been noted as 'normal' with no comment as to why the case was not deemed a higher risk. The firm's member of staff did not have the information via the FWRA to understand and fully consider the potential higher risk in the appointment.

The IP was asked to review and update the FWRA to cover the areas where improvement was required within 28 days and ensure the updated FWRA was circulated.

A corrected and updated FWRA was provided and was compliant. The firm will be subject to a further review as part of an inspection in 2025 to check that the FWRA detail has been embedded in the team and that higher risk cases are noted and effectively managed.

Relevant points for IPs:

- File notes must be made, especially on the case risk assessment checklists, to outline the work done and the decisions or conclusions reached on case risks and due diligence work
- Ensure due diligence policy is clear that all due diligence must be completed **prior** to the establishment of a business relationship and that this is proactively managed so that no client account banking details can be issued until the AML case risk assessment has been signed off

4. Routine insolvency inspection visits

The IPA undertakes general IP inspections, including under the IPA's bespoke regulatory regime for volume providers of Individual Voluntary Arrangements (IVAs) as defined by the Insolvency Service.

All IPs at an IPA AML-supervised firm will have part of their inspection looking at how the firm deals with AML matters.

Even where firms are not supervised by the IPA for AML purposes, a visit will still consider due diligence on appointments to ensure that this is completed correctly. Any issues are reported to the relevant AML supervisory authority, and the IPA may, if appropriate, proceed with relevant regulatory action.

Case Study 4

A general routine insolvency inspection visit was undertaken to an IP licensed by the IPA whose firm was supervised for AML purposes by the IPA. The visit highlighted several issues with AML compliance, including around policies and procedures, and a failure to carry out due diligence prior to the establishment of a business relationship.

The IP was advised that a targeted visit of their practice would be undertaken to look at AML process and training of staff in AML matters. The targeted visit was undertaken, and the IPA was then able to report that the IP had:

- Undertaken a full review of the firm's FWRA which was now compliant with the requirements of the 2017 Money Laundering Regulations (MLR17) and held evidence that the updated FWRA had been actively shared with staff

- Policies had been updated, were compliant with the requirements of MLR17 and had been shared with staff
- Due diligence was carried out prior to the establishment of a business relationship and further guidance had been issued on acceptable forms of ID, with an introductory video call between all new clients and senior members of staff, with electronic verification being introduced
- SARs reporting had improved, and the SARs policy was updated with better details on DAML requests and so the process for reporting suspicions to the NO was clearer
- All staff had undertaken AML training, with this to be repeated annually and for all new members of staff being included in a revised training policy

The IPA noted the work undertaken and no further action against the IP or firm was required.

Relevant points for IPs:

- Use file notes, especially in relation to changes to case risk assessments and for any conclusions on due diligence work undertaken
- Ensure staff receive regular training and that this is subsequently and regularly tested for its effectiveness. Make sure that your Continuing Professional Development (CPD) record captures AML training
- Remember that due diligence work starts from the first contact with a director (or a debtor). The initial conversations will help understand the business, the officers of the company and start to highlight risk areas
- If there are matters raised in inspection reports regarding perceived AML compliance failings, make sure you understand what the issues are and the steps required to correct concerns. Ensure that work is undertaken to update and improve policies and procedures, share updates with staff, check they understand the changes and their responsibilities, and that you provide details of updates to the IPA so that the changes implemented can be reviewed

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Enforcement

An important part of the IPA's supervisory work is having effective enforcement tools to use when there are breaches of, or failure to comply with, the MLR17 and/or the Proceeds of Crime Act (POCA) 2002. The effective enforcement of regulations helps to ensure compliance with good practice within the insolvency sector.

In 2024-25 the IPA issued:

- Fines for AML breaches against IPs in eight firms supervised for AML, which totalled £48,000
- 18 Advisory Notices to IPs, with details of immediate work required to amend firm procedures and/or policies to make these fully compliant with the MLR17 and other relevant regulatory requirements
- 11 Severe Reprimands and 1 Reprimand to IPs
- 1 Warning to an IP

The two most common issues that resulted in disciplinary sanctions being levied, or an Advisory Notice being issued, were:

1. Failure to comply with the requirements to undertake CDD prior to the establishment of a business relationship and/or failing to have a clear policy on CDD which enabled staff to understand the regulatory requirements regarding CDD
2. Having no, or an unclear, SARs policy which did not explain the responsibilities of staff to report suspicions to their firm's NO, and which also failed to advise on matters such as tipping-off and DAML requests

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What can IPs and NOs do to improve and evidence effective compliance?

The IPA recommends the following ways of improving and evidencing effective AML compliance, based on our supervisory work in 2024-25:

Issue	Recommendation
Regulation 18/18A FWRA	• Ensure that your FWRA is not generic and is tailored to the work undertaken by your firm • Include high-risk indicators as issued by the IPA and consider matters on cases that resulted in a SAR report and whether this indicates a higher risk to your firm • Ensure that the FWRA is subject to regular review and that any updates are circulated to your team. Check that the team understand the changes and can identify higher risk issues
SARs	• Ensure you have a robust SARs policy. The policy should cover: ➢ DAMLs – what they are, with examples ➢ Tipping-off ➢ Data security – confirm no details to be held on case files. The NO must hold all reports of suspicions made and SARs reported to the NCA ➢ Ensure the responsibility to report to the NO is clear • Consider the use of a template SARs form to aid reporting to the NO and for the NO to capture their conclusions on any reports made or not made • Where there is a suspicion, REPORT. Do not wait. You can always follow-up with a further submission where relevant
AML training	• Make sure you have a clear training policy and training log which confirms when training was undertaken, the content and any test scores • Remember that, for IPs, AML training is now included as part of the revised CPD Guidance effective from 1 January 2024 • Consider how new/returning staff are trained in AML issues • Consider how you test the effectiveness of training undertaken. Are there any gaps in

	knowledge where further training is required? • Capture training for your NO and any deputy NO and/or Money Laundering Compliance Officer (MLCO)
Customer Due Diligence	• Ensure CDD work is carried out **prior** to the establishment of a business relationship (except for emergency and hostile appointments) • For emergency or hostile appointments, initial considerations of identity and business may be undertaken pre-appointment but must be COMPLETED post-appointment (CCAB Guidance at F.3.7 advises within five working days) • Do NOT take control of funds or assets until you have completed your CDD • Have a clear CDD policy so that staff know how they are supposed to review the risks • Ensure it is clear when EDD is required and what this looks like • Do not allow a 'tick-box culture' to prevail. If the checklist or due diligence undertaken indicates a higher risk case, the checklist should highlight the case as a higher risk. Do not allow the case to be treated as lower risk without a clear file note to explain why. If this happens, it indicates to the IPA that higher risk issues are not understood, or that there is a policy to avoid carrying out EDD • Make sure CDD moves beyond 'Know Your Client' and considers the entity in full, including assets, funds and associated risks • Keep the CDD and case risk assessment under active review. Make a review of AML and CDD/EDD part of file reviews
File notes	• MAKE FILE NOTES. File notes are important to record details of any decisions or conclusions reached on AML matters. They demonstrate that a matter or risk has been considered and why it was progressed, or not • File notes are also key in relation to review of suspicions reported to the NO (see above on SARs compliance points) and are a key element of Statement of Insolvency Practice (SIP) 2 (para 18 of SIP 2 deals with record keeping on investigations)

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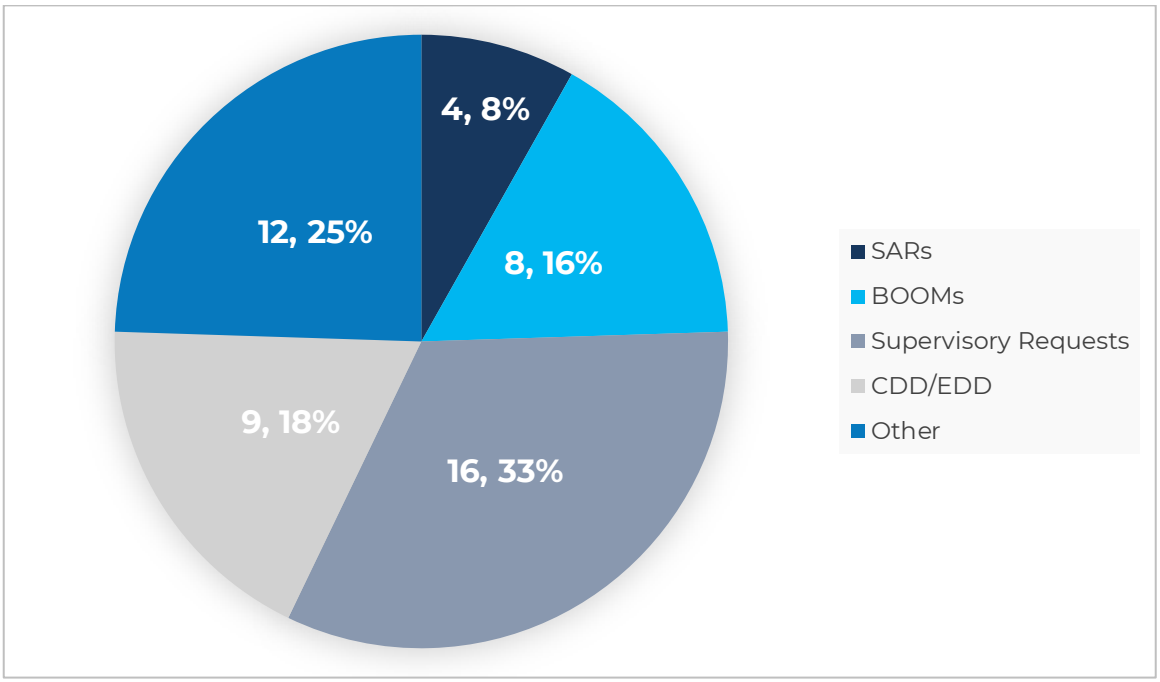
Operational

Guidance for members

In 2024-25, the IPA:

- Issued 30 AML alerts on industry specific AML risk areas
- Released three issues of the AML newsletter - the December issue being a due diligence special
- Held our second Spotlight on AML & Fraud Conference - the only conference tailored for IPs and anyone working in insolvency
- Dealt with 49 queries to our AML helpline (aml@ipa.uk.com)
- Held two online free webinars for members on AML compliance

The 49 queries received related to the following areas:



Compared to the previous year, 2024-25 demonstrated better communication of change of BOOMs, especially in respect of changes in NO appointments where approval was required.

Information sharing

The IPA is an active participant in many AML information sharing forums, including the Accountancy AML Supervisors Group (AASG), the AML Supervisors Forum (AMLSF), the Intelligence Sharing Expert Working Group (ISEWG) and the Money Advice Liaison Group (MALG).

Intelligence is also shared with other AML Supervisors directly and via the Shared Intelligence System (SIS) of the Financial Conduct Authority (FCA). The IPA also submitted 20 SARs to the NCA.

Whistleblowing

The IPA supports anonymous disclosures from its members or third parties where there may be concerns about an individual facilitating or aiding financial crime or money laundering.

Our dedicated whistleblowing email (amlwhistleblowing@ipa.uk.com) received eight disclosures in 2024-25.

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AML governance

Internal

The IPA's AML supervision and operational work is subject to two layers of governance:

- AML Committee – a full committee of the IPA that meets around five times a year to assist and challenge IPA staff in our work as an AML Supervisor
- IPA Board – the Board meets six times a year and receives a report at each meeting on AML work and projects being undertaken

External

There are two layers of external governance:

- The Office for Professional Body AML Supervision (OPBAS), part of the FCA, supervises the IPA's work as an AML Supervisor,

undertaking regular calls to discuss work and periodic regulatory inspection visits
- Insolvency Service – whilst they have no direct AML supervisory duty, the Insolvency Service is crucial for sharing intelligence to inform the IPA's risk profiling and AML supervisory work

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IPA AML focus for 2025-26

In 2025-26, the IPA will continue to review and issue guidance on Reg 18/18A FWRAs, Reg 19/19A policies and procedures, and CDD/EDD issues. Two additional main areas of focus will be:

- SARs – the IPA is aware of firms that have not submitted any SARs and will be reviewing the reasons why. We will conduct checks of SAR policies and the understanding of risks and responsibilities by NOs, IPs and staff. We will also be dip-sampling and reviewing SARs submitted to check for quality of submissions and timeliness of reporting
- AML training – we will assess how AML training is checked for its effectiveness and how further training and identified gaps in knowledge are dealt with. We will also focus on NO training to ensure that appointed NOs have the knowledge, time and support to carry out their role to a high standard

The IPA will also continue actively to follow up on Advisory Notices and AML findings from prior inspections and reviews to ensure that remedial work has been undertaken and that the changes made are effective.

Leeds University AML study

In 2024, the IPA was approached by professors at Leeds University to work with them on a two-year study of money laundering risks associated with insolvency to highlight the challenges facing IPs in the implementation of the UK AML regulations and insolvency statute.

The IPA is working closely with Leeds University on this research, which is being presented in conferences and in future papers. The learning from the research will inform our regulatory practice and support improvements in the work of IPs and their firms.

Quality assurance monitoring review

The IPA last issued a questionnaire on AML matters to NOs in 2021, and the exercise will be repeated in 2025. The questionnaire will gather information on:

- Heightened AML risks identified by supervised firms
- The main reasons for SARs being issued
- Where due diligence risks may arise in our supervised population
- Whether the IPA's AML training, guidance and information on AML is of benefit and effective in assisting our supervised population in their AML work

The results will inform the IPA's AML risk guidance and help to tailor our training and guidance to matters most relevant to our supervised firms.

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