



The Insolvency
Service

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DEAR INSOLVENCY PRACTITIONER Issue 140 – December 2021

Dear Reader

Please find enclosed the latest articles from the Insolvency Service.

In this issue:	
Information/Notes page(s):	
<p><i>This issue announces the publication of a Government consultation on the future of insolvency regulation.</i></p> <p><i>The consultation sets out proposals for changes to the regulatory framework and some amendments to the current requirements for Insolvency Practitioners to hold security (a bond) to cover losses in the event of dishonesty and fraud.</i></p> <p><i>To ensure that we reach the widest possible audience for these proposals they are covered in two separate articles:</i></p> <ul style="list-style-type: none"><i>The main details of the proposed changes to the regulatory framework are set out in article 113 in Chapter 13 General.</i><i>Fuller details of the changes to the bonding arrangements are also set out in article 7 in Chapter 4 Bonding.</i>	
Chapter 4	Bonding
Article 7	Bonding (security) arrangements for Insolvency Practitioners – Consultation proposals
Chapter 13	General

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7) Bonding (security) arrangements for Insolvency Practitioners – Consultation proposals

The Government has published a consultation, *The Future of Insolvency Regulation – proposals to strengthen the insolvency regulatory framework*, (see Dear IP chapter 13 article 113). The consultation includes proposals on amendments to the bonding (security) arrangements for Insolvency Practitioners.

In their responses to a previous call for evidence on bonding, stakeholders told us that the current arrangements are inflexible, prescriptive and fail to protect creditors. We have worked with stakeholders since then and Government is of the view that the current regime requires reform. The monetary limits for security bonds have not been updated since 1986, and the General Penalty Sum (GPS) element of the bond is inadequate. In addition, much of the proceeds of a successful bond claim is eaten up by investigation costs, leaving little return for creditors. Changes to the bonding arrangements are therefore proposed and can be found at Part C of the consultation document.

Summary of proposed changes to the bonding arrangements

- Changes to monetary limits on bond cover:
 - Increasing the GPS element of the bond from £250,000 to £750,000.
 - Increasing the minimum Specific Penalty Sum (SPS) cover from £5,000 to £20,000.
- Removal of the requirement for Secretary of State to approve bond wording.
- A period of run-off cover of at least 2 years so that claims can be made after the term of the bond ends.
- Maximum indemnity period of at least 6 years from date of appointment with any cases going beyond this subject to a separate agreement between the Insolvency Practitioner and the bond provider.

The consultation is also seeking input from stakeholders on the potential use of the bond to cover investigation costs either by:

- Amending the purpose of the GPS element of the bond.
- Requiring the value of per-case SPS bonds to be higher, for example 125% of the value of the assets.

The consultation also asks some broad questions around potential future developments of the bonding regime, should the proposed single Government regulator be introduced.

You can read the consultation proposals in full and find details of how to respond by clicking on the following link: [The future of insolvency regulation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/the-future-of-insolvency-regulation). The consultation ends on 25 March 2022.

*Any enquiries regarding this article should be e-mailed to:
IPRegulation.Consultation@insolvency.gov.uk*

113) Future of insolvency regulation – Consultation proposals

The Government has published a consultation, “The Future of Insolvency Regulation – proposals to strengthen the insolvency regulatory framework”.

The consultation sets out ambitious plans to reform and modernise regulation of the insolvency profession with proposals for an enhanced role for Government to strengthen the independence and impartiality of the regulatory framework. It takes account of views expressed in response to the Government’s [Call for Evidence](#) on the review of the insolvency regulatory landscape issued in July 2019. It also takes account of information gathered by the Insolvency Service as the oversight regulator acting on behalf of the Secretary of State. A summary of responses to the Call for Evidence on the review of insolvency regulation and a list of respondents are also published at Annexes C and D of the consultation.

An outline of the Government’s proposals in the consultation are:

- Establishment of a single independent government regulator to sit within the Insolvency Service in place of the current regulatory framework (the regulator would have powers to authorise, regulate and discipline Insolvency Practitioners and to set standards. It would also have the option to contract out certain functions to suitably qualified bodies).
- Introduction of regulation of firms offering insolvency services, alongside the authorisation of individual Insolvency Practitioners.
- Creation of a public register of individual practitioners and firms offering insolvency services.
- Introduction of a process for compensation where a party or parties have been adversely impacted by an error or transgression of an Insolvency Practitioner or firm offering insolvency services.
- The consultation also covers proposals for some reforms to the current arrangements for Insolvency Practitioners to hold a bond or security (or in Scotland, caution) in the event of dishonesty or fraud (see Dear IP chapter 4 article 7).

The Government is seeking views on its proposals and is also asking for respondents’ views on whether they can be improved and (with supporting evidence) views on their likely impact. A consultation stage impact assessment is being published alongside the consultation document. We welcome comments on individual proposals as well as the proposals as a whole and are particularly keen to hear from members of the insolvency profession.

You can read the consultation proposals and impact assessment in full and details of how to respond by clicking on the following link: [The future of](#)

[insolvency regulation - GOV.UK \(www.gov.uk\)](https://www.gov.uk). The consultation ends on 25 March 2022.

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