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| **Title:****Proposed changes to the law governing insolvency proceedings**  | **Regulatory Impact Assessment (RIA)** |
| **Date: 16/12/2021** |
| **Type of measure:** |
| **Lead department or agency:****Department for the Economy** | **Stage:** |
| **Source of intervention:** |
| **Other departments or agencies:****N/A** | **Contact details:** Jack Reid |
| 028 90548543 |
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**Summary Intervention and Options**

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| **What is the problem under consideration? Why is government intervention necessary?** (7 lines maximum)There is scope for amending some provisions in primary insolvency legislation to make insolvency proceedings more efficient and cheaper. Corresponding amendments have already been made to insolvency legislation applying in England and Wales and policy is to keep Northern Ireland insolvency legislation in parity. Government intervention is necessary as changes to legislation are required.  |
| **What are the policy objectives and the intended effects?** (7 lines maximum)To simplify and reduce the cost of administering insolvency proceedings. As all insolvency costs must be paid before any money can be returned to any class of creditors, this should result in increased returns to creditors.  |
| **What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)** (10 lines maximum)1. Do nothing.
2. Ten proposals for changes to the law governing insolvency proceedings are considered in this assessment. As the relevant provisions are in legislation they can only be changed by amending legislation.

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| **Will the policy be reviewed?** No. | **If applicable, set review date:** Month/Year |

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| **Cost of Preferred (or more likely) Option** |
| **Total outlay cost for business** £ | **Total net cost to business per year** £ | **Annual cost for implementation by Regulator** £ |
| 104,544 | 0 | 0 |

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| **Does Implementation go beyond minimum EU requirements?** | **NO** **[x]**  | **YES** **[ ]**  |
| Are any of these organisations in scope? | **Micro**Yes [x]  No [ ]  | **Small**Yes [x]  No [ ]  | **Medium** Yes [x]  No [ ]  | **Large**Yes [x]  No [ ]  |

**The final RIA supporting legislation must be attached to the Explanatory Memorandum and published with it.**

Approved by: Richard Monds Date: 16/2/22

Summary: Analysis and Evidence - overall Policy Option 1

Description: Proposed changes to the law governing insolvency proceedings.

**ECONOMIC ASSESSMENT (Option 1)**

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| **Costs (£)** | **Total Transitional (Policy)** | **Average Annual (recurring)** | **Total Cost** |
|  | (constant price) | Years | (excl. transitional) (constant price) | (Present Value) |
| **Low** | **Optional** | **1** | **Optional** | **Optional** |
| **High** | **Optional** | **Optional** | **Optional** |
| **Best Estimate** | **109,677** | **0** |  **109,677** |
| **Description and scale of key monetised costs by ‘main affected groups’** Five of the ten proposalswill incur some transition costs, mainly incurred by the 66 active insolvency practitioners in the UK who regularly take Northern Ireland cases and the Official Receiver and his staff, in familiarising themselves with legislative changes.The total cost associated with all five proposals is £0.2 million. |
| **Other key non-monetised costs by ‘main affected groups’** Maximum 5 linesN/A |
| **Benefits (£)** | **Total Transitional (Policy)** | **Average Annual (recurring)** | **Total Benefit** |
|  | (constant price) | Years | (excl. transitional) (constant price) | (Present Value) |
| **Low** | **Optional** | **10** |  **Optional** | **N/A** |
| **High** | **Optional** |  **Optional** | **N/A** |
| **Best Estimate** | **0** | **390,624** | **3,362,366** |
| **Description and scale of key monetised benefits by ‘main affected groups’** Maximum 5 lines The monetised benefit relates to a package of measures designed to improve the efficient working of all insolvency procedures. The direct beneficiaries are office holders and creditors. The total benefits associated with implementation of all the measures considered in this assessment are estimated at £0.39m pa (see evidence base).  |
| **Other key non-monetised benefits by ‘main affected groups’** Maximum 5 linesSee evidence base |
| **Key Assumptions, Sensitivities, Risks** Maximum 5 linesSee evidence base |

**BUSINESS ASSESSMENT (Option** 1**)**

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| **Direct Impact on business (Equivalent Annual) £** |
| **Costs: 0** | **Benefits: 361,563** | **Net: 361,563** |

**Cross Border Issues (Option** 1**)**

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| **How does this option compare to other UK regions and to EU Member States (particularly Republic of Ireland)** The proposed changes correspond to ones made in England and Wales, some of which also extend to Scotland. Others do not extend to Scotland as Scotland has its own bankruptcy legislation. We have no information on relevant legislation in EU Member States. |

Summary: Analysis and Evidence Proposal 1 Policy Option 1

Description: Removal of requirement to seek sanction for certain actions in liquidation and bankruptcy.

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| **Costs (£)** | **Total Transitional (Policy)** | **Average Annual (recurring)** | **Total Cost** |
|  | (constant price) | Years | (excl. transitional) (constant price) | (Present Value) |
| **Low** | **Optional** |  | **Optional** | **Optional** |
| **High** | **Optional** | **Optional** | **Optional** |
| **Best Estimate** | **0** | **0** | **0** |
| **Description and scale of key monetised costs by ‘main affected groups’** Maximum 5 linesNone.  |
| **Other key non-monetised costs by ‘main affected groups’** Maximum 5 linesN/A |
| **Benefits (£)** | **Total Transitional (Policy)** | **Average Annual (recurring)** | **Total Benefit** |
|  | (constant price) | Years | (excl. transitional) (constant price) | (Present Value) |
| **Low** | **Optional** |  | **Optional** | **Optional** |
| **High** | **Optional** | **Optional** | **Optional** |
| **Best Estimate** | **0** | **45,452** | **391,237** |
| **Description and scale of key monetised benefits by ‘main affected groups’** Maximum 5 lines The monetised benefit relates to the removal of the requirement to obtain sanction to exercise certain powers. The savings represent the time costs directly associated with making sanction applications. These are estimated at £45,452 pa (see evidence base).  |
| **Other key non-monetised benefits by ‘main affected groups’** Maximum 5 lines There will be administrative savings for Government in no longer having to process sanction applications from insolvency practitioners. Since these savings accrue to the public sector and are negligible in proportion to the savings attributable to insolvency practitioners and the Official Receiver from not having to prepare applications they have not been quantified in this assessment.  |
| **Key Assumptions, Sensitivities, Risks** Maximum 5 linesThat the cost to apply for sanction in compulsory winding up or bankruptcy is £400 in the case of an IP and £21 in the case of the Official Receiver and that the cost for an IP to apply for sanction in the case of a creditor’s voluntary liquidation is £295. |

**BUSINESS ASSESSMENT (Option** 1**)**

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| **Direct Impact on business (Equivalent Annual) £** |  |  |
| **Costs:** | **Benefits:** | **Net:** |  |  |

**Cross Border Issues (Option** 1**)**

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| **How does this option compare to other UK regions and to EU Member States (particularly Republic of Ireland)** The requirement to seek sanction for certain actions in liquidations has been abolished in GB and the requirement to seek permission for certain actions in bankruptcies has been abolished in England and Wales. Scotland has its own bankruptcy legislation and we have no information on practice in EU Member States**.** |

Summary: Analysis and Evidence Proposal 2 Policy Option 1

Description: Removal of meetings of creditors as the default position in insolvencies

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| **Costs (£)** | **Total Transitional (Policy)** | **Average Annual (recurring)** | **Total Cost** |
|  | (constant price) | Years | (excl. transitional) (constant price) | (Present Value) |
| **Low** | **Optional** |  | **Optional** | **Optional** |
| **High** | **Optional** | **Optional** | **Optional** |
| **Best Estimate** | **26,136** | **0** | **26,136** |
| **Description and scale of key monetised costs by ‘main affected groups’** Maximum 5 linesThe end to meetings of creditors as the default option for creditor engagement will have transitional costs for insolvency practitioners. It is anticipated that the familiarisation costs will be around £396 per insolvency practitioner, and there are 66 insolvency practitioners in the UK who routinely take Northern Ireland cases. |
| **Other key non-monetised costs by ‘main affected groups’** Maximum 5 linesN/A |
| **Benefits (£)** | **Total Transitional (Policy)** | **Average Annual (recurring)** | **Total Benefit** |
|  | (constant price) | Years | (excl. transitional) (constant price) | (Present Value) |
| **Low** | **Optional** |  | **Optional** | **Optional** |
| **High** | **Optional** | **Optional** | **Optional** |
| **Best Estimate** | **0** | **32,347** | **278,432** |
| **Description and scale of key monetised benefits by ‘main affected groups’** Maximum 5 lines The monetised benefit relates to reductions in the cost of administering insolvencies by providing for alternative ways of taking decisions to replace creditors’ meetings. These savings relate to physical cost – e.g. room hire – and all parties time costs. This has been calculated at £32,347 pa (see evidence base).  |
| **Other key non-monetised benefits by ‘main affected groups’** Maximum 5 linesN/A |
| **Key Assumptions, Sensitivities, Risks** Maximum 5 linesSee evidence base.  |

Summary: Analysis and Evidence Proposal 3 Policy Option 1

Description: Doing away with the requirement to hold final meetings in liquidations and bankruptcies.

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| **Costs (£)** | **Total Transitional (Policy)** | **Average Annual (recurring)** | **Total Cost** |
|  | (constant price) | Years | (excl. transitional) (constant price) | (Present Value) |
| **Low** | **Optional** |  | **Optional** | **Optional** |
| **High** | **Optional** | **Optional** | **Optional** |
| **Best Estimate** | **26,136** | **0** | **26,136** |
| **Description and scale of key monetised costs by ‘main affected groups’** Maximum 5 linesDoing away with final meetings of creditors and in the case of companies, members, will have transitional costs for insolvency practitioners. It is anticipated that the familiarisation costs will be around £396 per insolvency practitioner, and there are 66 insolvency practitioners in the UK who routinely take Northern Ireland cases. |
| **Other key non-monetised costs by ‘main affected groups’** Maximum 5 linesN/A |
| **Benefits (£)** | **Total Transitional (Policy)** | **Average Annual (recurring)** | **Total Benefit** |
|  | (constant price) | Years | (excl. transitional) (constant price) | (Present Value) |
| **Low** | **Optional** |  | **Optional** | **Optional** |
| **High** | **Optional** | **Optional** | **Optional** |
| **Best Estimate** | **0** | **91,234** | **785,313** |
| **Description and scale of key monetised benefits by ‘main affected groups’** Maximum 5 lines The monetised benefit relates to reductions in the cost of administering insolvencies by doing away with the requirement to call meetings of creditors, and in the case of companies, members, for the purpose of laying before them an account of the proceedings. These savings relate to physical cost – e.g. room hire – and all parties time costs. This has been calculated at £91,234 pa (see evidence base).  |
| **Other key non-monetised benefits by ‘main affected groups’** Maximum 5 linesN/A |
| **Key Assumptions, Sensitivities, Risks** Maximum 5 linesSee evidence base.  |

Summary: Analysis and Evidence Proposal 4 Policy Option 1

Description: Removal of requirement for liquidator to be present at an ‘Article 84’ meeting of creditors in creditors’ voluntary liquidation.

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| **Costs (£)** | **Total Transitional (Policy)** | **Average Annual (recurring)** | **Total Cost** |
|  | (constant price) | Years | (excl. transitional) (constant price) | (Present Value) |
| **Low** | **Optional** |  | **Optional** | **Optional** |
| **High** | **Optional** | **Optional** | **Optional** |
| **Best Estimate** | **26,136** | **0** | **26,136** |
| **Description and scale of key monetised costs by ‘main affected groups’** Maximum 5 linesDoing away with final meetings of creditors and in the case of companies, members, will have transitional costs for insolvency practitioners. It is anticipated that the familiarisation costs will be around £396 per insolvency practitioner, and there are 66 insolvency practitioners in the UK who routinely take Northern Ireland cases. |
| **Other key non-monetised costs by ‘main affected groups’** Maximum 5 linesN/A |
| **Benefits (£)** | **Total Transitional (Policy)** | **Average Annual (recurring)** | **Total Benefit** |
|  | (constant price) | Years | (excl. transitional) (constant price) | (Present Value) |
| **Low** | **Optional** |  | **Optional** | **Optional** |
| **High** | **Optional** | **Optional** | **Optional** |
| **Best Estimate** | **0** | **3,844** | **33,088** |
| **Description and scale of key monetised benefits by ‘main affected groups’** Maximum 5 lines The monetised benefit relates to reductions in the cost of administering company voluntary arrangements by providing that if creditors succeed in requisitioning a physical meeting at which to exercise their right to choose a liquidator, the liquidator chosen by the company will not have to attend. These savings relate to the liquidator’s time and have been calculated at £3,844 pa (see evidence base).  |
| **Other key non-monetised benefits by ‘main affected groups’** Maximum 5 linesN/A |
| **Key Assumptions, Sensitivities, Risks** Maximum 5 linesSee evidence base.  |

Summary: Analysis and Evidence Proposal 5 Policy Option 1

Description: Allowing creditors to opt out of receiving certain notices.

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| **Costs (£)** | **Total Transitional (Policy)** | **Average Annual (recurring)** | **Total Cost** |
|  | (constant price) | Years | (excl. transitional) (constant price) | (Present Value) |
| **Low** | **Optional** |  | **Optional** | **Optional** |
| **High** | **Optional** | **Optional** | **Optional** |
| **Best Estimate** | **£13,068** | **0** | **£13,068** |
| **Description and scale of key monetised costs by ‘main affected groups’** Maximum 5 linesA transitional familiarisation cost to appointment taking insolvency practitioners (66 in the UK who routinely take Northern Ireland cases) will be associated with creditors being given the right to opt out of receiving further correspondence from the insolvency office-holder. It is anticipated the familiarisation costs of this measure will be around £198 per insolvency practitioner.  |
| **Other key non-monetised costs by ‘main affected groups’** Maximum 5 linesN/A |
| **Benefits (£)** | **Total Transitional (Policy)** | **Average Annual (recurring)** | **Total Benefit** |
|  | (constant price) | Years | (excl. transitional) (constant price) | (Present Value) |
| **Low** | **Optional** |  | **Optional** | **Optional** |
| **High** | **Optional** | **Optional** | **Optional** |
| **Best Estimate** | **0** | **166,995** | **1,437,440** |
| **Description and scale of key monetised benefits by ‘main affected groups’** Maximum 5 lines The monetised benefit relates to the reduction in the costs of communicating information to creditors. This has been calculated at £166,995 pa (see evidence base).  |
| **Other key non-monetised benefits by ‘main affected groups’** Maximum 5 linesN/A |
| **Key Assumptions, Sensitivities, Risks** Maximum 5 linesSee evidence base.  |

Summary: Analysis and Evidence Proposal 6 Policy Option 1

Description: To double the period for which an administrator’s appointment can be extended with the consent of creditors to one year.

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| **Costs (£)** | **Total Transitional (Policy)** | **Average Annual (recurring)** | **Total Cost** |
|  | (constant price) | Years | (excl. transitional) (constant price) | (Present Value) |
| **Low** | **Optional** |  | **Optional** | **Optional** |
| **High** | **Optional** | **Optional** | **Optional** |
| **Best Estimate** | **0** | **0** | **0** |
| **Description and scale of key monetised costs by ‘main affected groups’** Maximum 5 linesNone.  |
| **Other key non-monetised costs by ‘main affected groups’** Maximum 5 linesN/A |
| **Benefits (£)** | **Total Transitional (Policy)** | **Average Annual (recurring)** | **Total Benefit** |
|  | (constant price) | Years | (excl. transitional) (constant price) | (Present Value) |
| **Low** | **Optional** |  | **Optional** | **Optional** |
| **High** | **Optional** | **Optional** | **Optional** |
| **Best Estimate** |  | **15,000** | **129,115** |
| **Description and scale of key monetised benefits by ‘main affected groups’** Maximum 5 lines Administrators could be expected to save on the cost of applications to Court to have administrations extended beyond 18 months and these savings could be expected to be passed on to creditors. The amount is estimated at £15,000. |
| **Other key non-monetised benefits by ‘main affected groups’** Maximum 5 linesN/A |
| **Key Assumptions, Sensitivities, Risks** Maximum 5 linesSee evidence base. |

Summary: Analysis and Evidence Proposal 7 Policy Option 1

Description: removal of the need for creditors to claim for small debts

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| --- | --- | --- | --- |
| **Costs (£)** | **Total Transitional (Policy)** | **Average Annual (recurring)** | **Total Cost** |
|  | (constant price) | Years | (excl. transitional) (constant price) | (Present Value) |
| **Low** | **Optional** |  | **Optional** | **Optional** |
| **High** | **Optional** | **Optional** | **Optional** |
| **Best Estimate** | **13,068** | **0** | **13,068** |
| **Description and scale of key monetised costs by ‘main affected groups’** Maximum 5 linesRemoving the need for creditors to claim for small debts will have transitional costs for appointment taking insolvency practitioners as they familiarise themselves with this measure. It is anticipated that the familiarisation costs of will be around £198 per insolvency practitioner and there are 66 insolvency practitioners in the UK who routinely take Northern Ireland cases.  |
| **Other key non-monetised costs by ‘main affected groups’** Maximum 5 linesN/A |
| **Benefits (£)** | **Total Transitional (Policy)** | **Average Annual (recurring)** | **Total Benefit** |
|  | (constant price) | Years | (excl. transitional) (constant price) | (Present Value) |
| **Low** | **Optional** |  | **Optional** | **Optional** |
| **High** | **Optional** | **Optional** | **Optional** |
| **Best Estimate** | **0** | **33,634** | **289,510** |
| **Description and scale of key monetised benefits by ‘main affected groups’** Maximum 5 lines: Creditors will save the cost for the time it would take to complete claims and the Insolvency Service and insolvency practitioners will save on the cost for the time it would take to scrutinise claims. It has been estimated that the savings would amount to £33,634.  |
| **Other key non-monetised benefits by ‘main affected groups’** Maximum 5 linesN/A |
| **Key Assumptions, Sensitivities, Risks** Maximum 5 linesSee evidence base.  |

Summary: Analysis and Evidence Proposal 8 Policy Option 1

Description: For the Official Receiver to become trustee straightaway on the making of a Bankruptcy Order

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| **Costs (£)** | **Total Transitional (Policy)** | **Average Annual (recurring)** | **Total Cost** |
|  | (constant price) | Years | (excl. transitional) (constant price) | (Present Value) |
| **Low** | **Optional** |  | **Optional** | **Optional** |
| **High** | **Optional** | **Optional** | **Optional** |
| **Best Estimate** | **0** | **0** | **0** |
| **Description and scale of key monetised costs by ‘main affected groups’** Maximum 5 linesBeyond familiarisation costs which can be absorbed by in-house training and via information through internal publications, there are minimal costs. |
| **Other key non-monetised costs by ‘main affected groups’** Maximum 5 linesNone. |
| **Benefits (£)** | **Total Transitional (Policy)** | **Average Annual (recurring)** | **Total Benefit** |
|  | (constant price) | Years | (excl. transitional) (constant price) | (Present Value) |
| **Low** | **Optional** |  | **Optional** | **Optional** |
| **High** | **Optional** | **Optional** | **Optional** |
| **Best Estimate** | **0** | **2,118** | **18,231** |
| **Description and scale of key monetised benefits by ‘main affected groups’** Maximum 5 lines The main affected group is the Official Receiver’s office which will see a reduction in costs and time spent in the production and issuing of no meeting notices.  has been calculated at a total of £3,378.  |
| **Other key non-monetised benefits by ‘main affected groups’** Maximum 5 linesThe Official Receiver’s office will have more time to carry out the daily administration and where appropriate, investigation of insolvent estates. The Court, insolvency practitioners and creditors will have reduced paperwork, generating administrative savings and introducing consistency with other insolvency procedures.  |
| **Key Assumptions, Sensitivities, Risks** Maximum 5 linesThe calculations for the savings to the Insolvency Service are based on 2019/20 costings for Official Receiver staff time. If bankruptcy and company numbers and staffing costs increase or decrease the estimated cost will vary accordingly.  |

**Evidence Base**

1. There is discretion for departments and organisations as to how to set out the evidence base. It is however desirable that the following points are covered:-
* problem under consideration;
* rationale for intervention;
* policy objective;
* description of options considered (including do nothing), with reference to the evidence base to support the option selection;
* monetised and non-monetised costs and benefits of each option (including administrative burden);
* rationale and evidence that justify the level of analysis used in the RIA (proportionality approach);
* risks and assumptions;
* direct costs and benefits to business; and
* Wider impacts (in the context of other Impact Assessments in Policy Toolkit Workbook 4, economic assessment and NIGEAE).

**Problem under consideration**

1. If sufficient money is raised from the sale of the debtor’s assets creditors in insolvencies will receive a dividend. Before money is distributed to creditors, the office-holder’s fees must be paid together with other administrative expenses. Administering an insolvency is often viewed by creditors as an expensive matter. Insolvency practitioners appointed as office-holders in insolvency proceedings charge their fees to the insolvent company/individual’s estate, which reduces the money available for the ultimate beneficiaries, the creditors. It is therefore the case in insolvency proceedings that reducing a regulatory burden results in a saving to the creditors, even if the office-holder is the one relieved of the burden.
2. As the office-holder is permitted to charge the insolvent estate for all work necessary in the administration of the proceedings, not having to do a particular task means no charge is made to the estate, reducing the costs that are taken from the estate before funds can be distributed to creditors. As part of the Government at Westminster’s Red Tape Challenge (‘RTC’), in 2012 the Insolvency Service in GB asked stakeholders to comment on the current statutory framework and identify areas where unnecessary regulation could be removed, making insolvency proceedings more efficient, with the ultimate aim of improving returns to creditors.
3. Stakeholders responded by highlighting particular provisions of the current framework that appeared unnecessary or outdated in the light of developments in the wider insolvency landscape and society as a whole. These developments include technological advances and changes to business custom and practice. The Insolvency Service in GB analysed these responses and proposed a package of measures aimed at modernising the insolvency framework and reducing unnecessary burdens.
4. Those measures requiring changes to primary legislation were included in the Small Business, Enterprise and Employment Act 2015. They will modernise the insolvency framework by changing the law to allow more modern methods of communications and decision-making in insolvency proceedings and will reduce unnecessary regulatory burdens where the original reason for regulation no longer remains.
5. There is a need to replicate these measures for Northern Ireland. The measures are,

 **Removal of requirement to seek sanction for certain actions in liquidation and bankruptcy**

1. This proposal is to remove the requirement for liquidators and trustees to obtain sanction to exercise certain powers, thereby enabling them to exercise all powers contained within the Insolvency (Northern Ireland) Order 1989 without sanction.
2. Office-holders in liquidations and bankruptcies require sanction (a form of permission) to exercise certain powers in the administration of the liquidation/bankruptcy. Such powers include, in bankruptcies, the power to bring, institute or defend any action or legal proceedings relating to the property comprised in the estate.
3. This requirement to obtain sanction to undertake certain actions exists to protect the insolvent estate, largely by restricting the exercise of certain powers that have a risk of resulting in a negative financial impact. This could for example include the commencement of certain legal proceedings, where an unsuccessful outcome may result in a reduced return to creditors.
4. In bankruptcies and compulsory winding-ups, sanction for these actions is currently required from the creditors’ committee, or where there is none, from the Department for the Economy (“the Department”) or the Court. Creditors’ committees are extremely rare (thought to be formed in around 3 per cent of cases) so sanction is usually sought from the Department which is considered less costly than an application to the Court. In CVLs sanction may be obtained from the creditors’ committee, the Court, or creditors in a general meeting. The latter route is considered less costly than an application to the Court.
5. As regulated professionals, IPs acting as office-holders in liquidations and bankruptcies are expected to act in the interests of creditors and should not undertake actions that are likely to have a negative financial impact on the estate. Such conduct may give rise to disciplinary concerns which may be addressed through the regulatory system. The requirement to seek sanction therefore imposes a burden that adds no practical value to the administration of a liquidation or bankruptcy.
6. Removing the requirement to seek sanction in most cases would also bring the provisions for liquidations and bankruptcies into line with administration, in that administrators do not require sanction for any of the acts, which if undertaken by a trustee or liquidator would require sanction (see Annex A for definitions of these terms).

 **Removing meetings of creditors as the default position in insolvencies**

1. At a meeting of creditors, attendees are able to vote on proposals and give their approval to the office holder for certain actions, for example agreeing a voluntary arrangement proposal, or approving an office holder’s remuneration or release from office. Proposals approved at meetings are often clearly in the best interests of the creditors, and holding the meeting is an unnecessary formality. Because of this, meetings are often poorly attended, or sometimes not attended at all, and the cost of this often-unnecessary process is borne by creditors through expenses incurred by the office holder.
2. Legislation giving insolvency practitioners the option of holding meetings remotely was in operation in England and Wales for several years prior to it becoming mandatory to hold them in this way. Provision which would have given insolvency practitioners in Northern Ireland the option of holding meetings remotely was included in the Insolvency (Amendment) Act (Northern Ireland) 2016. However, feedback from stakeholders in England and Wales indicated that the option of holding meetings remotely was little used. Associated rules would be needed before the provisions in the Insolvency (Amendment) Act (Northern Ireland) 2016 creating the option of remote meetings could be brought into operation. For these reasons it has been decided that it would be better not to bring the Northern Ireland provisions into operation and to proceed directly to making it mandatory for meetings to take place virtually, unless a specified number or proportion of creditors object.
3. This proposal is to change the process so that a physical meeting of creditors will no longer be the default mechanism for seeking the approval of creditors to proposals in insolvency proceedings and will result in a reduction in the number of physical meetings of creditors that will be held. In most cases the office holder will be able to use a process of deemed consent, where they write to creditors with a proposal, and it will be deemed to be approved unless 10% or more of creditors by number or value, or a minimum of 10 creditors, object. In the event that 10% or more of creditors by number or value, or 10 or more creditors object to the proposal the office holder will have to use an alternative decision making process. The use of deemed consent will not be permitted for certain decisions and these will have to be made using alternative decision making processes. Decisions which will have to be made in this way include the approval of individual or company voluntary arrangements, removal or replacement of an office holder, and approval of an office holder’s remuneration.
4. The form that an alternative decision making process takes will be at the discretion of the office holder, with one exception. An office holder may only call a physical meeting of creditors if (and only if) this has been requested by 10% or more of creditors by value/volume or 10 individual creditors, and it is open to them to do this at any time that their consent or approval is sought. This means that the expense of calling a physical meeting will only be incurred and charged to the insolvency estate where creditors have asked for one, so unnecessary charges will be avoided.
5. Otherwise office holders may decide to use remote meetings, correspondence, a method of electronic voting, or any method by which they can engage with creditors without a physical meeting taking place. Future regulation by insolvency practitioners’ regulatory bodies will include assessment of the extent to which office holders are providing value for money by using the most appropriate mechanism for decision making.
6. Where a meeting of creditors is held to allow the creditors to vote on the appointment of a liquidator in creditors’ voluntary liquidations (see Annex A), and a liquidator has previously been appointed at a meeting of the company itself, that liquidator will not be required to be present at the meeting in person, but may instead be represented by a suitably experienced official.
7. The meetings affected (and savings calculated on below) are: creditors’ meetings in a creditors’ voluntary liquidation (also known as an ‘Article 84 meeting’); first meetings in a compulsory winding up or bankruptcy; a meeting to consider an administrator’s proposals; a creditors’ meeting to consider a proposal for a company voluntary arrangement or an individual voluntary arrangement.

**Abolition of final meetings**

1. Final meetings of creditors in liquidation and bankruptcy proceedings are held to allow the office holder to give a concluding report on the administration of the insolvency proceedings. The office holder would normally obtain their release from office upon reporting the outcome of the meeting to the Registrar of Companies (liquidation) or the Court (bankruptcy), but creditors may resolve against the release at the final meeting, in which case the office holder would need to seek their release by application to the Department (the effect of the release is that the office holder’s liability for the administration of the proceedings ends). However these meetings have been found to have little value and are rarely, if ever, attended by creditors. This proposal scraps all final meetings of creditors where they occur – creditors’ voluntary liquidation, compulsory liquidation where someone other than the Official Receiver is liquidator, and bankruptcy where someone other than the Official Receiver is trustee. Final meetings of members (shareholders) in members’ voluntary liquidations will also be scrapped. It will still be necessary for the office holder to engage with creditors by sending them a copy of the final account of the administration, and creditors will continue to be able to object to the release of the office holder upon receipt of that document by notifying the office holder of their objection.

**Removal of requirement for liquidator to be present at an ‘Article 84’ meeting of creditors in creditors’ voluntary liquidation**

1. A creditors’ voluntary liquidation (‘CVL’) commences when a company, at a general meeting, passes a resolution that it be wound up. The company will also appoint a liquidator to wind up the company’s affairs at this meeting.
2. Under current legislation where the company is insolvent (i.e. its liabilities are in excess of its assets), it must call a meeting of the company’s creditors, to be held within 14 days of the day of the company’s meeting. At this meeting, which is sometimes known as an “Article 84 meeting” because that is the Article of the Insolvency (Northern Ireland) Order 1989 under which it is called, the creditors can choose their own liquidator. If they do, their choice replaces that of the company; if they do not, the company’s choice of liquidator continues. These meetings take place in all CVLs, other than those immediately preceded by an administration.
3. The law requires that the liquidator be present at this meeting of creditors. This is the only meetings provision throughout Northern Ireland insolvency legislation that requires the office-holder himself or herself to attend. Such meetings could last for an hour, or more.
4. As part of the policy of doing away with physical meetings as the normal mechanism for creditors for reaching decisions it is proposed to repeal Article 84. Article 141(4) which is the provision creating the requirement for the liquidator to attend creditors meetings held under Article 84 would also be repealed. Article 86 would be amended to oblige the directors of the company to seek a nomination for a liquidator from the company’s creditors. The process for doing so is to be in accordance with Rules and will only involve a physical meeting if one is requested by a specified percentage of creditors.

**Opting out of further correspondence**

1. It is important that creditors are kept informed of the progress of insolvency proceedings, and the legislation provides that they receive notices such as the results of decision making processes, progress reports, and receipts and payments accounts from the office holder.
2. In some cases individual creditors may form the opinion that they have limited interest in the progress of the proceedings because it has become clear that there is little or no likelihood of a return to them. In those cases receipt of the notices may add little value in terms of their engagement in the proceedings, and add to the administrative cost to the creditors in dealing with the notices. This proposal is to allow creditors to opt out of receiving further correspondence. Upon receiving this notification there will be an obligation on the part of the office holder to send no further correspondence to that creditor.
3. Notices of intended dividends (payments to creditors) will not be subject to this provision, and if a creditor has previously opted out of receiving further correspondence they will still receive such notices if issued by the office holder. The creditor will be able to opt back in to receiving correspondence at any time.
4. This will reduce unnecessary paperwork from being produced and issued by the insolvency office-holder and being disposed of, unread, by the creditor. It will apply across all insolvency proceedings.

**Administration extensions**

1. Administration automatically ends after one year, a feature designed to emphasise that the administrator should progress matters expeditiously to allow for the swift resolution of the administration. Administrations can however be extended either by creditors consenting to the extension or by applying to the Court for permission to extend. Creditors can only consent to an administration being extended for a period of up to 6 months.
2. This measure will permit creditors to consent to an administration being extended for a period of up to 12 months.

**Allowing an office-holder to pay a dividend in respect of a debt of less than £1,000 without the need for the creditor to submit a formal claim**

1. To receive a dividend in an insolvency, a creditor must first submit a claim to the office-holder, which must contain certain statutory information. The office-holder may ask for further evidence from the creditor if thought necessary. Such claims must be scrutinised by the office-holder prior to distribution of any available dividend.
2. This measure will streamline the process of distributing funds from an insolvent estate by reducing the cost on the creditor of claiming money and on the insolvency office-holder in verifying claims and of the distribution itself.
3. By scrapping the requirement that a creditor need submit a claim for debts of less than £1,000 but instead permit the insolvency office-holder to rely upon the debtor’s own records, a burden is lifted from both the office-holder and from the creditor.

**Official Receiver to be appointed trustee on the making of a bankruptcy order**

1. The Insolvency (Northern Ireland) Order 1989 currently provides that when the Court makes a bankruptcy order the Official Receiver is appointed receiver and manager of the bankrupt’s estate unless the Court appoints an insolvency practitioner. This means that the Official Receiver’s duties are limited to protecting the estate and dealing with any urgent realisations of assets that are required pending the appointment of a trustee. In many bankruptcy cases it is the Official Receiver who is subsequently appointed as the trustee, who then has full powers to deal with all the assets. For the Official Receiver to become trustee he has to file a ‘no meeting’ notice in the High Court.
2. The initial appointment as receiver and manager has not been shown to have any practical benefit in the administration of bankruptcy cases and serves to delay the realisation of assets. This measure would change the process so that the Official Receiver becomes trustee on the making of a bankruptcy order, unless the Court orders otherwise. This would eliminate the need for a no meeting notice to be filed in Court and sent to creditors. It would enable the Official Receiver to exercise the powers of a trustee sooner which would benefit the creditors. In suitable cases the Official Receiver will be in a position to apply to the Department more promptly to have a replacement trustee appointed. Creditors would continue to be notified of the Official Receiver’s decision not to call a meeting to appoint a trustee through a copy of the ‘no meeting’ notice being included as part of the Official Receiver’s report to creditors.

 **Clarification that a court application under paragraph 66 of Schedule B1 to the Insolvency (Northern Ireland) Order 1989 is not required where an administrator intends to make a prescribed part payment to unsecured creditors.**

1. In administration procedures there is a provision whereby unsecured creditors receive a proportion of the proceeds of assets realised which are subject to a floating charge. The reason for this is that preferential creditors are paid ahead of floating charge holders, and historically certain debts to Crown departments were given preferential status. The law changed in 2006 to remove that preferential status, and an equivalent amount of money which would otherwise have been paid to those creditors who were no longer preferential was used to provide returns to unsecured creditors instead. The amount which must be paid to unsecured creditors this way is known as the “prescribed part” and the method of calculating it is provided for in statute.
2. Where there are funds to pay to unsecured creditors in administration proceedings other than through the prescribed part, the office holder must consider whether the administration proceedings should be converted into a liquidation, which provides for more engagement of that class of creditor. However this may not always be desirable, and under circumstances where there are funds to pay to non-preferential unsecured creditors, the office holder must seek the Court’s permission to do so. The current legislation also suggests permission from the Court is needed before payments can be made from the prescribed part. As such payments are routine, the Government does not believe permission should be required in such cases. The measure therefore removes the need to seek court permission.
3. No savings have been calculated in relation to this measure as a certain degree of ambiguity in the current legislation may have led to many practitioners interpreting the law as not requiring permission so this may reflect common practice. As prescribed part payments may be being made without court permission (though no date is held to confirm the extent), whilst this measure should deliver some savings to business, it is not possible to quantify them.

**Abolition of Fast Track Voluntary Arrangements**

1. FTVAs are a streamlined individual voluntary arrangement (IVA) procedure for cases where a debtor has already been made bankrupt. They are dealt with by the Official Receiver rather than insolvency practitioners. There has never been a FTVA in Northern Ireland which indicates they do not meet a need in the market place so they are to be abolished.
2. As the Official Receiver is the only person capable of acting as the office-holder, only individual debtors are eligible for FTVAs, and creditors will not be affected as individual debtors may apply for an IVA instead of a FTVA, there is no financial impact on business. It is also thought there will be no financial impact on the Official Receiver as no FTVAs have been entered into in Northern Ireland.

**Rationale for intervention**

1. The current insolvency framework governs the administration of insolvency proceedings and provides the processes by which an insolvency office-holder deals with the assets of a debtor so that money can be returned to creditors. The current framework is not without its flaws and has not fully kept up to date as the business environment has evolved. This measures considered in this assessment are aimed at addressing these shortcomings.
2. The overarching rationale for intervention is to remove barriers to the efficient administration of insolvency proceedings. This will be achieved by modernising the insolvency framework and reducing unnecessary regulatory burdens. This will drive down the cost of administering insolvencies,

**Policy objective**

1. The policy objective is to save time and money spent administering insolvencies.

**Description of options considered (including do nothing);**

**Option 1: Do nothing**

1. The original rationale behind any given regulation may cease to apply over time because of changes in the business environment and for a variety of other reasons such as changes to the insolvency regime, changes to other legislation, technological developments and developments in business custom and practice.
2. Doing nothing would leave in place regulations which office-holders and others have to comply with but which have ceased to have any relevance and serve only as a burden that does not add value to insolvency proceedings. This would result in office-holders and others acting in ways that are inefficient, and as office-holders generally, charge their fees on a time/costs basis, lead to higher costs that have to be paid out of debtor’s estates, therefore reducing the funds available for distribution to creditors.

**Option 2: Amend the insolvency framework (Preferred option)**

1. This option would amend various parts of the current insolvency framework by implementing a package of measures aimed at modernising it and removing unnecessary burdens. This assessment sets out below the purpose and effect of each measure and the monetised benefits (where there are benefits).
2. As all of the individual measures contained in this impact assessment relate to processes that are mandated by legislation (due to the prescriptive nature of insolvency proceedings), the individual burdens that the measures in this assessment seek to alleviate can only be addressed by legislative change. This is true of all the measures.

**Monetised and non-monetised costs and benefits of preferred option Benefits**

1. The main cost savings result from efficiency savings in respect of the amount of time an office-holder or their staff have to spend completing certain tasks prescribed by the current framework. Most of the monetised impact is therefore a transfer as the time savings to the office-holder mean less is charged to the estate, which in turn results in an increased amount available for distribution to creditors. As a consequence of having to spend less time completing certain tasks, office-holders and their staff will gain an opportunity benefit which could be used to generate higher levels of income from more profitable activities.
2. Cost savings in insolvency proceedings where the Official Receiver acts as office-holder have the potential to result in lower fees which will be of direct benefit to creditors.

**Removal of requirement to seek sanction for certain actions in liquidation and bankruptcy**

1. The following assessment has been made of the possible savings associated with this proposal, based on data held by the Insolvency Service unit which deals with sanction requests and which is responsible for providing sanction on the Department’s behalf.
2. Sanction applications made pursuant to the provisions in the Insolvency (Northern Ireland) Order 1989 are generally made in respect of the commencement of legal proceedings, for example in relation to the recovery or realisation of property. The cost shown only represents that of directly making an application for sanction as it is expected that any legal or other consideration given as to whether to commence any particular action would need to be undertaken in any event.
3. In the case of bankruptcies and compulsory liquidations requests for sanction are made by the trustee or liquidator who can be either the Official Receiver or an insolvency practitioner.
4. Insolvency Service records show that Insolvency Practitioners made 112 requests to the Department for sanction in respect of compulsory winding-ups and bankruptcies during the financial year 2019/2020. We have assumed that in the case of CVLs, the number of requests would be broadly equivalent as a percentage of total cases as those in compulsory winding-ups (16.23 per cent) for the exercise of powers that require sanction in both types of liquidation (5.36 per cent of all sanction requests).
5. It is possible that there will be savings associated with the removal of the requirements to make sanction requests to creditors’ committees. However, although it is thought such committees are formed in only 3 per cent of cases, there is no data available with regard to the number of sanction requests that are made to them. Therefore such savings are considered unquantifiable.
6. It is thought that in CVLs, an application to court is the most expensive method of obtaining sanction. We have therefore assumed, in the absence of a creditors’ committee, the office-holder would seek sanction by way of resolution in a general meeting of creditors.
7. The Official Receiver applied for sanction in 16 bankruptcy cases and 1 compulsory liquidations during 2019/20. Preparation of sanction requests is carried out at EOII grade and is estimated to take half an hour. The hourly rate for staff at EOII grade in the scale rate in Schedule 1 to the Insolvency Regulations (Northern Ireland) 1996 (reproduced at Annex B to this document) is £42, so that the cost for half an hour of preparation time is £21.
8. There will also be some savings which accrue to government through the removal of the requirement to process sanction applications but these have not been quantified as the saving has no impact on business. As sanction requests are made to the Department not the Official Receiver, there is no provision for cost recovery, unlike in insolvency proceedings where the Official Receiver acts as the office-holder and recovers his costs through the case administration fee. In any event, any savings are expected to be very low.

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|   |  |  |  |  |
| **Procedure**  | CWU and bankruptcy (IPs) | CVL (IPs) | Bankruptcy (OR) | CWU (OR) |
| Number of sanction requests | 112 | 1\* | 16 | 1 |
| Cost per request £ | 400 | 295 | 21 | 21 |
| **Saving £**  | **£44,800** | **295** | **£336** | **£21** |

\*87 (number of CVL cases) X 0.134 (percentage of cases in which sanction requests are made) X 0.0536 (percentage of cases where the particular power sought is required for both CWUs and CVLs)

1. Key assumptions for this measure:
* Case numbers remain constant from 2019/2020.
* The incidence of the need to obtain sanction where required in CVLs is the same as in compulsory winding-ups. In those processes sanction requests are not made to the Department, so no data is available otherwise.
* Office-holders in CVLs would choose to seek sanction from creditors rather than the Court as this is a less expensive process.
* That the cost to an insolvency practitioner to make a sanction request in Northern Ireland is the same as stated in the impact assessment for England and Wales, £400 in the case of a compulsory winding up or bankruptcy, and £295 in the case of a creditors voluntary liquidation. There is no reason to believe that the figures would differ.
1. **Total saving from this measure - £45,452. The direct beneficiaries of the changes are office holders (IPs and ORs) who will no longer be required to incur the cost of seeking a sanction.** In the case of IPs, creditors will directly benefit from increased assets available for distribution.
2. Creditors generally include businesses, employees and HMRC, so a proportion of the benefit to creditors from this measure will accrue to non business. The priority of payments to creditors is determined in statute and analysis undertaken in GB of a random unweighted sample of 125 records filed at Companies House over a 3 year period and an OFT market study of insolvency practitioners estimated that non businesses accounted for around 10 per cent of the returns to creditors. There is no reason to believe that the percentage would be different in Northern Ireland.

**Removing meetings of creditors as the default position in insolvencies**

1. It is not anticipated that there will be any cost to using the deemed consent process over and above what would have been incurred had the office holder sent notices to creditors in advance of a meeting because under most circumstances the office holder will not be required to do anything further after the notices have been sent.
2. Where a physical meeting does not take place, the insolvency office-holder will still be required to share information with creditors. For example, where creditors do not request an administrator to call a meeting of creditors to consider his/her proposals based on the circumstances of the case, he/she would still be expected to draft those proposals and communicate them to creditors. Accordingly, there is no saving on the time spent on preparing documents that might otherwise have been discussed at a meeting as such documents will still need to be produced.
3. The saving from this proposal therefore relates to the physical cost of the meeting i.e. room hire and on the time cost of the office-holder and his/her staff in holding it.
4. We have taken as an assumption that there will be an initial 40% reduction in meetings of creditors. It is possible that some procedures will have a greater than 40% reduction but 40% was seen as prudent, because this will be ‘new ground’ for office-holders and creditors, who may feel that they would prefer to have meetings in some cases.
5. However it is envisaged that as creditors and office holders become accustomed to the new processes the number of physical meetings will reduce further, so that after 10 years there will be one-fifth of the physical meetings of creditors that there are now. For the purpose of calculating the savings, a graded reduction from 40% to 60% has been used, in varying increments.
6. This approach and the underlying assumptions are in line with those used in the impact assessment for GB. There is no reason to believe that the position in Northern Ireland would be different. This represents creditors and office holders becoming accustomed to the use of alternative decision making processes over time, and is considered to be a far more likely scenario than a drop to 30% immediately when the proposal becomes law.
7. In line with what has been done in the impact assessment for GB an upper bound estimate of 60% initial reduction to 85% after 10 years has also been included. However, when opinions were collected in GB the policy included fewer criteria for calling a physical meeting (only 10% by value of debt). Following legislative scrutiny additional criteria were added (10% by volume or 10 individual creditors) which would make it easier for creditors to call a meeting.
8. It has been pointed out in the GB impact assessment that this would make it more likely that the more conservative estimate of a 40% reduction in meetings is the best reflection of the impact on the number of meetings and the upper bound estimate is likely to be the case if and only if creditors significantly reduce the use of physical meetings. The lower bound has therefore been treated in the GB impact assessment as the best estimate.
9. As it is intended to include the same additional criteria in Northern Ireland legislation it is to be expected that the likely reduction in meetings in Northern Ireland will also be 40% and the lower bound estimate has therefore also been taken as the best estimate for Northern Ireland.
10. In GB the phasing out of physical meetings was done in two stages. The Legislative Reform (Insolvency) (Miscellaneous Provisions) Order 2010 gave insolvency practitioners the option of holding creditors’ meetings virtually. Provision included in the Small Business, Enterprise and Employment Act 2015 made the use of virtual meetings mandatory unless that a specified number or proportion of creditors objected.
11. Under the law as it stands, creditors’ meetings in Northern Ireland must be physical meetings. It is not intended to have a period during which the use of virtual meetings will be optional. Provision to allow creditors’ meetings to take place virtually was included in the Insolvency (Amendment) Act (Northern Ireland) 2016 but this is not going to be brought into operation. This is because associated rules would have to be made and it has been decided that it would be better to progress directly to abolition of physical meetings of creditors as the default position in insolvencies.
12. In the GB Impact Assessment, the expected savings from doing away with physical meetings of creditors as the default position in insolvencies had to be adjusted to take account of savings which had already occurred as a result of insolvency practitioners being given the option of holding creditors’ meetings virtually. The estimated savings were reduced by 8% in the case of administrations, 2% in the case of company and individual voluntary arrangements and zero per cent in the case of company voluntary liquidations, compulsory winding ups and bankruptcies.
13. Since the intention in Northern Ireland is to move directly from it not being possible to hold creditors’ meetings virtually to this being the norm, with no intervening period during which the use of virtual meetings would be optional, similar adjustment to the estimated savings in Northern Ireland is not required.
14. Case number estimates are based on actual published statistics for 2019/2020.
15. The cost of a meeting varies between procedures, according to the time required to conduct the meeting. Meetings in different procedures serve different requirements and so the length of time taken to conduct them varies, hence the varying values. See paragraphs 150, 153, 154 and 155 for details of how time/cost rates have been established for the purpose of this calculation.
16. The time/cost rates have been applied to the length of time estimated for the type of meeting being held. The Official Receiver works for the Insolvency Service, and the time taken for his staff to deal with meetings of creditors is known from first-hand experience. The assumptions as to the lengths of time taken to process meetings in the various types of insolvency proceedings as stated in the tables below are considered to be conservative estimates.
17. The length of the meetings themselves varies greatly with the insolvency process involved, and the level of creditor interest. For these calculations, the length of the meeting has not been considered, but rather the estimated amount of time taken for the various grades of staff to process it.
18. Room hire of £70 is added to the time-cost to make the final cost figure for a meeting. This reflects data on administrative burdens gathered by PricewaterhouseCoopers in 2005, commissioned by the government in GB. The 2005 figure (£54) has been adjusted for inflation to the midpoint in the 2019/2020 financial year, using the Consumer Price Index (CPI).
19. Where a physical meeting is not held and a decision is not made by the deemed consent procedure there will be an alternative decision making process. Various methods will be available for use by office holders, including meetings by correspondence (including email), remote/virtual meetings and telephone conferences, and electronic voting (where a website is used on which creditors may cast votes). The new processes are intended to encourage office holders and creditors to use new technology, and to use the cheapest available method, and in most cases there are no costs associated with this (see next paragraph). However in the case where there is a virtual or remote meeting, there will be a time cost to the office holder (but not room hire cost).
20. It is not anticipated that the time taken to undertake a virtual meeting will be any more or less than the time required to undertake a physical meeting. The proportion of cases in which a virtual or remote meeting is held is likely to be small, given the availability of deemed consent as well as other cheaper methods. Information included in a report on corporate insolvency published by the Office of Fair Trading In 2010 indicated that the use of virtual/remote meetings in England and Wales when they were optional varied according to the type of insolvency process, with administration being the process with the greatest uptake, at 8%, and some processes (creditors’ voluntary liquidation, compulsory liquidation, and bankruptcy) having no uptake at all.
21. Given that the purpose of the measure is to encourage the use of virtual/remote meetings, it has been assumed for the purposes of this calculation that the take-up for all processes will be 10%, which is slightly over the 8% figure for administrations, and the potential costs of virtual meetings has been assessed according to this figure. The figure for administration process is being used as the measure for virtual meetings in other processes because it is the most recently developed insolvency process and is the flagship process in terms of business rescue. **Note:** This has not been applied to individual voluntary arrangements, because 90% of these are already dealt with by correspondence, and it is expected that virtual meetings will only be held in 2% of cases.
22. As well as the calculation based on virtual meetings being held in 10% of cases sensitivity analysis has been conducted for their being held in 6% of cases (in the calculation based on the 6% figure the number of virtual meetings in administrations is taken to remain at 8%).
23. No other costs of any alternative decision-making processes which an office holder might use instead of a physical meeting have been taken into account. There are several reasons for this, as follows:
* In many cases where a physical meeting was previously held, a process of deemed consent will be used. This will involve the office holder sending out notices to creditors with a proposal, and if there is no objection to this no further notices will be sent. The cost of sending the notices under the deemed consent process will be no different from the cost of sending out notices to creditors informing them of a physical meeting.
* If either 10% of creditors by number or value, or 10 or more creditors, do not agree to the use of deemed consent, the office holder will be required to use an alternative decision-making process, and will need to send notices to creditors of this. However the use of deemed consent is discretionary, and office holders will be able to use their experience to identify situations where the creditors are unlikely to agree with its use. Nevertheless there will be a small number of occasions where the office holder will be unaware there are likely to be any objections until the notices are actually sent, and in those cases extra notices will have to be issued. In the calculations of the savings for reducing the number of physical meetings, no savings have been identified for the notices being sent out. However in some cases under the present system, for example where the meeting is adjourned or rearranged, an extra set of notices may need to be issued. No savings have been identified with sending these extra notices, so it is considered reasonable not to include the potential costs of extra notices in a small number of cases under the proposed new processes.
* Office holders are being asked to use the most appropriate method of engaging with creditors, which will be the most efficient, and in many cases, the cheapest way. Their adherence to these principles will be a part of the checks carried out by their regulatory bodies.
* It is considered a reasonable assumption that, despite the provisions in the Insolvency (Amendment) Act (Northern Ireland) 2016 to enable creditors to attend meetings remotely have not having been brought into operation, office-holders will have prepared for this happening by acquiring the equipment needed to undertake remote meetings. Therefore no additional investment in equipment will be required.
* Software for electronic voting is widely available and free (for example, Survey Monkey), as is software for video conferencing (for example Google Hangouts)
1. The first of the following two tables presents an estimate of the savings which would be achieved if a reduction in physical meetings by 40% occurred in the first year of the new measure being in operation in Northern Ireland. Sensitivity analysis has been conducted to provide for a more optimistic 60% initial reduction in physical meetings. These are the same two percentage reductions at which savings were calculated at the GB impact assessment.

**Central estimate: 2019/2020 financial year cases, less 10%, 40% reduction in physical meetings, virtual meetings are held in 10% of cases**

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| --- |
| Removal of physical meetings as default position in insolvency proceedings |
|  | Creditors Voluntary Liquidation (IPs) | Administration (IPs)  | Compulsory winding-up (ORs and IPs)  | Company Voluntary Arrangement (IPs)  | Bankruptcy (OR and IPs)  | Individual Voluntary Arrangement (IPs)  |
| No. of cases in 2019/20 financial year less 10% | 79 | 21 | 206 | 22 | 545 | 1,055 |
| No. meetings  | 79(100%) | 14(69%) | 2(1.2%) | 22(100%) | 9(1.6%) | 106(10%) |
| 40% reduction year 1 | 32 | 6 | 1 | 9 | 4 | 42 |
| Cost of a physical meeting/£ (see below) | 1 hour of admin. Time (112) plus 30 minutes manager time (138) plus room hire (70) = 320 | 1 hour of admin. time (112) plus 1 hour manager time (274) plus room hire (70) = 456 | 1 hour of DOR grade time (58) plus 30 minutes admin. time (18) = 76 | 1 hour of admin. Time (112) plus 1 hour manager time (274) plus room hire (70) = 456 | 1 hour of DOR grade time (58) plus 30 minutes admin. time (18) = 76 | 1 hour of admin. Time (112) plus 1 hour manager time (274) plus room hire (70) = 456 |
| Saving/£ | 10,240 | 2,736 | 76 | 4,104 | 304 | 19,152 |
| No. of virtual meetings | 7.9(10% of 79) | 1.4(10% of 14) | 0.2(10% of 2) | 2.2(10% of 22) | 0.9(10% of 9)  | 2.12(2% of 106) |
| Cost per virtual meeting | 250(112+138) | 386(112+274) | 76(58+18)  | 386(112+274) | 76(58+18)  | 386(112+274) |
| Total cost  | 1,975 | 540 | 15 | 849 | 68 | 818 |
| **Net saving/£** |  |  |  |  |  | **£32,347** |

1. This table deals with the situation if there were to be a 10% across the board decrease in numbers for the six types of proceedings viz a viz the totals in 2019/20. The number of meetings for each procedure has been calculated in accordance with the percentage of meetings held for that procedure as given in the notes following these two tables.
2. The figures in the third row are for the decrease in the number of meetings which would result from a 40% reduction. This is multiplied by the cost per meeting in the fourth row to give the saving which would result from a 40% reduction which is stated in the fifth row. Adding up the savings for each procedure as stated in the fifth row gives an overall saving for all six procedures of £36,612.
3. The cost of the virtual meetings needs to be offset against this saving. It is derived by multiplying the number of meetings for each type of procedure as shown in the second row of the above table by the percentage which would be held virtually and multiplying the result by the cost per virtual meeting. For example, in the case of company voluntary arrangements 22 X 10% X £386 = £849. Adding up the total cost of virtual meetings for each procedure as shown in row 8 gives an overall cost for all six procedures of £4,265. Subtracting this from the overall saving resulting from a 40% reduction in physical meetings £36,612, gives a net saving of £32,347.

**Upper bound estimate: 2019/20 financial year figures plus 10%, 60% reduction in physical meetings, virtual meetings are held in 6% of cases**

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| --- |
| Removal of physical meetings as default position in insolvency proceedings |
|  | Creditors Voluntary Liquidation (IPs) | Administration (IPs)  | Compulsory winding-up (ORs and IPs)  | Company Voluntary Arrangement (IPs)  | Bankruptcy (OR and IPs)  | Individual Voluntary Arrangement (IPs)  |
| No. of cases in 2019/20 financial year plus 10% | 96 | 25 | 252 | 26 | 666 | 1818 |
| No. meetings  | 96(100%) | 17(69%) | 3(1.2%) | 26(100%) | 11(1.6%) | 182(10%) |
| 60% reduction in year 1 | 58 | 10 | 2 | 16 | 7 | 109 |
| Cost of a physical meeting/£ (see below) | 1 hour of admin. time (112) plus 30 minutes manager time (138) plus room hire (70) = 320 | 1 hour of admin. time (112) plus 1 hour manager time (274) plus room hire (70) = 456 | 1 hour of DOR grade time (58) plus 30 minutes admin. time (18) = 76 | 1 hour of admin. Time (112) plus 1 hour manager time (274) plus room hire (70) = 456 | 1 hour of DOR grade time (58) plus 30 minutes admin. time (18) = 76 | 1 hour of admin. Time (112) plus 1 hour manager time (274) plus room hire (70) = 456 |
| Saving/£ | 18,560 | 4,560 | 152 | 7,296 | 532 | 49,704 |
| No. of virtual meetings | 5.76(6% of 96) | 1.36(8% of 17) | 0.18 (6% of 3)  | 1.56 (6% of 26)  | 0.66 (6% of 11)  | 3.64(2% of 182) |
| Cost per virtual meeting | 250 | 386 | 76 | 386 | 76 | 386 |
| Total cost | 1,440 | 525 | 14 | 602 | 50 | 1,405 |
| **Net saving/£** |  |  |  |  |  | **£76,768** |

1. This table deals with the situation if there were to be a 10% across the board increase in numbers for the six types of proceedings viz a viz the totals in 2019/2020. The number of meetings for each procedure has been calculated in accordance with the percentage of meetings held for that procedure as given in the notes following these two tables. The figures in the third row are for the decrease in the number of meetings which would result from a 60% reduction. This is multiplied by the cost per meeting in the fourth row to give the saving which would result from a 60% reduction which is stated in the fifth row.
2. Adding up the savings for each procedure as stated in the fifth row gives an overall saving for all six procedures of £80,804. The cost of the virtual meetings needs to be offset against this saving. It is derived by multiplying the number of meetings for each type of procedure as shown in the second row of the above table by the percentage which would be held virtually and multiplying the result by the cost per virtual meeting. For example, in the case of company voluntary arrangements 26 X 6% X £386 = £602. Adding up the total cost of virtual meetings for each procedure as shown in row 8 gives an overall cost for all six procedures of £4,036. Subtracting this from the overall saving resulting from a 60% reduction in physical meetings £80,804, gives a net saving of £76,768.

**Notes**

1. Explanations for numbers and costs of meetings are similar to those in the GB Impact Assessment and are as follows:
2. Creditors’ voluntary liquidation: all physical meetings: no virtual meetings.
3. Administration: OFT report indicates that there were physical meetings in 61% of cases, virtual meetings in 8% of cases and meetings by correspondence in 29% of cases.
4. Compulsory winding-up: GB Insolvency Service records show that there are meetings in 1.2% of cases, of which none were by virtual meeting.
5. Company voluntary arrangements: Meetings in every case, of which 2% were virtual meetings.
6. Bankruptcy: Insolvency Service records show that there are meetings in 1.6% of cases, of which none was by virtual meeting.
7. Individual voluntary arrangements: Stakeholders have indicated that there are meetings in around 10% of cases (i.e. 90% are held by correspondence), of which 2% were virtual meetings.
8. The time taken and the cost for IP manager and administration time and the cost of hiring a room are the same as in the GB impact assessment, £274 for one hour of a manager’s time, £112 for one hour of admin. time and £70 for the hire of a room. There is no reason to believe that the time or rates would differ in Northern Ireland. The £58 cost for one hour of Deputy Official Receiver time (DOR) and the £18 cost for half an hour of an administrative officer’s time are taken from the scale rate in Schedule 1 to the Insolvency Regulations (Northern Ireland) 1996 reproduced at Annex B to this document.
9. Key assumptions:
* Case numbers remain constant from 2019/20.
* That in the first year there is a 40% reduction in the number of physical meetings and that this reduction increases over a ten year period until after 10 years there is a 65% reduction, rather than there being an immediate drop of 65%.
* That the research on the number of non-physical meetings held in GB prior to their use becoming mandatory is correct.
* That the cost of a meeting does not change.
* That the number of e-meetings will increase to a level where 10% of decisions are made that way. This figure is the same as assumed for the purposes of the GB impact assessment and there is no reason to suppose that the figure for Northern Ireland would be different.
1. **Total saving from this measure in first year is between £32,347 and £75,768 with a best estimate of £32,347. (2019/2020 case numbers, 40% initial reduction in meetings and e-meetings take place in 10% of cases).** The direct beneficiaries of the changes will be office holders (IPs and the OR) who will no longer be required to hold these meetings for creditors. In the case of IPs, creditors will directly benefit from increased assets available for distribution. Creditors generally include businesses, employees and HMRC. The priority of payments to creditors is determined in statute and analysis carried out in GB of a random unweighted sample of 125 records filed at Companies House over a 3 year period and an OFT market study of insolvency practitioners estimated that non businesses accounted for around 10 per cent of the returns to creditors. The OR will be able to directly pass on the saving to creditors with lower fees leading to higher assets available for redistribution.

**Abolition of final meetings**

1. Liquidations and bankruptcies by their nature may last for a number of years (equally, for straightforward cases, they may end within months). Accordingly, while the saving will happen at some point in the life of all new cases, the point at which the saving is realised cannot be predicted accurately because it is not possible to say when the final meeting will occur.
2. Even where a final meeting does not take place, the insolvency office-holder will still be required to share information with creditors, as now. Accordingly, there is no saving on the time spent on preparing information that might otherwise have been discussed at a meeting. The saving from this proposal relates to the physical cost of the meeting – room hire – and on the time cost for the office-holder and his/her staff in holding it, and is being considered separately from the other meetings proposals above. This is abolition of a process and so there are no costs of alternative processes to consider.
3. The cost of the meeting is based on 1 hour of administrative time, charged at £112/hr and 30 minutes of manager time, charged at £274/hr. These are the same times and costs for an IP manager and administration as used in the GB impact assessment; there is no evidence that times and costs would be different in Northern Ireland; Such meetings are poorly attended, if attended at all (hence the low time cost allocated here) but the existing law requires that provision for such meetings be made, which will incur a time cost (and that this will be constant across different procedures). The assumption for the amount of time taken to deal with a final meeting is considered conservative, but sensitivity analysis has been conducted on the times to accommodate for the uncertainty, hence scenarios where the time taken is 30 minutes of administrative time and 15 minutes of manager time, and 1½ hours of administrative time and an hour of manager time have been illustrated. These same scenarios were used in the GB impact assessment. As in the GB assessment room hire of £70 is added to make the final cost figure.
4. Case number estimates are based on actual published statistics for 2019/2020. Sensitivity analysis has been conducted to provide for a +/-10 per cent difference in insolvency case numbers. This has been coupled with further analysis to include scenarios where the time taken to process the meetings takes a longer or shorter time than expected. These analyses generate lower bound, upper bound, and central estimates of the expected benefits of this measure.

**Lower bound estimate: 2019/2020 year case numbers, less 10%, 15 minutes manager time and 30 minutes administrative time**

|  |
| --- |
| Abolition of all final meetings of creditors/members |
|  | CVL (IPs) | Para. 84 CVL (IPs)  | MVL (IPs)  | CWU (OR and IPs) | Bankruptcy (OR and IPs)  |
| Number | 79 | 6 | 72 | 15 | 86 |
| Cost of meeting | £195 | £195 | £195 | £195 | £195 |
| Saving | £15,405 | £1,170 | £14,040 | £2,925 | £16,770 |
| **Total saving** |  |  |  |  | **£50,310** |

**2019/20 year figures, 30 minutes manager time and one hour administrative time**

|  |
| --- |
| Abolition of all final meetings of creditors/members |
|  | CVL (IPs) | Para. 84 CVL (IPs)  | MVL (IPs)  | CWU (OR and IPs) | Bankruptcy (OR and IPs)  |
| Number | 87 | 7 | 80 | 17 | 95 |
| Cost of meeting | £319 | £319 | £319 | £319 | £319 |
| Saving | £27,753 | £2,233 | £25,520 | £5,423 | £30,305 |
| **Total saving** |  |  |  |  | **£91,234** |

**Upper bound estimate: 2019/2020 year case numbers, plus 10%, one hour manager time and 90 minutes administrative time**

|  |
| --- |
| Abolition of all final meetings of creditors/members |
|  | CVL (IPs) | Para. 84 CVL (IPs)  | MVL (IPs)  | CWU (OR and IPs) | Bankruptcy (OR and IPs)  |
| Number | 96 | 8 | 88 | 19 | 105 |
| Cost of meeting | £512 | £512 | £512 | £512 | £512 |
| Saving | £49,152 | £4,096 | £45,056 | £9,728 | £53,760 |
| **Total saving** |  |  |  |  | **£161,792** |

**Notes**

1. Abbreviations
* CVL = creditors voluntary liquidation.
* MVL = members’ voluntary liquidation
* CWU = compulsory winding-up
1. Para 84 CVL refers to a creditors’ voluntary liquidation which was immediately preceded by an administration. Such cases have a streamlined entry process and are recorded separately on published statistics.
2. **Total saving from this measure is between £50,310 and £161,792 with a central estimate of £91,234 (2019/20 case numbers and final meetings taking half an hour of manager time and one hour of administrative time).** The direct beneficiaries of the changes will be office holders (IPs and the OR) who will no longer be required to hold these meetings for creditors. Creditors will directly benefit from increased assets available for distribution.
3. Creditors generally include businesses, employees and HMRC, so a proportion of the benefit to creditors from this measure will accrue to non-business. The priority of payments to creditors is determined in statute and analysis carried out in GB of a random unweighted sample of 125 records filed at Companies House over a 3 year period and an OFT market study of insolvency practitioners estimated that non businesses accounted for around 10 per cent of the returns to creditors. The Official Receiver will be able to directly pass on the saving to creditors with lower fees leading to higher assets available for redistribution following the completion of the latest fee review in 2022.
4. Key assumptions:
* Case numbers remain constant from 2019/2020. 10% was considered a reasonable figure for use in sensitivity analysis in the GB impact assessment because insolvencies in general have been gradually declining in GB over the past five years, and whilst individual types of insolvency proceedings have varied more or less than others, 10% represents a reasonable confidence level year on year. 10% is considered a reasonable figure to use for Northern Ireland because examination of the numbers of bankruptcies and compulsory liquidations over the past five years has shown that in most years the numbers are within 10% above or below the mean.
* That the cost of a meeting does not change.
* 7.58% of compulsory winding up cases and 15.65% of bankruptcy cases are dealt with by insolvency practitioners, rather than the OR. There are no final meetings in Official Receiver cases.

**Removal of requirement for liquidator to be present at ‘Article 84’ meeting of creditors in creditors’ voluntary liquidation**

1. It is expected that in most cases (for what is generally a straightforward meeting) the insolvency practitioner will not attend any meeting held following this measure. However, the liquidator will still have the option to attend such meetings where they feel that their presence would be necessary or beneficial. The circumstances where this would be the case may be that there was significant creditor interest in the proceedings, where there was a suggestion or evidence of director misconduct, or where there are negotiations that the office holder may wish to lead *in person*. In GB a representative of a major global firm which undertakes insolvency work, and an insolvency practitioner from a large regional firm were asked to assess what percentage of such meetings the liquidator would be likely to wish to attend, and their estimates ranged between 20% and 40%, hence the mid-point of 30% has been chosen for the purposes of this analysis, with further sensitivity analysis conducted to reflect the position if 20% or 40% were the proportion of meetings attended by the office holder in person.
2. Case number estimates are based on actual published statistics for 2019/2020. An assumption has been made that case numbers will remain constant. This measure applies only to physical meetings, and there will not be an alternative situation where a different decision making process has been used. No account has therefore been taken of a cost to an alternative process.
3. The following table presents an estimate of the savings which would be estimated to be achieved if a reduction in physical Article 84 meetings by 50% occurred in the first year that the new measure was in operation. Sensitivity analysis has been conducted to provide for a +/-10 per cent difference in insolvency case numbers. This is coupled with further sensitivity analysis, to include scenarios where 40% and 60% fewer physical Article 44 meetings are expected, relative to the status quo. This analysis utilises the same hypothetical percentage decreases in physical Article 84 meetings and the same +/-10 per cent difference in insolvency case numbers as used in the GB impact assessment and generates lower bound, upper bound and central estimates of the expected benefits of this measure.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Meetings reduction | No. meetings after reduction | Proportion of meetings attended by office holder | No. meetings where change actioned  | 1 hour partner time (398) less 1 hour manager time (274)/£ | **Saving**/£ |
| Year 1, 87 cases | 50% | 44 | 30% | 31 | 124 | 3,844 |
| Year 1, 78 cases (-10%) and 60% meetings reduction  | 60% | 31 | 40% | 19 | 124 | 2,356 |
| Year 1, 96 cases (+10%) and 40% meetings reduction  | 40% | 58 | 20% | 46 | 124 | 5,704 |

**Notes**

1. Statistics available to the Insolvency Service show that the total number of creditors’ voluntary liquidations in 2019/20 was 87. The savings have been calculated using the same 10% decrease/increase in cases and the same 40, 50 and 60 per cent reductions in meetings as used in the GB impact assessment.
2. Key assumptions:
* Case numbers remain constant from 2018.
* That in the first year there is a 50% reduction in the number of physical meetings and that this reduction increases over a ten year period until after 10 years there is an 80% reduction.
* That where an office holder nominates a member of staff to attend the meeting, they would nominate a manager to be at the meeting and that the meeting would take an hour.
* That the assumption that the liquidator will still wish to attend 10% of meetings in person is accurate. This assumption represents a conservative view in terms of the savings generated because feedback from stakeholders is that there is very rarely any interest from creditors in Article 84 meetings.
* The lower bound estimate has been selected as the situation where meetings reduce by 60% in the first year and then increase over a ten year period to a reduction of 90%, at the same time as case levels decrease by 10%. The upper bound estimate is the situation where meetings reduce by 40% in the first year, increasing to a reduction of 70% after 10 years, and case levels increase by 10%.
1. **Total saving from this measure in the first year is between £2,356 (2019/20 case numbers less 10%; 60% reduction in meetings; 40% still attended) and £5,704 (2019/20 case numbers plus 10%, 40% reduction in meetings; 20% still attended) with a central estimate of £3,844** (2019/20 case numbers; 30% still attended). The direct beneficiaries of the changes will be office holders (IPs) who will no longer be required to attend meetings. The OR will not be impacted by the change because he does not handle creditors voluntary liquidation cases. IPs will be required to pass these benefits on directly to creditors via increased assets available for distribution. Creditors generally include businesses, employees and HMRC, so a proportion of the benefit to creditors from this measure will accrue to non-business. The priority of payments to creditors is determined in statute and analysis undertaken in GB of a random unweighted sample of 125 records filed at Companies House over a 3 year period and an OFT market study of insolvency practitioners estimated that non businesses accounted for around 10 per cent of the returns to creditors.

**Opting out of further correspondence**

1. A table, breaking down the savings by procedure is included in paragraphs 116. Total savings of £166,995 per annum have been identified from the measure.
2. The saving arising from this proposal has been calculated in accordance with the methodology used in the GB impact assessment and is related to the physical cost of the documents that would otherwise have been produced – postage, paper, ink, envelopes. The figures used are the ones used in the corresponding GB impact assessment adjusted to 2019/2020 price levels. There is no reason to believe that the costs would be any different in Northern Ireland.
3. Allowance was made in the GB impact assessment for savings in the costs of correspondence resulting from changes to the law, made in 2010, which enabled communications between office-holders and creditors to take place electronically with the latter’s consent. It was assumed, for the purposes of the GB impact assessment, that the actual savings which had resulted from the changes made in 2010 were the same as had been predicted in the impact assessment prepared for those changes. This resulted in in it being assumed for the purposes of the current proposal that the changes made in 2010 had resulted in a 30% take-up for electronic communication in administrations, company voluntary arrangements, and individual voluntary arrangements; a 10% take-up in creditors’ and members’ voluntary liquidation, and compulsory liquidation where an IP is office-holder, a 20% take-up in bankruptcy where an IP is office-holder and no take-up in compulsory liquidation or bankruptcy where the OR was office-holder Provision was included in the Insolvency (Amendment) Act (Northern Ireland) 2016 which would have enabled communication between office-holders and creditors to take place electronically with the latter’s consent. However, as explained in paragraph 14, it has been decided not to bring these provisions into operation and accordingly no allowance has been made for savings resulting from them in this assessment.
4. In 2005, PricewaterhouseCoopers carried out some work for government in GB on administrative burdens arising from legislation. Data gathered for this work identified the average number of creditors per case and this has been copied here. There is no evidence that the number of creditors per case would be different in Northern Ireland. There is no economic argument to indicate that the number of creditors per case will change over time.
5. PWC’s work identified the average cost of a notice in different procedures, including both the physical cost and the professional (time) cost of its drafting. Not all of the cost of the notice will be saved by this proposal – the document itself will still have to be drafted for those that still receive it (even if all but one creditor opts out) and that will result in a time cost for the procedure (unaffected by opting out). We have assumed that 75% of the cost of each individual notice is the physical cost because the office holder or their staff will need to draft a notice in every case. The 2005 figures have been adjusted for inflation to the 2019/20 financial year, Treasury GDP Deflator tables).
6. The legislation requires that certain notices be sent in all cases. The calculations make an allowance for ‘allowable contact’, that is contact that would take place even where a creditor had opted out, or which would take place before that had an opportunity to do so. Dividend-related correspondence would still have to be sent to creditors who had opted out of receiving correspondence as otherwise they might not submit a claim or receive a payment. There would have to be at least one contact with creditors before they could make known their wish not to receive any more. The cost of these notices has been removed when estimating savings.
7. Case number estimates figures are based on actual published statistics for financial year 2019/20. Sensitivity analysis has been conducted to provide for scenarios involving both +10% and -10% differences in insolvency case numbers, relative to the status quo. Further sensitivity analysis has been undertaken on the assumed 20% take up, and includes scenarios where the creditor take up rate is 10% and 30%. These analyses generate lower bound, upper bound, and central estimates of the expected benefits of this measure.

**No. of cases in 2019/20 less 10%, 10% creditor take up**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | CVL (a) | Para. 84 CVL | CWU (OR) | CWU (IP)  | Admin.  | CVA | Bankruptcy(OR) | Bankruptcy (IP) | IVA |
| Number in year less 10% | 78 | 6 | 189 | 15 | 21 | 22 | 458 | 86 | 1488 |
| Creds(members) per case | 35 | 60 | 25 | 25 | 60 | 35 | 15 | 15 | 15 |
| Assumed creditor uptake  | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% |
| Times each creditor/member written to  | 8 | 7 | 3 | 8 | 5 | 7 | 3 | 8 | 8 |
| Less allowable contact (correspondence which would still have to be issued even if the creditor opted out) | 2 | 1 | 2 | 2 | 1 | 1 | 2 | 2 | 1 |
| Reduction  | 6 | 6 | 1 | 6 | 4 | 6 | 1 | 6 | 7 |
| Ecost/notice | 2.95 | 2.95 | 0.97 | 2.95 | 3.94 | 3.94 | 1.32 | 2.95 | 3.94 |
| Saving | £4,832 | £637 | £458 | £664 | £1,986 | £1,820 | £907 | £2,283 | £61,559 |
| **Total Saving** |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  | **£75,146** |

1. This table shows the savings which would result if 10% of creditors in each of nine types of proceedings were to opt out of receiving correspondence. The first row shows the number of cases there would be if case numbers in Northern Ireland went down by 10% compared to what they were in 2019/20. The total number of creditors/members who would have to be sent correspondence is then found by multiplying that number by the number of creditors/ members per case.
2. For example in the case of CVLs 78 multiplied by 35 gives 2,730. We are examining what saving would result if 10% of the creditors were to opt out of receiving correspondence. The total number of items of correspondence which would have been sent to each creditor if they had not opted out is given in the fourth row (8 in the case of CVLs). The number of items that will be sent to each creditor despite their having opted out is given in the fifth row (2 in the case of CVLs) and the net reduction in items of correspondence per opted-out creditor in the sixth row (6 in the case of CVLs). The cost per item of correspondence is given in the seventh row (£2.95 in the case of CVLs). The saving resulting from 10% of creditors opting out of receiving correspondence is given in the eighth row and in the case of CVLs is 2,730 X 10% X 6 X £2.95 gives £4,832.

**Actual no. of cases in 2019/20, 20% creditor take up**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | CVL (a) | Para. 84 CVL | CWU (OR) | CWU (IP)  | Admin.  | CVA | Bankruptcy(OR) | Bankruptcy (IP) | IVA |
| Number in year | 87 | 7 | 210 | 17 | 23 | 24 | 509 | 96 | 1653 |
| Creds (members) per case | 35 | 60 | 25 | 25 | 60 | 35 | 15 | 15 | 15 |
| Assumed creditor uptake  | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% |
| Times each creditor/member written to  | 8 | 7 | 3 | 8 | 5 | 7 | 3 | 8 | 8 |
| Less allowable contact(correspondence which would still have to be issued even if the creditor opted out) | 2 | 1 | 2 | 2 | 1 | 1 | 2 | 2 | 1 |
| Reduction | 6 | 6 | 1 | 6 | 4 | 6 | 1 | 6 | 7 |
| Ecost/notice | 2.95 | 2.95 | 0.97 | 2.95 | 3.94 | 3.94 | 1.32 | 2.95 | 3.94 |
| Saving | £10,779 | £1,487 | £1,019 | £1,505 | £4,350 | £3,972 | £2,016 | £5,098 | £136,769 |
| **Total Saving** |  |  |  |  |  |  |  |  | **£166,995** |

1. This table shows the savings which would result if 20% of creditors in each of nine types of proceedings were to opt out of receiving correspondence and the number of cases remained the same as they were in 2019/20. The first row shows the actual number of cases in Northern Ireland in 2019/20. The total number of creditors/members who would have to be sent correspondence is then found by multiplying that number by the number of creditors/ members per case.
2. For example in the case of CVLs 87 multiplied by 35 gives 3,045. We are examining what saving would result if 20% of the creditors were to opt out of receiving correspondence. The total number of items of correspondence which would have been sent to each creditor if they had not opted out is given in the fourth row (8 in the case of CVLs). The number of items that will be sent to each creditor despite their having opted out is given in the fifth row (2 in the case of CVLs) and the net reduction in items of correspondence per opted-out creditor in the sixth row (6 in the case of CVLs).
3. The cost per item of correspondence is given in the seventh row (£2.95 in the case of CVLs). The saving resulting from 10% of creditors opting out of receiving correspondence is given in the eight row and in the case of CVLs is 3,045 X 20% X 6 X £2.95 gives £10,779.

**No. of cases in 2019/20 plus 10%, 30% creditor take up**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | CVL (a) | Para. 84 CVL | CWU (OR) | CWU (IP)  | Admin.  | CVA | Bankruptcy(OR) | Bankruptcy (IP) | IVA |
| Number in year | 96 | 8 | 231 | 19 | 25 | 26 | 560 | 106 | 1818 |
| Creds(members) per case | 35 | 60 | 25 | 25 | 60 | 35 | 15 | 15 | 15 |
| Assumed creditor uptake | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% |
| Times each creditor/member written to  | 8 | 7 | 3 | 8 | 5 | 7 | 3 | 8 | 8 |
| Less allowable contact(correspondence which would still have to be issued even if the creditor opted out) | 2 | 1 | 2 | 2 | 1 | 1 | 2 | 2 | 1 |
| Reduction | 6 | 6 | 1 | 6 | 4 | 6 | 1 | 6 | 7 |
| Ecost/notice | 2.95 | 2.95 | 0.97 | 2.95 | 3.94 | 3.94 | 1.32 | 2.95 | 3.94 |
| Saving | £17,842 | £2,549 | £1,681 | £2,522 | £7,092 | £6,454 | £3326 | £8,443 | £225,632 |
| **Total Saving** |  |  |  |  |  |  |  |  | **£275,541** |

1. This table shows the savings which would result if 30% of creditors in each of nine types of proceedings were to opt out of receiving correspondence. The first row shows the number of cases there would be if case numbers in Northern Ireland went down up 10% compared to what they were in 2019/20. The total number of creditors/members who would have to be sent correspondence is then found by multiplying that number by the number of creditors/ members per case. For example in the case of CVLs 96 multiplied by 35 gives 3,360. We are examining what saving would result if 30% of the creditors were to opt out of receiving correspondence. The total number of items of correspondence which would have been sent to each creditor if they had not opted out is given in the fourth row (8 in the case of CVLs). The number of items that will be sent to each creditor despite their having opted out is given in the fifth row (2 in the case of CVLs) and the net reduction in items of correspondence per opted-out creditor in the sixth row (6 in the case of CVLs). The cost per item of correspondence is given in the seventh row (£2.95 in the case of CVLs). The saving resulting from 10% of creditors opting out of receiving correspondence is given in the eight row and in the case of CVLs is 3,360 X 30% X 6 X £2.95 gives £17,842.
2. Abbreviations
* ‘CVL’ company voluntary liquidation
* ‘CVA’ company voluntary arrangement.
* ‘IVA’ individual voluntary arrangement.
* Bankruptcy (OR) CWU (OR) bankruptcies and compulsory windings up with the Official Receiver as trustee/liquidator respectively.

**Notes**

1. The numbers of cases are from Insolvency Service statistics. The number of creditors and members per case, the number of times each would be written to, and the allowable contact figures are all is taken from the GB impact assessment. The cost per notice is the same as for the GB impact assessment, adjusted to 2019/20 price levels. There is no reason to believe that any of these would be different in Northern Ireland.
2. Key assumptions:
* An assumption of 20% take-up by creditors of opting out has been used in valuing this saving. We believe that this is a conservative estimate, taking into account creditors initial unfamiliarity with being able to opt out of receiving documents. In practice, the level of opting out is likely to vary depending on the possibility of the creditor receiving a return. For example, in an administration there is unlikely to be a return to unsecured creditors in between 40%-50% of cases and take up of opting out may be higher in those cases. Sensitivity analysis has been conducted on the 20% figure to reflect the possibility that opting out is taken up by 10% or 30% of creditors.
* Case numbers remain constant from 2019/20.
* That there is a 20% take-up from creditors of opting out.
* That 75% of the cost of a notice is the physical cost.
* That the data from the work done by PWC with regard to creditor number per non-official receiver case is valid.
* That numbers of creditors per case remains constant.
1. **The total saving from this measure is between £75,146 (2019/20 case numbers less 10%; 10% creditor take up) and £275,541 (2019/20 case numbers plus 10%, 30% creditor take up) with a central estimate of £166,995 (2019/20 case numbers; 20% creditor take up). The direct beneficiary of the change will be office holders (IPs and ORs) who will no longer be required to incur the cost of issuing the correspondence**.
2. Creditors will directly benefit from increased assets available for distribution. Creditors generally include businesses, employees and HMRC. The priority of payments to creditors is determined in statute and analysis carried out in GB of a random unweighted sample of 125 records filed at Companies House over a 3 year period and an OFT market study of insolvency practitioners estimated that non businesses accounted for around 10 per cent of the returns to creditors. The Official Receiver will be able to directly pass on the saving to creditors with lower fees leading to higher assets available for redistribution following the completion of the latest fee review in 2022.

**Administration extensions**

1. Analysis carried out in GB of a sample of administrations from Companies House records indicates that around 80% of administrations end within 18 months (i.e. within the period during which the Court need not be asked for an extension). 11.6% of administrations lasted for between 18 months and 24 months, meaning that in each of those cases the administrator would have been required to make an application to the Court to approve the extension. Under this measure, applications such as the ones made in those cases would not be required. Data in this paragraph comes from a sample of 501 administrations which commenced in 2006, which was collected in 2010. It is a snapshot in time, but is the best data available.
2. A senior member of the Judiciary in GB has indicated that the cost of applying to court to extend the period of an administration is around £5,000. Enabling creditors to consent to an administration being extended by up to 12 months instead of the current maximum of 6 does not involve any additional cost through having to engage with creditors as this would have had to be carried out for an extension of 6 months or less. This measure only increases the length of the extension that can be requested and so does not result in an additional cost.
3. Case number estimates are based on actual published statistics for the year 2019/20.

|  |  |
| --- | --- |
| Total | Estimate based on the figure of 23 administrations which began in 2019/20 |
| Between 18-24 months (11.6%) | 3 |
| Cost of application £ | 5,000\* |
| **Savings £** | **15,000** |

**Notes**

1. £5,000 is the figure used for the cost of an application to court to have an administration period extended which is used in the GB impact assessment. There is no indication that the Northern Ireland figure would differ.
2. Key assumptions for this measure
* Case numbers remain constant from 2019/20 (23 per annum).
* The assumed cost of making an application was provided by a stakeholder who is a senior member of the Judiciary experienced in insolvency, and who regularly assesses costs in insolvency proceedings.
* That the percentage of administrations lasting between 18 and 24 months is the same (11.6%) as in 2006. There is no evidence to indicate that the figure in Northern Ireland would be different.
1. **The total estimated saving from this measure is £15,000 (2019/20 case numbers). The direct beneficiary of the change will be office holders, IPs who are no longer required to incur the cost of a court application for extending an administration.** IPs will be able to pass on benefits directly to creditors from increased assets available for distribution. Creditors generally include businesses, employees and HMRC. The priority of payments to creditors is determined in statute and analysis undertaken in GB of a random unweighted sample of 125 records filed at Companies House over a 3 year period and an OFT market study of insolvency practitioners estimated that non businesses accounted for around 10 per cent of the returns to creditors. The Official Receiver does not act in administrations and so is unaffected by this measure.

**Allowing an office-holder to pay a dividend in respect of a debt of less than £1,000 without the need for the creditor to submit a formal claim**

1. There is a cost on the creditor of completing a claim and a cost to the insolvency proceedings of the insolvency office-holder scrutinising the claim. We have allowed a nominal cost of £8.12 to a creditor for doing this. A representative of a major credit management group has confirmed that in their estimation this is a reasonable estimate, based on 30 minutes of time at £10 per hour, with an extra amount because of the frequent requirement to provide office holders with copy invoices. For office holders the amount allowed is £24.85, which has been assessed at £11.15 (a six minute unit of administrative staff time) plus £13.70 (one half of a six minute unit of manager time). A representative of a major global firm that deals with insolvency cases estimated that the time taken to scrutinise a claim for payment could be as much as 30 minutes, and time for a manager to check would be additional to that. An IP partner in a large regional firm in GB estimated that there would be 12 minutes of administration time plus time for a manager to check the claim for payment. The figure used for the purposes of this calculation is therefore conservative, and has been arrived at by taking into account economies of scale and efficiencies, where several claims for the same case may be scrutinised at the same time. This also allows for possible extra costs in unusual situations where an office holder makes a payment to a creditor based on information provided by the company (whether through a statement or through its records) and the creditor claims a higher amount. Because of the uncertainty, sensitivity analysis has been undertaken, assessing the situations where the administration takes half of a six minute unit and where it takes two six minute units (£19.28 and £36.00 respectively). These times and costs are in line with those used in the GB impact assessment; there is no reason to believe that those for Northern Ireland would differ. Where the OR acts as office-holder we have allowed 3 minutes of an administration officer’s time at a cost of £1.80 to scrutinise and record a claim received from a creditor and 3 minutes of staff officer’s time at a cost of £2.30 to approve the claim for payment, making a total of £4.10. The cost for an administrative officer’s and a staff officer’s time has been calculated using the scale rate in Schedule 1 to the Insolvency Regulations (Northern Ireland) 1996 reproduced at Annex B to this document.
2. In 2005, PricewaterhouseCoopers carried out some work for government on administrative burdens arising from legislation. Data gathered for this work identified the average number of creditors per case and this has been copied here. There is no economic argument to indicate that the number of creditors per case will change over time. We have used a conservative estimate of 10 per cent for the percentage of debts in an insolvency that fall below the £1,000 threshold to calculate the level of savings arising from the measure but have also conducted sensitivity analysis to provide for scenarios involving situations where 5 per cent and 15 per cent are the levels of debts falling below the £1,000 threshold.
3. There are few administration cases where payments are made to unsecured creditors. For the purposes of this calculation It has been taken that such payments were made in only 5% of cases.
4. Case number estimates are based on actual published statistics for 2019/20. An assumption has been made that the level of cases will remain the same but sensitivity analysis has been conducted to provide for scenarios involving both +10% per cent and -10% differences in insolvency case numbers relative to the status quo. This analysis generates lower bound, upper bound, and central estimates of the expected benefits of this measure.

**Lower bound estimate: 2019/20 case numbers, less 10%, 5% of creditors are owed less than £1,000, cost to office holders other than the Official Receiver is £19.28**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **CVL (IP)**  | **Para 84 CVL (IP)**  | **CWU (OR)**  | **CWU (IP)**  | **Admin (IP)**  | **Bankruptcy (OR)**  | **Bankruptcy (IP)**  | **MVL (IP)**  |
| **Number** | 78 | 6 | 189 | 15 | 21 | 458 | 86 | 72 |
| **Number in which distribution made** | 78 (100%)  | 6 (100%)  | 19 (10%)  | 15(100%) | 1 (5%)  | 46 (10%)  | 86 (100%)  | 72 (100%)  |
| **Creditors/case** | 35 | 60 | 25 | 25 | 60 | 15 | 15 | 35 |
| **5% < £1000** | 2 | 3 | 1 | 1 | 3 | 1 | 1 | 2 |
| **Office-holder time saving per proof £** | 19.28 | 19.28 | 4.1 | 19.28 | 19.28 | 4.1 | 19.28 | 19.28 |
| **Creditor time saving per proof £** | 8.12 | 8.12 | 8.12 | 8.12 | 8.12 | 8.12 | 8.12 | 8.12 |
| **Saving £** | **£4,274** | **£493** | **£232** | **£411** | **£82** | **£562** | **£2,356** | **£3,946** |
| **Total Saving £** |  |  |  |  |  |  |  | **£12,356** |

1. This table shows the savings which would result if 5% of creditors were owed less than £1,000 and it cost office-holders £19.28 to scrutinise claims. The second row is the number of cases in which a distribution will be made. The figures have been calculated using the same percentages as applied in the corresponding table for GB; there is no reason to believe that these would differ in Northern Ireland. The third row is the average number of creditors per case in the particular type of proceeding and corresponds to the figure used in the corresponding table in the GB impact assessment.
2. for example in the case of company voluntary liquidations the average number of creditors per case is 35. The fourth row is the average number of creditors per case with debts below £1,000 and who would in consequence no longer be required to submit proof of debt claims, if the percentage was 5%. The amount the office-holder saves by not having to scrutinise a proof is then multiplied by the number of creditors no longer required to submit a proof. In the case of a CVL £19.28 X 2 = £38.56.
3. The amount the creditor saves by not having to prepare a proof is multiplied by the number of creditors no longer required to submit a proof. In the case of a CVL £8.12 X 2 = £16.24. The total saved by the office-holder in scrutinising claims in each case (£38.56) is then added to the total saved by creditors in not having to prepare claims (£16.24) to give the saving per case (£54.80). This is multiplied by the number of cases in which a distribution is made (78) to give the total saving (£54.80 X 78 = £4,274).

**Central estimate: 2019/20 case numbers, 10% of creditors are owed less than £1,000, cost to office holders other than the Official Receiver is £24.85**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **CVL (IP)**  | **Para 84 CVL (IP)**  | **CWU (OR)**  | **CWU (IP)**  | **Admin (IP)**  | **Bankruptcy (OR)**  | **Bankruptcy (IP)**  | **MVL (IP)**  |
| **Number**  | 87 | 7 | 210 | 17 | 23 | 509 | 96 | 80 |
| **Number in which distribution made** | 87 (100%) | 7 (100%) | 21 (10%) | 17(100%) | 1 (5%)  | 51 (10%)  | 96 (100%)  | 80 (100%)  |
| **Creditors/case** | 35 | 60 | 25 | 25 | 60 | 15 | 15 | 35 |
| **10% < £1000** | 4 | 6 | 3 | 3 | 6 | 2 | 2 | 4 |
| **Office-holder time saving per proof £** | £24.85 | £24.85 | £4.1 | £24.85 | £24.85 | £4.1 | £24.85 | £24.85 |
| **Creditor time saving per proof £** | £8.12 | £8.12 | £8.12 | £8.12 | £8.12 | £8.12 | £8.12 | £8.12 |
| **Saving £** | **£11,474** | **£1,385** | **£770** | **£1,681** | **£198** | **£1,246** | **£6,330** | **£10,550** |
| **Total Saving£** |   |   |   |   |   |   |   | **£33,634** |

1. This table shows the savings which would result if 10% of creditors were owed less than £1000 and it cost office holders £24.85 to scrutinise claims. The second row is the number of cases in which a distribution will be made. The figures have been calculated using the same percentages as applied in the corresponding table for GB; there is no reason to believe that these would differ in Northern Ireland. The third row is the average number of creditors per case in the particular type of proceeding and corresponds to the figure used in the corresponding table in the GB impact assessment. For example in the case of company voluntary liquidations the average number of creditors per case is 35. The fourth row is the average number of creditors per case with debts below £1000 and who would in consequence no longer be required to submit proof of debt claims, if the percentage was 10%.
2. The amount the office-holder saves by not having to scrutinise a proof is then multiplied by the number of creditors no longer required to submit a proof. In the case of a CVL £24.85 X 4 = £99.40. The amount the creditor saves by not having to prepare a proof is multiplied by the number of creditors no longer required to submit a proof. In the case of a CVL £8.12 X 4 = £32.48. The total saved by the office-holder in scrutinising claims in each case (£99.40) is then added to the total saved by creditors in not having to prepare claims (32.48) to give the saving per case (£131.88). This is then multiplied by the number of cases in which a distribution is made (87) to give the total saving (131.88 X 87 = £11,474).

**Upper bound estimate: 2019/20 case numbers plus 10%, 15% of creditors are owed less than £1,000, cost to office holders other than the Official Receiver is £36.00**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **CVL (IP)**  | **Para 84 CVL (IP)**  | **CWU (OR)**  | **CWU (IP)**  | **Admin (IP)**  | **Bankruptcy (OR)**  | **Bankruptcy (IP)**  | **MVL (IP)**  |
| **Number**  | 96 | 8 | 231 | 19 | 25 | 560 | 106 | 88 |
| **Number in which distribution made** | 96 (100%)  | 8 (100%) | 23 (10%)  | 19(100%) | 1 (5%)  | 56 (10%)  | 106 (100%)  | 88 (100%)  |
| **Creditors/case** | 35 | 60 | 25 | 25 | 60 | 15 | 15 | 35 |
| **15% < £1000** | 5 | 9 | 4 | 4 | 9 | 2 | 2 | 5 |
| **Office-holder time saving per proof £** | £36.00 | £36.00 | £4.10 | £36.00 | £36.00 | £4.10 | £36.00 | £36.00 |
| **Creditor time saving per proof £** | £8.12 | £8.12 | £8.12 | £8.12 | £8.12 | £8.12 | £8.12 | £8.12 |
| **Saving £** | **£21,178** | **£3,177** | **£1,124** | **£3,353** | **£397** | **£1,369** | **£9,353** | **£19,413** |
| **Total savings £** |  |  |  |  |  |  |  | **£59,364** |

1. This table shows the savings which would result if 15% of creditors were owed less than £1,000 and it costs the office holders £36.00 to scrutinise the claims. The second row is the number of cases in which a distribution will be made. The figures have been calculated using the same percentages as applied in the corresponding table for GB; there is no reason to believe that these would differ in Northern Ireland. The third row is the average number of creditors per case in the particular type of proceeding and corresponds to the figure used in the corresponding table in the GB impact assessment.
2. For example in the case of company voluntary liquidations the average number of creditors per case is 35. The fourth row is the average number of creditors per case with debts below £1,000 and who would in consequence no longer be required to submit proof of debt claims, if the percentage was 15%. The amount the office-holder saves by not having to scrutinise a proof is then multiplied by the number of creditors no longer required to submit a proof. In the case of a CVL, £36.00 X 5= £180.00. The amount the creditor saves by not having to prepare a proof is multiplied by the number of creditors no longer required to submit a proof. In the case of a CVL this would be £8.12 X 5 £40.60. The total saved by the office-holder in scrutinising claims in each case (£180.00) is then added to the total saved by creditors in not having to prepare claims (£40.60) to give the saving per case (£220.60). This is multiplied by the total number of cases in which a distribution is made (96) to give the total saving (£220.60 X 96 = 21,178).
3. Key assumptions for this measure:
* Case numbers remain constant from 2019/20.
* The estimate that 10% of creditors’ debts are for less than £1,000 is valid.
* That there is a time cost of £8.12/proof per creditor in completing an insolvency claim form and that there is a £24.85/proof cost to the insolvency office-holder in scrutinising the claim once received (£4.10 in the case of the OR).
* That the data from the work done by PWC with regard to creditor numbers per case is valid.
* That numbers of creditors per case remains constant.
* That all CVLs, CWUs where the OR is not liquidator, MVLs, and bankruptcies where the OR is not trustee, result in dividends to creditors. In OR cases, 10% result in dividend payments.
* That 5% of administration cases result in payments to unsecured creditors within the administration proceedings.
1. **Total savings from this measure is between £12,356 (2019/20 case numbers less 10%, 5% of creditors owed less than £1,000, cost to office holders other than the Official Receivers is £19.28) and £59,364 (2019/20 case numbers plus 10%, 15% of creditors owed less than £1,000, cost to office holders other than the Official Receiver is £36.00), with a central estimate of £33,634 (2019/20 case numbers, 10% of creditors owed less than £1,000, cost to office holders other than the Official Receiver is £24.85).** The direct beneficiaries of the changes will be creditors who will no longer be required to submit formal claims to office holders for the payment of dividends less than £1,000. Creditors generally include businesses, employees and HMRC, so a proportion of the benefits to creditors from this measure will accrue to non-business. The priority of payments to creditors is determined in statute and analysis undertaken in GB of a random unweighted sample of 125 records filed at Companies House over a 3 year period and an OFT market study of insolvency practitioners estimated that non businesses accounted for around 10 per cent of the returns to creditors. There is no reason to believe that the percentage would be different in Northern Ireland.

**Official Receiver to be appointed trustee on the making of a bankruptcy order**

1. For the Official Receiver to himself become trustee under the legislation as it stands he has to file a notice of ‘no meeting’ in the High Court. This is done in the vast majority of bankruptcy cases. The time taken by the Official Receiver’s staff to prepare and send the notices to the Court and the time spent by Court staff filing the notices adds to the cost of administering cases.
2. This measure seeks to improve the efficiency of the initial stages of bankruptcy proceedings, and as such is likely to lead to benefits to business. However any savings will be indirect and not possible to quantify, so no attempt is being made to identify any such savings associated with this measure. The measure will reduce the Official Receiver’s costs as staff time will no longer have to spend time preparing and filing ‘no meeting’ notices in the High Court.
3. There was a total of 605 bankruptcy orders made in Northern Ireland in 2019/20. The Official Receiver filed a notice of ‘no meeting’ in 605 cases.

**Time and Money which would be saved if Insolvency Service staff no longer had to process ‘no meeting’ notices in bankruptcy cases**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Staff Grade  | Time spent processing (mins per notice) | £ Staff hourly Rate (£) | Cost per notice (£)  | Notices per annum | **Cost saving per annum (£)**  |
| Trainee Examiner/EOII administrator | 5  | 42 | 3.50 | 605 | **2,118** |

**Notes**

1. The Official Receiver is required by Article 266(2) of the Insolvency (Northern Ireland) Order 1989 to notify the High Court and all creditors within 12 weeks of his becoming trustee. This notification is carried out by an EOII administrator on his behalf and takes 5 minutes. Per the scale rate in Schedule 1 to the Insolvency Regulations (Northern Ireland) 1996 reproduced at Annex B to this document an EOII administrator’s time is costed at £42.00 per hour. The cost for 5 minutes of an EOII administrator’s time is therefore £42/12 = £3.50. The £3.50 cost of notices in each bankruptcy is then multiplied by the number of bankruptcies in the year, 605, to give a total saving of £2,118.

**Costs**

**Costs to the public sector**

1. The only material costs to the public sector resulting from these measures will be the time incurred by the Official Receiver and his staff familiarising themselves with the legislative changes giving effect to the measures. These costs are likely to be incurred only in year 1.
2. In calculating these familiarisation costs we have assessed which staff working for the Official Receiver will need to undertake such an exercise, and the amount of time it is expected different grades of staff would be required to spend familiarising themselves with the measures in order to undertake their roles adequately. Certain grades of staff would not be expected to need to familiarise themselves with the measures so not all grades have been included. The cost for one hour of each grade’s time has been taken from the scale rate in Schedule 1 to the Insolvency Regulations (Northern Ireland) 1996 reproduced at Annex B to this document. These rates are as revised on 1 October 2009 and are the ones which would have been used for charging out time spent by Official Receiver staff in 2019/20.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Number  | Hourly fee rate £ | Familiarisation time (hours)  | Cost £ |
| Official Receiver  | 1 | 69 | 4 | 276 |
| Deputy Official Receiver  | 3 | 58 | 4 | 696 |
| Examiner/Staff Officer administrator | 4 | 46 | 3 | 552 |
| Assistant Examiner/EOI administrator | 9 | 43 | 3 | 1,161 |
| Trainee Examiner/EOII administrator | 14 | 42 | 3 | 1764 |
| Administrative Officer | 19 | 36 | 1 | 684 |
| **Total - £5,133** |

**Costs to businesses**

1. The only material costs to business resulting from these measures will be the time incurred by insolvency practitioners familiarising themselves with the legislative changes giving effect to the measures. Once the measures are brought in each insolvency practitioner will have to spend time learning about them so that they will know how to apply them in their work. Their time spent doing this will have an opportunity cost as they will not be able to spend that time doing work for clients which would earn a fee.
2. According to the Insolvency Practitioners Unit of the Northern Ireland Insolvency Service there are 66 insolvency practitioners in the United Kingdom who routinely take Northern Ireland cases.
3. It is expected that the time and cost for these 66 practitioners to familiarise themselves with the measures is as follows,

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1 | Measure  | Familiarisation time (hours)  | Average hourly fee rate (£)  | No. of insolvency practitioners | Cost (£) |
| 2 | Removing meetings of creditors as the default position in insolvencies.  | 1 hour  | 396 | 66  | 26,136 |
| 3 | Abolition of final meetings | 1 hour  | 396 | 66 | 26,136 |
| 4 | Removal of requirement for liquidator to be present at an ‘Article 84’ meeting of creditors in creditors’ voluntary liquidation | 1 hour  | 396 | 66 | 26,136 |
|  5  | Opting out of further correspondence  | 0.5 hours  | 396 | 66 | 13,068 |
| 7 | Allowing an office-holder to pay a dividend in respect of a debt of less than £1,000 without the need for the creditor to submit a formal claim | 0.5 hours  | 396 | 66 | 13,068 |
| **Total - £ 104,544** |

**Notes**

1. The estimated time and cost for each insolvency practitioner to become familiar with each measure is that used in the corresponding analysis of the cost to business used in the GB impact assessment. An insolvency practitioner’s time is costed at £396 per hour in that analysis so that is the amount which the practitioner is sacrificing for every hour he has to give up to study and become acquainted with the new measures. The GB impact assessment assumes that it would take an insolvency practitioner 3 hours to learn about the first three measures.
2. For the purposes of the Northern Ireland analysis the same time has been used but has been split evenly over the three measures. The estimated time of half an hour to learn about new provisions to allow creditors to opt out of further correspondence and to allow an office-holder to pay a dividend in respect of debts of less than £1,000 is exactly the same as used in the GB impact assessment. There is no reason to believe that the cost of an insolvency practitioner’s time would be any different in Northern Ireland or that it would take them a longer or shorter time to learn about the new measures.
3. The remaining measures either do not affect IPs or have a very low level of complexity which means only negligible time will be required for familiarisation (for example, in measure (6), the only change is that the maximum time period creditors can consent to an administration being extended increases from 6 months to 12 months, so there is no change to processes.

**Total familiarisation cost of the proposed changes is –**

**£5,133+ £104,544 = £109,677**

**Risks and assumptions**

1. This impact assessment lists a total of ten measures. In relation to seven of these an attempt has been made to quantify the benefits and costs. The methods used are based on the impact assessment for the corresponding measures in England and Wales and utilise information and data taken from that assessment such as the time and rate for insolvency practitioner to carry out functions. There is no reason to believe that these would be different in Northern Ireland.

**Summary of direct costs and benefits to business**

1. The proposed changes will do away with some of the procedural requirements to which IPs are subject and will make other procedures, such as seeking decisions from creditors, cheaper. This will reduce IP’s costs and so enable greater returns to be made to creditors. The following table shows the benefit which will accrue to business creditors at 90% of the total benefits to creditors going to them. This is the same percentage as was used in the GB impact assessment to estimate the value of the measures to business and there is no reason to believe that the percentage would be different in Northern Ireland.
2. The estimated saving to business creditors is shown in the following table,

|  |  |  |  |
| --- | --- | --- | --- |
|  | Measure  | Full estimated benefit (£) | Estimated benefit to business creditors (90%)  |
| 1 | Removal of requirement to seek sanction for certain actions in liquidation and bankruptcy  | £45,452 | £40,907 |
| 2 | Removing meetings of creditors as the default position in insolvencies | £32,347 | £29,112 |
| 3 | Abolition of final meetings  | £91,234 | £82,111 |
| 4 | Removal of requirement for liquidator to be present at an ‘Article 84’ meeting of creditors in creditors’ voluntary liquidation | £3,844 | £3,460 |
| 5 | Opting out of further correspondence | £166,995 | £150,296 |
| 6 | Administration extensions  | £15,000 | £13,500‬ |
| 7 | Allowing an office-holder to pay a dividend in respect of a debt of less than £1,000 without the need for the creditor to submit a formal claim | £33,634 | £30,271 |
|  | Official Receiver becoming trustee straightaway on the making of a Bankruptcy Order  | £2,118 | £1,906 |
|  | **Total Benefit** | £390,624 |  £351,562 |

1. The only cost to business will be the one off figures of £104,544 for familiarisation costs for IPs in the first year.

**Wider impacts**

**Equality impact assessment**

1. An equality impact screening has shown that the policy would not have a differential impact on any of the section 75 groups. The policy has been assessed as not having any wider impacts.

**Annex A**

**Glossary of insolvency procedures**

**Administration**

Administration is a process which places a company under the control of a licensed insolvency practitioner and the protection of the court to achieve a specified statutory purpose. The purpose of administration is to save the company, or if that is not possible, to achieve a better result for creditors than in a liquidation, or if neither of those is possible, to realise property to enable funds to be distributed to secured or preferential creditors.

**Administrative Receivership**

Administrative receivership is the term applied when a person is appointed as an administrative receiver. An administrative receiver is a licensed insolvency practitioner appointed by the holder of a floating charge covering the whole, or substantially the whole, of a company’s property. He can carry on the company’s business and sell the business and other assets comprised in the charge to repay the secured and preferential creditors.

**Bankruptcy**

A bankruptcy order made against an individual signifies that the individual is unable to pay his/her debts and deprives him/her of his/her property, which is then realised for distribution amongst his creditors.

**Company Voluntary Arrangement**

A company voluntary arrangement is a procedure whereby a plan of reorganisation or composition in satisfaction of its debts is put forward to the company’s creditors and shareholders who vote whether or not to approve it. There is limited involvement by the court and the arrangement, once approved, is controlled by a licensed insolvency practitioner who acts as supervisor.

**Compulsory Liquidation**

A compulsory liquidation of a company is a liquidation ordered by the court. This is usually as a result of a petition presented to the court by a creditor and is the only method by which a creditor can bring about a liquidation of a company it is owed money by.

**Debt Relief Order**

A process which provides an individual with debt relief, subject to some restrictions. They are suitable for people who do not own their own home, have little surplus income and assets and less than £20,000 of debt. An order lasts for 12 months. In that time creditors named on the order cannot take any action to recover their money without permission from the court. At the end of the period, if the individual’s circumstances have not changed they are freed from the debts that were included in the order. DROs do not involve the courts but are run by the Insolvency Service in partnership with debt advisers who provide assistance to those applying for DROs.

**Individual Voluntary Arrangement**

A voluntary arrangement for an individual is a procedure whereby a scheme of arrangement of his affairs or composition in satisfaction of his debts is put forward to creditors for approval. If approved, an insolvency practitioner acts as supervisor of the arrangement.

**Voluntary Liquidation**

Can be either a Creditors’ Voluntary Liquidation or a Members’ Voluntary Liquidation. A creditors’ voluntary liquidation relates to an insolvent company. It is commenced by resolution of the shareholders, but is under the effective control of creditors, who can choose the liquidator. A members’ voluntary liquidation is a solvent liquidation where the shareholders appoint the liquidator to realise assets and settle all the company’s debts, plus interest, in full within 12 months.

**Annex B**

The charge-out rates for the Official Receiver and his staff’s time in 2019/20)

|  |
| --- |
| **Insolvency Regulations (NI) 1996, Schedule 1 – Official Receiver hourly rates**   |
| *Grade according to the Insolvency Service grading structure/Status of Official*  | *Total hourly rate £*  |
| Official Receiver  | 69  |
| Deputy Official Receiver  | 58  |
| Examiner/Staff Officer administrator  | 46  |
| Assistant Examiner/EOI administrator  | 43  |
| Trainee Examiner/EOII administrator  | 42  |
| Administrative Officer  | 36  |
| Administrative Assistant  | 31  |