



House of Commons  
Business and Enterprise  
Committee

---

**The Insolvency Service:  
Government Response  
to the Committee's  
Sixth Report of Session  
2008–09**

---

**Fourth Special Report of Session  
2008–09**

*Ordered by The House of Commons  
to be printed 14 July 2009*

**HC 919**  
Published on 20 July 2009  
by authority of the House of Commons  
London: The Stationery Office Limited  
£0.00

## The Business & Enterprise Committee

The Business & Enterprise Committee was appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Business, Enterprise & Regulatory Reform.

### Current membership

Peter Luff MP (*Conservative, Mid Worcestershire*) (Chairman)  
Mr Adrian Bailey MP (*Labour, West Bromwich West*)  
Roger Berry MP (*Labour, Kingswood*)  
Mr Brian Binley MP (*Conservative, Northampton South*)  
Mr Michael Clapham MP (*Labour, Barnsley West and Penistone*)  
Mr Lindsay Hoyle MP (*Labour, Chorley*)  
Miss Julie Kirkbride MP (*Conservative, Bromsgrove*)  
Anne Moffat MP (*Labour, East Lothian*)  
Mr Mark Oaten MP (*Liberal Democrat, Winchester*)  
Lembit Öpik MP (*Liberal Democrat, Montgomeryshire*)  
Mr Anthony Wright MP (*Labour, Great Yarmouth*)

### Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via [http://www.parliament.uk/parliamentary\\_committees](http://www.parliament.uk/parliamentary_committees)

### Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at <http://www.parliament.uk/bec>

### Committee staff

The current staff of the Committee are: Eve Samson (Clerk), Ben Williams (Second Clerk), Janna Jessee (Inquiry Manager), Louise Whitley (Inquiry Manager), Anita Fuki (Senior Committee Assistant), Eleanor Scarnell (Committee Assistant) and Jim Hudson (Committee Support Assistant).

### Contacts

All correspondence should be addressed to the Clerks of the Business and Enterprise Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5777; the Committee's email address is [becom@parliament.uk](mailto:becom@parliament.uk)

# Fourth Special Report

---

The Business and Enterprise Committee published its Sixth Report of Session 2008–09 on 6 May 2009. The Government’s Response was received on 13 July 2009 and is appended to this Report.

## Government response

---

1. The Government welcomes the interest that the Business and Enterprise Committee has shown in the work of The Insolvency Service (“The Service”) and welcomes also its commendation of The Service and its staff for the “generally effective and efficient way in which its functions are discharged”.
2. It is noteworthy that the Committee has reported on The Insolvency Service at a time of a global recession when insolvency itself is very much in the public eye. To a considerable extent, the present recession was the result of ultimately unsustainable levels of debt in the personal and corporate sectors. It is therefore no surprise that in terms of personal bankruptcies at least, The Service is dealing with an unprecedented volume of insolvency cases. The Committee’s report acts as a positive reminder that The Insolvency Service performs a crucial role in contributing to free and fair markets, by providing protection and confidence for investors, businesses, consumers, employees and shareholders.

### The Insolvency Service

**We commend the Insolvency Service and its staff for the generally effective and efficient way in which its functions are discharged. We urge, however, a redoubling of efforts to ensure that high levels of service are maintained throughout the economic downturn. This must include action to address concerns about the insolvency regime that have been raised during this inquiry. (Paragraph 11)**

3. The Committee is right to point out that high levels of service need to be maintained throughout the economic downturn. Every bankruptcy is a sign of serious personal distress and every creditor and debtor must be treated both fairly and effectively. In setting targets for The Service for 2009-10, the Government has agreed that the focus must be on maintaining present standards as The Service works hard to deal with both increasing caseloads and increasing caseload volatility. This reflects a widespread view that this year, more than ever, The Service will have to run hard to stand still.
4. The Service recognises that at a time of recession it is even more important to ensure that the insolvency regime is fit for purpose. The Service’s actions in relation to the Committee’s concerns about pre-packs, insolvency practitioner regulation and fees and policy development are detailed below.

### Pre-pack administration

Criticisms of pre-packs are at their sharpest where existing management buy back the business following private negotiations with an insolvency practitioner and then continue to trade clear of the original debts through a new “phoenix” company. This means that unsecured creditors are initially kept in the dark and then left empty handed. The phoenix company may also have some advantage over competitors who honour their financial obligations. The anecdotal evidence in media reports and confidential letters to the Committee suggest that “phoenix” pre-packs affecting smaller companies with high levels of unsecured trade creditors cause particular concern and are more likely to damage the supplier base without corresponding broader benefits to the overall economy. (Paragraph 15)

Public confidence in the insolvency regime is being and will be further damaged. Prompt, robust and effective action is needed to ensure that pre-pack administrations are transparent and free from abuse. Unsecured creditors tend to be kept in the dark and recover even less than they would in a normal administration. This causes particular outrage where the existing management buy back the business and continue to trade clear of the original debts. Pre-packs of this kind fuel understandable concerns about illegitimate, self-serving alliances between directors and insolvency practitioners. The interests of unsecured trade creditors must take a higher priority, especially in “phoenix” pre-pack administrations. The insolvency system, the Insolvency Service and the insolvency profession all risk real reputational damage if the situation is not addressed. More worryingly, many SMEs appear to be suffering unreasonable financial harm with no corresponding benefits to the wider economy. Where there are good reasons for an insolvency practitioner agreeing to a pre-pack, which there can often be, this must be explained clearly and fully. Where there are no good reasons for entering a pre-pack, this must be exposed before the damage is done. (Paragraph 25)

In view of this, we welcome the introduction of the new practice statement, Statement of Insolvency Practice 16, which aims to increase the transparency of pre-packs. We also welcome the Insolvency Service’s commitment to monitor its implementation. This is a responsible first step, but the recession makes this a matter of considerable urgency. There must be systematic monitoring of the situation by the Insolvency Service and the Department. If the new practice statement does not prove effective then it will be necessary to take more radical action, possibly by giving stronger powers to the creditors or the court. In the meantime, we urge anyone who suspects the abuse of pre-packs to contact either the Insolvency Service or the body that licenses the insolvency practitioner concerned. We also encourage large creditors, in particular Her Majesty’s Revenue and Customs, to take an active role in rooting out abuse (Paragraph 26)

5. The Government recognises the concerns expressed by the Committee regarding pre-pack administrations, and is also aware of the importance of this issue in terms of the

potential reputational implications for business, consumers and the reputation of the insolvency profession. The Government's response to the points made by the Committee on pre-packs is as follows.

### **The benefits of pre-packs**

6. The Government welcomes the Committee's recognition that in the right hands and in the right circumstances, pre-packs are a valuable tool for rescuing insolvent businesses. During the last 12 months, there has been a number of high profile pre-pack administrations that have resulted in business rescues preserving jobs and economic activity and providing future trading opportunities for suppliers. Academic research has shown that 100% of jobs in an insolvent company are saved in around 90% of pre-packs, compared with about 60% in other business sales out of administration. Likewise, a recent survey of insolvency practitioners found that 88% of jobs in pre-pack sales were preserved.

7. It is the Government's view that while vigilance is certainly needed in this area, any action taken must not unduly impair a means by which a material contribution is made to the rescuing of jobs and economic value that might otherwise be lost.

### **Damage to unsecured creditors**

8. The Government recognises the arguments made by the Committee that pre-packs, while safeguarding businesses and jobs, can damage the business of others in the supply chain and perhaps lead to instances of unfair competition. Sadly, the commercial reality is that when a company enters formal insolvency, unsecured creditors, including suppliers, almost always lose out as the value of remaining assets is rarely sufficient to cover the debts owed to secured and preferential creditors who have higher priority. The point is that the presence or absence of a pre-pack is unlikely in any individual case to make a significant difference to the quantum of any residual dividend that might be paid to unsecured creditors.

### **The potential for abuse**

9. The Government would agree with the Committee that the system—like any system—is capable of being abused by people intent on doing so. We recognise therefore that that potential for abuse, regardless of its actual extent, (which we do not believe to be widespread), may have the effect of eroding confidence in pre-packs and in administration more widely. It is therefore of the utmost importance that Government should use the tools at its disposal to ensure that any abuse is spotted and firmly acted upon and that the regulatory and enforcement regimes which are used for this purpose should be well understood and seen to be effective.

### **“Phoenix” pre-packs**

10. It is an important part of the Government's enterprise policy that directors who have been involved in a company failure should not be precluded from trying again provided that their failure cannot be attributed to any dishonest, reckless, wilful or otherwise blameworthy conduct. However, the legislative framework needs to strike the right balance between the need to encourage entrepreneurialism and the interests of creditors.

We believe, that, taken with the robust enforcement regime we maintain, the existing framework does that. Not only is there evidence that in the great majority of “phoenix” pre-packs there is no suggestion of misconduct, it is also the case that sometimes the former directors of the insolvent company may make the best—or perhaps the only—offer for the assets. In many such instances, this will represent the best outcome for employees, the creditors as a whole and the wider economy. This is a judgement that insolvency practitioners must make and are they are accountable to creditors for making it.

### **Minimisation of abuse**

11. Abuse is tackled by using the regulatory system to clamp down on unacceptable behaviour by insolvency practitioners and by using civil and criminal enforcement powers to do the same with regard to company directors. The former may result in withdrawal of authorisation to practice, as well as a range of lesser penalties, while the latter can lead to director disqualification or even criminal conviction. In such cases, custodial sentences are not uncommon.

### **Statement of Insolvency Practice 16 (SIP 16)**

12. The Government is pleased by the Committee’s welcome for the introduction of SIP 16 and The Insolvency Service’s determination to proactively police compliance with it. The greater transparency afforded by the new and detailed disclosure requirements in SIP 16 will give creditors better and quicker access to relevant information, which will enable them to make informed decisions when considering subsequent proposals or resolutions sought by administrators.

13. The Service is committed to continuing its oversight of SIP 16 compliance so long as the public interest demands it. In recognition of the Committee’s concerns and those of others in this area, The Service will shortly be reporting on levels of compliance during the first six months of operation of SIP 16. Should that compliance prove to be inadequate, it will put forward proposals for improving matters, including a potential further strengthening of regulation in this area.

14. The Service’s report will summarise its experience of having reviewed in detail every SIP 16 statement copied to it. For regulatory and enforcement purposes, The Service is cross-checking information in SIP 16 statements with other information properly available to it in the course of its work and from publicly available material.

### **The reputation of Insolvency Practitioners**

15. The Government agrees with the Committee that the good reputation of the insolvency profession is of the utmost importance if the public is to have confidence in it and in the insolvency framework more generally. The Insolvency Service has discussed this issue with the profession and has emphasised the importance of each practitioner and the profession in general acting in ways, whether under appointment or more generally, which will engender greater public confidence. There remains considerable work to be done, building on a robust regulatory platform, to successfully promote the profession’s vital role in the rescue, recovery and renewal of distressed businesses across the economy.

## **Enforcement against directors**

16. The Service uses its enforcement powers to clamp down hard on serial “phoenix” directors where there is good evidence that they have acted against the public interest. In its evidence to the Committee in January, The Service stated that its enforcement work and that of prosecutors more widely leads to around 5 director disqualifications and one criminal conviction per working day. At present, the average length of director disqualification is 6.19 years.

17. In appropriate cases consideration is given to exercising the Secretary of State’s discretionary powers of investigation available under the Companies Acts; specifically section 447 of the Companies Act 1985. These powers allow for the affairs of a live company, including a “phoenix” successor company, to be investigated. Such an investigation may include the circumstances in which pre-pack assets were sold on to a ‘newco’ under the control of the same management team.

## **Publicising enforcement**

18. In giving evidence to the Committee, The Service acknowledged the need to do more to publicise its enforcement outcomes so as to boost confidence in the enforcement regime and increase deterrence. This is discussed in more detail at paragraph 28.

## **Insolvency Practitioner Fees**

**It may be inevitable that insolvency practitioners’ remuneration is perceived as unduly high by many creditors. There must, however, be sufficient opportunity and information to allow creditors to ensure that fees are reduced where that perception is justified. We therefore welcome the Insolvency Service’s commitment to monitor whether insolvency practitioners are complying with the current practice statement governing the approval of their fees. We urge the Insolvency Service to make its findings publicly available. We also urge the Government to respond to these findings and to consider the case for strengthening control – possibly through independent arbitration – of insolvency practitioners’ remuneration beyond the limited power to do so currently exercised by creditors. (Paragraph 29).**

19. Insolvency legislation places the question of the amount of remuneration of insolvency officeholders to be determined by those having a financial interest in the outcome of the insolvency proceedings, primarily the creditors. Statement of Insolvency Practice 9 (SIP 9) sets out what information insolvency practitioners should provide to those responsible for the approval of their fees, and provides a suggested format so that those receiving such requests can make comparisons between cases and an informed assessment of each application.

20. The legislation also makes provision for an application to be made to the court, by either the office holder or creditors, for a review of the amount of fees allowed or charged. As the court has the final say on the matter of remuneration, an insolvency practitioner’s authorising body generally will not consider any complaint about the amount of

remuneration charged. It will, however, consider whether remuneration drawn was properly approved in accordance with the legislation and SIP 9.

21. The authorising bodies routinely monitor compliance with SIP 9 through their monitoring visits. In turn the activities of the Recognised Professional Bodies are subject to regulatory oversight by the Secretary of State.

22. The Government proposes the introduction of measures, via secondary legislation in April 2010, to provide improved transparency and accountability to creditors in relation to the actual amounts of remuneration charged and expenses incurred by office-holders. Office-holders will be required to provide progress reports at least annually (six-monthly in administrations) in which, amongst other things, they will be required to set out details of the work undertaken, amounts of remuneration charged and expenses incurred during the period covered by the report. Creditors will be given new rights to request fuller particulars of the amounts detailed within those progress reports and to challenge them by making an application to court where they consider them to be excessive. Requiring office-holders to report remuneration and expenses more regularly should enable creditors to scrutinise those details on a more timely basis.

23. The Service will ask the monitors of all the regulatory bodies to provide feedback on insolvency practitioners' compliance with SIP 9. The Service will report on the findings in the Statement of Insolvency Practitioner Regulation in March 2010.

### **Funding Arrangements**

**The Insolvency Service's Chief Executive, Mr Speed, assured us that arrangements for funding its case administration work are sufficiently robust to handle a dramatic increase in insolvencies if this were to happen. While we hope that this assurance is not tested, at this stage we can only hope that he is correct. Both he and his staff will understand the serious consequences if he is not. (Paragraph 36).**

**The Department for Business, Enterprise and Regulatory Reform must work with the Insolvency Service to ensure that its funding arrangements are sufficiently robust to handle the very high levels of insolvency that are almost inevitable at a time of steep economic decline. We welcome the Service's shift to projecting demand for its services based on a lower and upper range, but we believe that its funding and targets should be based on the expectation that activity will be at the mid-range, rather than the bottom end, of the scale. (Paragraph 47)**

24. The Service's case administration functions i.e. the official receiver's administration and investigation of bankruptcy cases and compulsory liquidation cases is funded from fees. These fees are reviewed and set each year in line with *Managing Public Money* principles. Fees are set to cover planned costs based on projected case levels. Monitoring of case levels, fee income and costs is undertaken at management board level in The Service on a monthly basis and is also reported to the Department monthly.

25. As noted by the committee, for 2009-10 case planning forecasts have been set as a range and fees have therefore been set to reflect this range. Although the financial table in The

Service's published corporate plan reflects fees and costs at the lower end of the range fee income will automatically increase as case numbers increase and increased costs would therefore be covered from increased income. It is important that The Service take a balanced and prudent view of its caseload projections. A more aggressive approach carries with it the increased risk of over-resourcing which could lead to costs and therefore fees in future years which are higher than necessary.

### **Redundancy Payments**

**The Insolvency Service must consider changing its agreement to operate a redundancy payments scheme on behalf of Her Majesty's Revenue and Customs by ensuring that in future years there is an entitlement to recover extra funding based on a higher workload. We welcome the fact that this year any interdepartmental wrangling over funding has been set aside to give priority to ensuring victims of the recession get the payments to which they are legally entitled. This should become permanent. (Paragraph 37).**

26. The Service has worked with HMRC and they with HM Treasury to confirm that funding for 2009-10 reflects the costs of administering higher forecast claim levels and meets the planned costs of a new replacement IT system for redundancy payments claims handling. The Service has also supplied its current planning forecast for 2010-11 and funding for this and future years will be aligned to claim levels. All valid claims are paid and the budget covering those claims is not cash-limited.

### **Investigations and Enforcement**

**It is surprising and disappointing that the Secretary of State has reduced the funding for investigation and enforcement activities for 2009-10, despite the expectation that there will be an increase in the number of cases referred to the Insolvency Service. It is unacceptable that the Service's new target requires it to achieve no more than the same number of successful enforcement outcomes than was achieved for 2008-09. This would mean that as the recession bites there will be proportionately fewer wrongdoers facing sanctions for their misconduct. This is unlikely to inspire confidence among the insolvency practitioners and creditors who report wrongdoing but see no sign of it being investigated or penalised. The Department for Business, Enterprise and Regulatory Reform must provide the Service with sufficient funding to meet an increase in demand for its investigation and enforcement activities and it should amend the target to ensure that the number of successful outcomes the Service is expected to achieve in 2009-10 is increased to ensure it is proportionately equivalent to the target in 2008-09. (Paragraph 44)**

### **Funding for investigations and enforcement**

27. The Government notes the Committee's concern about the allocation of resource by the Department to The Insolvency Service for its investigations and enforcement work and welcomes the opportunity to provide further clarification. While the Department allocates funding for routine investigations and enforcement work over the course of a Spending

Review period, occasionally additional funds are sought and allocated to fund work on especially large and complex cases which would otherwise have a very substantial impact on The Service's ability to continue with its routine work. The figures for enforcement, published in The Service's corporate plan, include some such funding which has been agreed with the Department and is currently diminishing from a peak in 2005-6.

28. Setting this aside, the funding allocated by the Department to The Service for investigations and enforcement this year (2009-10) is £500k higher than the level allocated for 2008-09. The Department and The Service have concluded that this additional £500k should be invested in raising the profile of The Service's investigations and enforcement work, for example by giving more publicity to notable director disqualifications, companies wound up in the public interest, or criminal convictions (in conjunction with the Department) in order to help improve confidence in the system generally and increase deterrence.

29. Aside from this funding, The Service's budget is also affected, in-year, by the awarding of costs and damages by the courts in individual cases that The Service has pursued on behalf of the Secretary of State. Costs can be awarded in favour of, or against, the Secretary of State. The Service manages this risk carefully as part of its assessment of whether cases should be pursued in the public interest. In recent years, The Service has tended to make a positive net recovery of costs and damages and this has increased the resources available to it to carry out its investigations and enforcement work. In 2008-09, the net recovery amounted to £1.8 million.

30. These factors help to explain why The Service's headline outturn funding figure for investigations and enforcement may fluctuate up or down from one year to another even when the underlying allocation from the Department is unchanged or increased.

### **Targets for investigations and enforcement**

31. The Government notes the Committee's views on the level of the enforcement targets set for The Insolvency Service for this year, but would offer the following explanation of the rationale for why the targets have been set as they are.

32. The Insolvency Service is experiencing a change in the case mix it is receiving with a trend towards more high-profile companies and greater complexity of the cases. The Service has taken a number of steps in recent months to further improve the effectiveness and efficiency with which it uses its funding particularly in seeking to improve the quality of reports and complaints. It has also carefully reviewed the way in which it assesses and prioritises cases according to public interest criteria. Given the trend it is seeing, The Service's advice to Ministers was that it would not be wise to set it a higher target which could have the perverse incentive of encouraging the pursuit of smaller and simpler cases at the expense of the more serious and complex ones. The aim always is to strike an appropriate balance of investigation across the full range of cases.

33. The Government has, to date, measured success in this area by means of simply comparing the number of outputs (director disqualifications plus bankruptcy restrictions plus reports of criminality) against a pre-determined numerical target. While this measure does convey some useful information about the relative level of misconduct and

enforcement, the Government's developing view is that it does not, on its own, allow any meaningful assessment of the effectiveness of the enforcement regime in meeting its wider objectives. It also cannot, by definition, say anything definitive about relative resource effectiveness as, in practice, The Service sees a huge variation in the complexity and cost of investigating individual cases. As observed above, it is arguable that the present hard numerical targets, taken on their own, are capable of introducing perverse incentives into the system.

34. In the light of this, The Insolvency Service and the Department are working to move towards a profiling and reporting system based on outcomes alongside outputs for enforcement which more closely relates inputs to the desired policy objectives. Initial thinking is that the impact and effect of investigations and enforcement work might be assessed by looking at a combination of enforcement outputs (as now) and a robust assessment of wider confidence in the regime. The Insolvency Service plans to discuss these ideas with interested parties in the autumn, after which its plans will be set out in its Corporate Plan for 2010-11 to be published in March 2010. The Department does not therefore intend to change the targets for this year.

**While the Service is securing sanctions against a considerable numbers of individuals at present, there is a need for additional funding to promote this more widely in order to create the best possible deterrent effect. We recognise the heavy demands on public expenditure, but maintaining confidence in the market is a central task of the Department and, in the light of regulatory failures elsewhere, we are surprised by the lack of commitment shown by the Department in this crucial area. The sums involved are, after all, very modest. (Paragraph 45)**

35. The Government agrees that it would be appropriate to do more in this area and has, accordingly allocated £500k to The Insolvency Service this year for this purpose, as discussed above.

#### **Insolvency Practitioner (IP) Regulation**

**The Insolvency Service must increase the transparency of its regulatory activities as a matter of priority. More generally, the Department for Business, Enterprise and Regulatory Reform should take the earliest available opportunity to provide the Service with the same range of powers to discipline its licensed members as are available to the other Recognised Professional Bodies. We recommend that the Department and the Insolvency Service should undertake a cost benefit analysis of the case for establishing an insolvency ombudsman. (Paragraph 53)**

#### **Transparency of IP Regulation**

36. The Government accepts the Committee's view that greater transparency would be helpful in engendering understanding of, and confidence in, the system. To this end, The Insolvency Service is taking the following steps:

- publication in July 2009 and thereafter in March each year of an annual statement of IP regulation, setting out how the system works and what it achieved during the previous year;
- periodic reports on the application and effectiveness of SIP 16;
- working with the RPBs and the Joint Insolvency Committee to establish full public consultation on all material changes to and developments of regulation in the future;
- creating a clear and more arms'- length relationship between its own overarching regulatory function and its role on behalf of the Secretary of State in licensing and regulating individual IPs.

### **Scope of the Secretary of State's powers with respect to directly licensed IPs**

37. Of the 1701 individuals authorised as IPs 92 are at present authorised by the Secretary of State. In order to provide the Secretary of State with the same range of disciplinary powers as are available to the Recognised Professional Bodies in respect of their IPs, changes would be required to primary legislation (the Insolvency Act 1986) as well as extensive changes to secondary legislation. While the Government accepts in principle the point that the Committee makes, its view is that the system of Secretary of State authorisation, while not perfect is working reasonably well and therefore has no immediate plans bring forward legislation to make changes. Were such changes to be sought in the future, it would be appropriate to consider them as part of a wider review of the legislation relating to the regulation of IPs.

### **An insolvency ombudsman**

38. The Government notes the Committee's recommendation on the issue of establishing an insolvency ombudsman and will give it serious consideration.

**Current economic conditions face the Insolvency Service with considerable challenges. The Service itself recognises this, and has some plans in place to meet them. However, we have three concerns.**

- **Is there a case for strengthening control of insolvency practitioners' remuneration?**

39. The Committee's attention is drawn to paragraphs 19-24 above which address this issue.

- **Will the Service and the Department be nimble enough to reshape policy if necessary to address concerns about pre-pack administration and other policy issues which may emerge as a result of the recession?**

40. The Government is concerned that the insolvency regime should remain fit for purpose and world-class. It is currently ranked in the top 10 internationally<sup>1</sup>. The Service always aims to respond swiftly and positively to general or specific concerns that may emerge. Recent and ongoing policy development work demonstrates this. For example:

- changes to advertising in insolvency proceedings allowing greater discretion to insolvency office-holders to advertise only when there is a real purpose and benefit in doing so and enabling them to choose the most effective medium in which to advertise insolvency events;
  - on 6 April 2009 debt relief orders, a major new debt solution aimed at those who are unable to afford access to bankruptcy or individual voluntary arrangements were introduced;
  - on 15 June 2009 the Government issued a consultation document, seeking views on our proposed changes to the regime aimed at furthering company rescue; and
  - we are modernising the insolvency rules to reflect technological developments and modern trading practices. These changes will save an estimated £20m per year. This is expected to be completed in April 2010.
- **And is the service’s funding model sufficiently robust to deal with the expected increase in workload, and, in particular, to maintain an appropriate level of enforcement activity? (Paragraph 55)**

41. As discussed above, The Government believes that the funding model for The Insolvency Service’s case administration activities is sufficiently robust to enable it to respond effectively to any increase in its work load. In addition, we believe that the funding provided by the Department to The Service for its enforcement activity is sufficient to provide the broad range of outputs, including the disqualification of directors and investigation of live companies.

---

<sup>1</sup> The World Bank ‘Doing Business Report’ 2009 ranked the Insolvency Service 8<sup>th</sup> out of 155 countries for the speed with which it deals with troubled businesses and 9<sup>th</sup> for the amounts returned to creditors. This compares very favourably with the USA, France, and Germany.