# PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

## Public Bill Committee

# DEREGULATION BILL

*Sixth Sitting*

*Tuesday 4 March 2014*

*(Afternoon)*

CONTENTS



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**Saturday 8 March 2014**

STRICT ADHERENCE TO THIS ARRANGEMENT WILL GREATLY FACILITATE THE PROMPT PUBLICATION OF THE BOUND VOLUMES OF PROCEEDINGS IN GENERAL COMMITTEES

**The Committee consisted of the following Members:**

*Chairs:* Mr Jim Hood, †Mr Christopher Chope

† Barwell, Gavin *(Croydon Central)* (Con)
† Bingham, Andrew *(High Peak)* (Con)
† Brake, Tom *(Parliamentary Secretary, Office of the Leader of the House of Commons)*
† Bridgen, Andrew *(North West Leicestershire)* (Con)
† Cryer, John *(Leyton and Wanstead)* (Lab)
† Docherty, Thomas *(Dunfermline and West Fife)* (Lab)
Duddridge, James *(Rochford and Southend East)* (Con)
† Heald, Oliver *(Solicitor-General)*
† Hemming, John *(Birmingham, Yardley)* (LD)
† Hopkins, Kelvin *(Luton North)* (Lab)
† Johnson, Gareth *(Dartford)* (Con)
† Maynard, Paul *(Blackpool North and Cleveleys)* (Con)
† Nokes, Caroline *(Romsey and Southampton North)* (Con)
† Onwurah, Chi *(Newcastle upon Tyne Central)* (Lab)
† Perkins, Toby *(Chesterfield)* (Lab)
† Rutley, David *(Macclesfield)* (Con)
† Shannon, Jim *(Strangford)* (DUP)
† Turner, Karl *(Kingston upon Hull East)* (Lab)
† Williamson, Chris *(Derby North)* (Lab)

Fergus Reid, David Slater, *Committee Clerks*

**† attended the Committee**

# Public Bill Committee

*Tuesday 4 March 2014*

*(Afternoon)*

[Mr Christopher Chope *in the Chair*]

## Deregulation Bill

### Schedule 1

Approved English apprenticeships

*Amendment proposed (this day)*: 7, in schedule 1, page 46, line 15, at end insert—

'(c) be no lower than National Vocational Qualification Level 3 by 2020.'.—*(Toby Perkins.)*

2 pm

*Question again proposed,* That the amendment be made.

**John Cryer** (Leyton and Wanstead) (Lab): It is a pleasure to serve under your chairmanship, Mr Chope. When we adjourned, I had just finished a peroration about the conflict between belief in a pure free market and belief in some degree of interventionism, which is what we are talking about in this part of the Bill.

**Toby Perkins** (Chesterfield) (Lab): My hon. Friend has reminded me of the intervention that I was about to make when we were cut off in our prime. Richard Hamer of BAE Systems summarised precisely the point my hon. Friend is making when he said that there needed to be "some control" of the regulation of the quality of apprenticeships,

"or else you could have a bit of anarchy with people doing their own things and quality not being as it should be."—[*Official Report, Deregulation Public Bill Committee,* 25 February 2014; c. 29, Q67.]

That is what industry is saying, and it is precisely the point that my hon. Friend is making.

**John Cryer:** I am grateful to my hon. Friend for that contribution. This goes to the heart of the debate that has been happening in this country since at least the 18th century. Ironically, it was the Tory party that tended to believe in intervention, rather than in the sanctity of markets. The party that became the Liberals—the Whigs, as they were then called—believed in the sanctity of markets. That clash of ideas has echoed through the centuries. It can be summed up by Hayek's belief that once we intervene in a market and touch market forces, all is lost. The objection of the Opposition—as I said, it is probably shared by some Government Members—is that markets are not necessarily organic. They do not simply erupt naturally in society; they are made by people and I have always believed that they can be changed, directed and intervened in by men and women for the greater good.

**Kelvin Hopkins** (Luton North) (Lab): Just to reinforce the point that my hon. Friend is making, it was one of the great tragedies of the 19th century that the British Government refused to intervene in the Irish potato famine—as a result of which hundreds of thousands of people died and 1 million or more were forced to emigrate—because they would have been interrupting market forces. My hon. Friend is making a good point.

**John Cryer:** That is a good example. History is littered with examples both of free markets being successful and of intervention being necessary. It is the 100th anniversary of the start of the first world war this year. The Asquith Government, who had many good qualities and many good politicians and Ministers among their ranks, believed in the completely untrammelled workings of the market, so very little planning went into 1914 or even into 1915. As a result, Britain experienced the 1915 shell crisis. If the Germans had attacked during that crisis, the result of the war would probably have been very different.

When the Factory Acts were passed, the argument was made that if people were no longer allowed to employ children, the British economy would go into a tailspin and would never be the same again. Yesterday, my hon. Friend the Member for Bolsover (Mr Skinner) happened to say that if it was not for the Mines and Quarries Acts, he would probably have been killed in the mines. Of course, some on the Government side might think that that would not have been entirely a bad thing.

**The Chair:** Order. I hope that the hon. Gentleman is not going to test my patience so early on in my chairing of the Committee. We are talking about quite a narrow amendment that would insert the words:

"be no lower than National Vocational Qualification Level 3 by 2020."

That is essentially a prospective amendment, which relates to national vocational qualifications level 3. I hope that the hon. Gentleman will limit his remarks to the content of the amendment.

**John Cryer:** Yes, I will, Mr Chope. I tested Mr Hood's patience this morning, so I was just being consistent. I will return to the point in hand. We are talking about the Government regulating and setting standards. That means that the standards applied to apprenticeships are suitably, though not ridiculously, high. That will ensure that we pull up the minimum standards. There are many decent employers who will provide good apprenticeships and good grounding for the people who work for them. However, there are some employers who need to be pointed in the right direction. The amendment is directed at those employers.

**The Parliamentary Secretary, Office of the Leader of the House of Commons (Tom Brake):** It is a pleasure to serve under your chairmanship this afternoon, Mr Chope. The focus of much of the debate on the amendment has rightly been on quality, which we discussed in relation to clause 3 and are discussing again now. That is welcome because it gives me the opportunity to underline a point.

The hon. Member for Chesterfield suggested that the only view the Government had on quality was that employers would take responsibility for it. That is clearly not what the Government argue. I am sure he welcomes the fact that we have a large number of very good organisations involved in the trailblazers—he quoted BAE and others—who will want to ensure good quality. They have underlined, and the Government

support the idea, that English and maths should be at the core of apprenticeships, and will form the base of skills and knowledge that can be transferred to future employment. The Secretary of State has a role in signing off the quality standards at the end of the process. We certainly want to ensure that quality remains at the heart of apprenticeships, and their success depends on that.

Other hon. Members highlighted other aspects, and I will touch on those that are relevant to amendment 7. My hon. Friend the Member for Birmingham, Yardley rightly pointed out that the consequence of the Opposition amendment could be that up to 500,000 people with level 2 apprenticeships would not be able to call themselves apprentices. The hon. Member for Derby North, who is not now in his place, referred to training schemes that lasted two months, after which an apprenticeship was granted. I draw his attention to the debate and ask him to come forward with the example that he quoted. I understand that now to qualify as an apprentice requires a minimum of a year's training. He may have been thinking back to the time of the previous Government, when the quality of apprenticeships and the associated time required to be spent on training were not as great as now.

**John Hemming** (Birmingham, Yardley) (LD): Does the Minister share my concern that that will have not only an effect in future but a retrospective effect because it will throw doubt on intermediate apprenticeships even now?

**Tom Brake:** I agree with my hon. Friend. That is exactly the impact that it will have. My hon. Friend quoted the number of people on level 2—500,000. I think that the number on level 3 is around 370,000. What we should have heard from the Opposition is how we get from that position to a position in 2020 when there will no longer be any level 2 apprenticeships. That would require a complete sea change in the numbers. It would clearly be an extremely complex process to get from here to there, and I did not hear how that was to happen.

The hon. Member for Derby North is now back in his place. Before he arrived, I asked if he could provide details of the two-month apprenticeship he referred to. I understand that it is not possible now to secure an apprenticeship without at least a year's study. I would be interested to see his example. I think that his speech must have come from the Class War website, if there is such a thing. He is as obsessed with Margaret Thatcher as I expect some Government Members may be. To suggest that one Prime Minister is the root cause of every problem that the UK faces is excessive; he needs to refresh his arguments a little.

We also had a contribution from the hon. Member for Luton North, who underlined the importance of English and maths. They are fundamental. I said that once, and I am happy to restate that. We then had a number of Members saying how many A-levels they had achieved in maths. I want to put it on the record that, having achieved the equivalent of A-level maths, I am—perhaps under some duress—reacquainting myself with AS-level maths to be able to assist with homework. I confirm that, 30 years after taking such exams, that is proving to be a bit of a challenge.

We had a contribution from the hon. Member for Leyton and Wanstead, who said that there was clearly a conflict. There will always be an appropriate balance to strike between the free market and regulation, and I do not think that any Government Members would say that the free market should always let rip and regulation never has a role to play. Regulation clearly has a role to play.

**The Solicitor-General (Oliver Heald):** I do not know whether my right hon. Friend recalls that the Mines and Quarries Act 1954 was introduced by a Conservative Government.

**Tom Brake:** I would love to claim that I did recall that, but that would be unusual because it came in before I was born.

**Kelvin Hopkins:** The Solicitor-General is right that the Conservative Government brought in that Act in 1954, but at that time there was a social-democratic consensus. Would it not be wise to go back to that consensus, rather than this ideological battle between the free-marketeers and the socialists?

**Tom Brake:** I thank the hon. Gentleman for his intervention, but I am happy to hide behind the Chair, who would not want me to stray into a philosophical debate of that nature. I return to the point raised by the hon. Member for Chesterfield, which was about small businesses. Quite rightly, we have heard a lot about the engagement of large employers such as BAE, Airbus and so on, but we need to ensure that we also engage small businesses. While companies such as BAE, National Grid and so on hire hundreds of apprentices, we also need to see tens of thousands of small businesses hiring one apprentice, because that is where we can make further substantial gains in apprentice numbers. I want to give him some information on what we are doing in that respect.

As part of the trailblazers pilot programme, we have identified the need to engage with SMEs. We are working on how to do that by evaluating their involvement with the schemes, making apprenticeships more relevant to them and engaging them. The hon. Gentleman will be aware of the Holt review and a number of proposals came out of that such as the development of the National Apprenticeship Service website, which provides specific guidance for SMEs on taking on an apprentice and a web tool that enables employers to identify more easily the training provider that best meets their and their apprentices' needs. I refer my constituents to those services, whether they are people interesting in undertaking apprenticeships or employers interested in offering them. Funding rules have also been introduced that require providers to notify employers of the level of Government contribution to the funding of their apprenticeships training, which is intended to encourage employers to become more demanding of their providers and work is ongoing to develop a mentoring network to help SMEs that have recently taken on their first apprentices. We are seeking to engage small businesses as well as large businesses.

The amendment would ensure there were no approved English apprenticeships at NVQ level 2 by 2020. The Government have been quite clear that apprenticeships should be skilled jobs that require sustained and substantial

*[Tom Brake]*

training to reach competence. That is set out in the Government's response to the Richard review of apprenticeships and in the published criteria for the standards for the trailblazers pilot programmes.

2.15 pm

Mr Richard recommended that some level 2 apprenticeships should continue to have a valuable role to play. He also said that a level 2 qualification is acceptable if it reflects a real job that requires a substantial level of training, but not if it is solely a stepping stone to a level 3. We are in agreement that Doug Richard made a thorough and detailed investigation of apprenticeships. That is what he recommended and he did not call for the abolition of all level 2 apprenticeships.

We have taken steps to encourage more high level apprenticeships, for example, by supporting the development of apprenticeship frameworks up to qualification level 7, or the equivalent of a master's level. I am pleased that higher apprenticeships have seen the greatest growth in recent years with numbers more than doubling between the academic year 2011-12 and 2012-13.

The Bill will allow employers to make proposals for apprenticeships. There are no restrictions on the level of the apprenticeship. I hope hon. Members will agree that employers are best placed to decide the appropriate level for an apprenticeship. This is a central element of schedule 1, namely for employers to have more say in the content of apprenticeship standards. I urge the hon. Member for Chesterfield to withdraw his amendment.

**Toby Perkins:** This has been an excellent debate. We have heard how important the commitment to quality is from both sides of the Committee. The question is how we make that commitment real. As the Minister was talking about the difference between the two sides, I was reminded how seamlessly the two coalition parties appear to be all the same thing. I will be reminding the electorate of Chesterfield of that with some enthusiasm over the next 14 months.

I will take a couple of points raised by the Minister. First, he said that 500,000 people who are doing level 2 apprenticeships would not be classed as having an apprenticeship. That is not true. The measure is not about retrospectively taking an apprenticeship off someone who has already done one. It is about saying that from 2020, all we want to do is try to catch up with our northern European neighbours who say that a level 3 qualification is the point at which it becomes an apprenticeship.

**Tom Brake:** Does the hon. Gentleman agree that the logic of his position is that he is saying to all people who have level 2 now or might achieve it in the near future that, in fact, their qualification does not really count as an apprenticeship because according to his party apprenticeships only start at level 3?

**Toby Perkins:** That is an interesting point. The hon. Member for Birmingham, Yardley asked a moment ago if the amendment would throw retrospective doubt on the quality of the apprenticeship. He said that literally moments after the Minister himself had said, "Oh well, of course, in Labour days, apprenticeships were not worth a lot, they were done in a few weeks, but now we have toughened them up." So he was doing precisely the same thing himself; looking back at how apprenticeships were in the past and dismissing them. We are not saying that level 2 qualifications have no value, or that people who have done them should in any way be diminished. What we are saying is, "Let's do as our northern European competitors and some of those countries that we would recognise as being slightly more successful than us in retaining their industrial base have done. They seem to have the commitment to skill hardwired into their economy. Let's make the apprenticeship the gold standard". Let us also recognise that there is a role for level 2 qualifications. We would not abolish all level 2 qualifications, but we would recognise that they are different to an apprenticeship. That is what the amendment is about.

The amendment is one that people should support, because we are all committed to quality. It gives plenty of time for us to look at the alternative paths that people might take—we have until 2020. However, it is drawing a line in the sand where Britain says, "We want to be as good as the rest. We want to win a race to the top. We want the quality of our investment in young people to be as good as that of our foreign competitors." As a result, we say that by 2020, level 3 qualifications should be classed as apprenticeships and we recognise that level 2 qualifications are not that gold standard. That is what the amendment seeks to do and I strongly commend it to the Committee.

*Question put,* That the amendment be made:—

*The Committee divided:* Ayes 8, Noes 10.

**Division No. 5]**

**AYES**

| | |
|---|---|
| Cryer, John | Perkins, Toby |
| Docherty, Thomas | Shannon, Jim |
| Hopkins, Kelvin | Turner, Karl |
| Onwurah, Chi | Williamson, Chris |

**NOES**

| | |
|---|---|
| Barwell, Gavin | Hemming, John |
| Bingham, Andrew | Johnson, Gareth |
| Brake, rh Tom | Maynard, Paul |
| Bridgen, Andrew | Nokes, Caroline |
| Heald, Oliver | Rutley, David |

*Question accordingly negatived.*

*Question proposed,* That the schedule be the First schedule to the Bill.

**Tom Brake:** I thought I should say a little about schedule 1 because it explains a lot of what the Government are doing in terms of how we will implement this change, which will give employers a much greater degree of responsibility for apprenticeships than currently. Schedule 1 enables the Government to deliver the necessary reforms to apprenticeships. The changes simplify the system by removing roles such as English apprenticeship issuing authorities and the certificating authority. The changes give the Secretary of State the power to manage the associated functions or delegate as necessary. There will be a new "approved English apprenticeship". These apprenticeships will be made under apprenticeship agreements or alternative arrangements described in regulations.

Part 1 will introduce a new chapter into the Apprenticeships, Skills, Children and Learning Act 2009. New section A1 would alter the definition of an English apprenticeship to reflect the planned reform. It describes an apprenticeship agreement. The agreement is not new and new section A1 ensures that apprentices must be employed and that there must be an explicit agreement between employer and apprentice that the employee will work and study towards a specific apprenticeship. Alternative apprenticeships are also not new; they allow for exceptions to cover circumstances where apprentices cannot work under an apprenticeship agreement, for example where an apprentice becomes redundant during the apprenticeship. Secondary legislation will set out which apprentices are covered.

New section A1 would also allow the Secretary of State to set simple conditions for apprenticeship agreements, for example ensuring that the agreements are in writing. The schedule introduces the new idea of an approved apprenticeship standard in new section A2. Approved standards will replace the apprenticeship frameworks that currently set out the content and other features of apprenticeships within a particular sector. Frameworks include qualifications and other requirements that apprentices must meet. Standards will define occupational competence and will focus on outcomes. Currently, issuing authorities—generally the sector skills councils appointed by the Secretary of State—issue apprenticeship frameworks. In the future, the Government will encourage employers, or consortia including employers, to be actively involved developing outcome-focused standards and making proposals before submitting them to the Secretary of State for approval and publication.

New section A3 would give the Secretary of State the power to issue apprenticeship certificates, copies of certificates and the power to charge a fee. New section A4 would give the Secretary of State the power to delegate any function—other than making regulations—to a designated person. For example, he is likely to delegate the power to issue certificates to a third party. New section A5 replicates an existing provision in the 2009 Act on the status of apprenticeship agreements. The section provides that an apprenticeship agreement is not to be treated as a contract of apprenticeship, as recognised at common law, but is instead to be treated as being a contract of service. Apprentices on apprenticeship agreements will continue to have the same employment rights and duties as they have at present. We plan to work with employers to develop some further guidance on drafting an apprenticeship agreement.

New section A6 deals with variations or inconsistencies within English apprenticeship agreements. New section A7 deals with Crown servants and parliamentary staff who do not have usual contracts of service, so this provision allows apprenticeship agreements to apply to their employment agreements.

Part 2 deals with consequential amendments. Apprenticeships are a devolved matter; some of the apprenticeship sections in the Apprenticeships, Skills, Children and Learning Act 2009 apply to both England and Wales, so many of the consequential amendments are to separate the two, leaving the sections applying only to Welsh apprenticeships. Other consequential amendments deal with the removal of the role of apprenticeship-issuing authorities in England. Issuing authorities are mostly sector skills councils appointed by the Secretary of State to issue apprenticeship frameworks. Frameworks will be replaced by new standards and the Secretary of State will have the power to approve and publish these.

Currently, we have an English certifying authority, the Federation for Industry Sector Skills and Standards, which is responsible for the issue of apprenticeship certificates. Again, we are bringing the power to issue certificates back to the Secretary of State, who may then choose to delegate the function. Lastly, some of the consequential amendments deal with changes in terminology, including the change from apprenticeship frameworks to apprenticeship standards. Part 3 applies only to Welsh apprenticeships and allows Welsh Ministers to issue or withdraw apprenticeship frameworks in the absence of an issuing authority.

In conclusion, the simplification of apprenticeship legislation will help to engage a wider range of businesses and will allow employers to see a clearer link between their investment in apprenticeship training and an increased relevance of apprenticeships. I commend this schedule to the Committee.

**Toby Perkins:** I do not want to speak at great length about schedule 1, but this lays out some of the basis on which the proposals will be taken forward. We remain of the view that it is incredibly important that there is a real commitment to quality and we support the idea of greater involvement for employers in what is happening in terms of apprenticeships within their environment. We recognise the value and importance of that but, at the same time, there are things in the next clause that we will be scrutinising. Ultimately, business across Britain can be assured that there is widespread commitment in this House to apprenticeships and we want to make sure that that commitment is not only to the best opportunities for our young people but also to quality.

*Question put and agreed to.*

*Schedule 1 accordingly agreed to.*

**Clause 4**

ENGLISH APPRENTICESHIPS: FUNDING ARRANGEMENTS

*Question proposed,* That the clause stand part of the Bill.

**Tom Brake:** Clause 4 allows the Secretary of State to make arrangements with Her Majesty's Revenue and Customs to route English apprenticeship funding directly to employers. In particular, it provides for a new function for HMRC. HMRC will set out in regulations how the administration of the scheme will operate. All Members of the Committee agree about the value of apprenticeships for businesses and young people, as we have heard today. The Government consider that high-quality apprenticeships are of increasing importance in their plan for growing the economy and believe that they have the potential to make an even greater impact in the future.

The origins of the clause lie in the independent review of apprenticeships in England, which Doug Richard conducted in 2012. The review recommended that funding should be routed directly to employers instead of to providers. The Government accepted that recommendation, which will make apprenticeships more responsive to employers' needs and help to raise standards.

*[Tom Brake]*

In summer 2013, the Department for Business, Innovation and Skills consulted on three options to route apprenticeship funding to employers. Following the consultation, it was announced in the autumn statement that HMRC systems would be used to route funding directly to employers and that a technical consultation would provide more details on how that could be done. The clause will make that possible.

The Government will publish a technical consultation shortly, so that employers and training providers can consider in more detail the options for routing funding to employers. The Government's aim is for the system to be simple and accessible for all employers while meeting the principles of the Richard review. Those include giving employers the purchasing power for training by enabling them to contribute to the cost of training themselves and have much more control over Government funding for training. The Committee may recall the options in the summer consultation, which included allowing employers to make deductions from their pay-as-you-earn payments, which is provided for in subsection (3). However, the clause will also permit alternatives to be put in place, including an account model. Those will be explored in the consultation.

The Committee should note that it is likely that the Government will introduce minor refinements to the clause on Report. They will ensure that the clause provides the necessary powers, as we receive feedback from stakeholders during the forthcoming consultation and as the policy is developed in the coming weeks.

2.30 pm

The use of HMRC systems means that information will have to be shared for the purposes of apprenticeships. Members will note that the clause therefore allows for information to be shared between Her Majesty's Revenue and Customs and the Secretary of State for such purposes. As is normal, that is provided for in primary legislation and ensures that taxpayers' information is safeguarded.

Clause 4 will enable apprenticeship funding reforms to be made, and the Government will engage stakeholders on the detail of the options through the consultation process. I commend the clause to the Committee.

**Toby Perkins:** If it is timely to debate the clauses surrounding apprenticeships in national apprenticeship week, it is equally timely to debate clause 4 so shortly after the exciting triumph of my right hon. Friend the Member for Doncaster North (Edward Miliband) this weekend at the ExCeL arena. Although this clause 4 moment might not precede the largest electoral landslide in modern political history, it is worthy none the less.

It is also worthy that we are talking about the future and our investment in the next generation's skills at the very time why my hon. Friend the Member for Streatham (Mr Umunna) is laying out his agenda 2030, Labour's longer-term strategy, which will ensure that the next Labour Government make commitments that will not just see us through to immediate electoral success but build a stronger Britain for a long time to come. It is pleasing to have the opportunity to scrutinise the clause.

As I said a moment ago, we agree that employers should be directly involved in choosing training providers and that the direct payments to them will normalise that as business behaviour. It is an important principle that employers have a role as training providers, and I sensed in the proposal an acknowledgement that the Government had been wrong early in their time in office to shut so many smaller players out of the apprenticeship skills market. Their huge reduction of approved providers in the bonfire of the quangos excluded many smaller training providers from offering apprenticeships. They have now come back to the matter, saying that they want to expand flexibility and the options available to employers, which is possibly a tacit admission that they were wrong back then.

We support the principle of expanding of the role of employers. We have a number of questions, and we would like to probe the Minister to ensure that there will be no unintended consequences and to clarify how the provisions will work. I appreciate that the Minister said that he anticipates further changes to the Bill based on the consultation. We look forward to seeing what they are. We recognise that the clause will allow a Government pilot of a form of direct payments to employers to take place. We think that pilot should be investigated.

What representations has the Minister had about whether a retrospective refund, coming as proposed in a reduction in PAYE payments, will have an impact on the capacity of smaller firms that do not enjoy huge cash flows to take advantage of the scheme? Does he agree that any system must strive for the merits of both simplicity and speed, to attract the widest number of employers and the widest range in the business size profile? Does he agree that if the impact of the payment method selected were to discourage smaller employers from embarking on the scheme when they would otherwise have liked to, that would be a considerable flaw?

The Minister will have heard the representations at the Committee's evidence session from BAE Systems:

> "You need good governance arrangements that are inclusive and involve a range of different stakeholders: small companies, as well as the big companies. For us in the bigger companies, we can use our muscle with the awarding bodies, organisations and colleges to ensure that the provision provided is not only excellent for BAE Systems or Rolls-Royce, but is excellent for the smaller companies that we work with."—[*Official Report, Deregulation Public Bill Committee,* 25 February 2014; c. 30, Q70.]

Major companies can work apprenticeships through their supply chain, but what about the smaller companies referred to earlier in the debate? How are we going to ensure that the funding scheme works for the 10,000 companies that want to take on one apprentice?

**Chi Onwurah** (Newcastle upon Tyne Central) (Lab): My hon. Friend makes some powerful points. I want to share something of which he may already be aware. If my memory serves me, 70% of failures of small businesses are due to cash-flow issues. Could it not be a significant barrier for payments to be made in this way?

**Toby Perkins:** It certainly could. My hon. Friend is right that cash flow is critical to all businesses, but particularly small ones. If something that said "Make the investment today and get the money back from Government a bit later" was a deterrent to smaller businesses, that would be a considerable flaw. I am interested to hear what the Minister has to say on that.

On governance, does the Minister believe that HMRC is capable of providing the good governance to ensure

that the hugely increased number of schemes it will have to investigate come up to standard? Is it capable of providing governance to ensure that all employers' training will meet the standards required?

Does the Minister agree that it is vital to protect the strength of the apprenticeship brand, notwithstanding the vote that we have just had, to ensure that employers' training delivers not only the skills that an apprentice needs to do that job but a broader range of skills to ensure that the employee will be attractive to other employers in future? What steps will the Minister take to ensure that the level of training provided by employers is sufficient and that those standards are maintained?

The Minister will be aware that Department for Business, Innovation and Skills research shows that 29% of apprentices are not paid the apprenticeship minimum wage. That commitment should be policed by HMRC, but there have been very few convictions for non-payment of the apprenticeship minimum wage. Given that HMRC has been unable to police that, what steps will he take to convince us that HMRC will be capable of providing good governance of the quality of the apprenticeship offer, when the number of providers will be hugely increased from the current operation? This is part of a deregulation Bill, and although it will undoubtedly improve flexibility for employers, if there is to be proper governance, will that not inevitably increase the bureaucratic work load?

I am interested in the assessment that the Minister and his Department have made of the change in the further education sector. The Minister will be aware of the appalling reputation of the Government among those in the further education sector, particularly those who are responsible for the skills agenda. Overall cuts to the FE sector are about £260 million, at a time when we are supposed to be in a global race for a higher-skilled work force. Many further education colleges, including the excellent one in Chesterfield, have been left reeling after the recent further education cuts to the cohort of 18-year-olds. They are often the very people who have not performed well at GCSE level and, having arrived at the age when they ought to think of a career, are on a precipice. On one side there is a route to better skills and a hopeful future, and on the other there is learning to sign on, with all the hopelessness that can follow that bleak scenario.

The Government have recently said to 655 of those young people at Chesterfield college, and to tens of thousands more across the country, that their futures are no longer worth investing in. With that background, at a time when FE colleges have had huge cuts across the board, and when there have been even bigger cuts targeted at the cohort of 18-year-olds, what assessment have the Government made of the impact of those cuts on those colleges? If those colleges are unable to survive or maintain a broad offer for students as a result of the cumulative effect of all those cuts on the FE sector, does the Minister realise how much that will undermine the skills agenda and weaken the capacity of those colleges to provide the services and courses that local employers need?

Although we welcome greater freedom for employers, we look forward to hearing the Minister's response to some of our concerns. Although we believe that colleges must always ensure that their offer is relevant and exciting for employers and students alike, and although we recognise that colleges will often take up the challenge of ensuring that employers continue to want to work with the FE sector, we seek assurances that the Government are investigating the funding challenges facing our FE system, of which the proposals that we are discussing could be yet another.

Finally, will the Minister assure us that the cumulative impact of the changes that he is proposing, alongside changes already delivered in other strands of Government, will still leave our FE sector able to provide the support that our employers, students and the whole economy so desperately need?

**Kelvin Hopkins:** It is a pleasure to serve under your chairmanship this afternoon, Mr Chope.

Following from my hon. Friend's speech on his concerns about further education, I want to raise some concerns as well. For some 10 years, I was chair of the all-party group on further education, skills and lifelong learning. I have also taught in further education and have had close associations with the sector over quite a long period.

As my hon. Friend said, taking funding away from providers—predominantly the FE sector—and giving it employers sounds like a good idea in some sense, but, as my hon. Friend the Member for Newcastle upon Tyne Central said, small companies can have cash-flow problems. Under pressure, will they use that money for training, or will they use it to cover their immediate cash-flow crises? On the other hand, if the money goes to colleges, and small companies know that they do not have to pay for the training at the college, as it is paid for by the state, they will be much more inclined to send their apprentices to, for example, day-release courses in the FE sector than if they are given the money directly and then suffer financial problems.

Has the Minister consulted the Association of Colleges about those matters? What is its view? I know the association well, and I have a high opinion of the AOC, in particular its director. I just have a feeling that it may be concerned about cash being taken away from providers, in the Government's terms—further education in my terms—and given to employers.

For big and well funded employers and those that are doing well, there will not be a problem, because they will want to ensure that their work force is skilful. Small employers under pressure might not be so keen on the policy, unless they can have the service provided by the FE sector free of charge and get the subsidy for training directly through that route, rather than being paid the money themselves. If we ask a small company, "Would you like the money or the training?", they will probably say the money, but that may not be the right approach to what benefits the economy.

Overwhelmingly, the FE sector does well, but since the incorporation of further education colleges just over 20 years ago now—as I said, I was closely associated with the broader sector—they have turned to more of a business, profit-making model; often it is a loss-making model, because they have had serious financial pressures on them. I know that those who work in FE have sometimes suffered from the business approach that has been forced on FE rather than the professional education approach, which was appropriate when I taught in FE some 40 years ago.

*[Kelvin Hopkins]*

I am concerned that some FE colleges might not be so enthusiastic about putting on well funded courses with highly trained teachers when they are under financial pressures themselves.

**Toby Perkins:** The point is also that there are economies of scale in FE colleges. A considerable amount of the cohort no longer uses the FE sector, which makes some courses no longer viable. A number of employers might want to send their apprentices to an FE college, but the college says, "We are sorry. We cannot run the course because we have not got enough people on it."

2.45 pm

**Kelvin Hopkins:** As my hon. Friend says, the economies of scale that FE colleges provide are very significant. I am not a believer in myriad small providers of training. I believe in a professional training sector based in further education and the combination of public funding for training and rigorous inspection to ensure that courses are appropriate and of high quality.

There have been one or two examples of colleges that have not been performing well. Fairly recently, the principal of one college allegedly chased Ofsted off the campus. They would not be inspected by Ofsted; they did not want to know about Ofsted. Their view was, "We are a business and we are not going to be checked by some Government institution, some regulator interfering with what we do." That should not be allowed to happen. The public sector should be subject to proper inspection. We should be able to guarantee the quality of what is provided in further education. Nine out of 10 colleges do the best job they can, sometimes under financial pressures.

What I would like to see in further education and apprentice training is public funding for a unified sector, with rigorous inspection and properly qualified teachers teaching high-quality courses. That is not the direction in which Governments have been going in recent years. It is not the direction of the present Government in handing funding over to employers rather than to the further education sector.

I look forward to what I hope will be a Labour Government in the very near future saying, "We are going to re-establish our belief in proper further education, state-funded and state-regulated, with proper rigorous inspection, to make sure that we get the quality of apprentice training that we need."

**Tom Brake:** Let me start by responding in a suitably balanced, proportionate and unbiased manner to some below-the-belt political points made by the hon. Member for Chesterfield. He referred to the fact that the Labour party was embarking on looking at its longer-term strategy. I wonder whether, as part of that process, its shorter-term strategy will be to announce that it is going to apologise for wiping 7% off the value of our economy. I suppose we can always hope.

The hon. Gentleman also referred to the bonfire of the quangos, which he said included small training providers. As we have heard repeated on a number of occasions, the number of apprenticeships has been growing significantly. That clearly means that training providers are doing well in the current environment. A supportive comment was made by the hon. Member for Luton North, who said that he wanted training providers to be professional organisations and not necessarily myriad small providers.

The hon. Member for Chesterfield also referred to the need for more financial support for the FE sector. As he will know, his party's shadow Chancellor has apparently embarked on a zero-based budgeting process. I am not sure how he can offer up more funding for the FE sector when presumably all the columns are currently showing zero as the amount that is allocated to different Departments.

I turn to the more pertinent and relevant questions about funding arrangements, which are worthy of a detailed response. First, the hon. Member for Chesterfield raised concerns about cash-flow problems for smaller businesses. He may be aware that the summer consultation set out that small employers may not have sufficient PAYE payments to cover their claim for apprenticeship funding, so an alternative funding route would be needed. The technical consultation is going to explore that issue.

The hon. Gentleman also referred to his concerns about whether HMRC was going to be able to enforce the apprenticeship minimum wage. He may be interested to know that in 2012-13, HMRC identified nearly £4 million in owed wages for about 26,500 workers. Clearly, HMRC is involved in that process and will want to pick up—as I am sure it already does—the issue of apprenticeships who are not receiving the minimum wage.

**Toby Perkins:** Can the hon. Gentleman inform us how many convictions there have been for failure to pay the apprenticeship minimum wage?

**Tom Brake:** I thank the hon. Gentleman for that intervention. I do not have that information to hand, but I hope that before I sit down there will be an answer. If there is not, I will write to him and to Committee members, so that they know the answer.

The hon. Gentleman also asked whether the measure was a distraction for HMRC when it should be collecting taxes elsewhere. It will not have an impact on HMRC's ability to collect tax or to crack down on those who evade their responsibilities. HMRC's core function remains to collect tax for the Exchequer. It has a strong record in collecting tax revenue. In 2012-13, HMRC collected £20.7 billion in additional tax revenues, almost £2 billion above its target for that year.

The hon. Gentleman asked how SMEs were going to have more influence over the system. A number of Opposition Committee members were critical of our simplifying apprenticeships, or the system, but we on the Government Benches would argue that one of the biggest impediments that small businesses face is complexity, or confusion, about apprenticeships. Anything we can do to simplify that process, replacing the long, complex frameworks with apprenticeships standards of around two pages written by employers in clear language will assist small businesses and provide them with greater clarity about how the system works, thereby increasing their ability to participate and flex the system as they would like.

The trailblazers will lead in implementing the new apprenticeships. As I mentioned earlier, they are ensuring that employers both large and small are involved in

their design and that they are delivered in a way that works for all types of businesses.

It was fair to mention quality, but I have probably rehearsed that issue sufficiently in earlier contributions. However, I shall say again that the number of apprenticeships and the value placed on them will increase only if the quality is there. We are committed to that and we are certain that employers will be as well. Committee members on both sides look forward to the number of apprenticeships and their quality increasing.

The hon. Member for Luton North raised concerns about the funding system for SMEs. As I said, that is one aspect that the technical consultation will focus on, ensuring that it works for SMEs. That may include ensuring, for instance, that training providers play a role in minimising administrative burdens on SMEs. I agree that we do not want, as a result of engaging employers in developing standards for apprenticeships, to place a burden on SMEs by making them take on a role that they do not want to play. Certainly, involving some training providers in establishing standards for apprenticeships will assist SMEs.

**Kelvin Hopkins:** I also asked whether the Minister had consulted formally the Association of Colleges. Will he answer that question?

**Tom Brake:** I will get back to the hon. Gentleman once some clarity is provided. *[Interruption.]* In fact, clarity is provided instantaneously; I was failing to interpret the notes correctly. Yes, we have spoken to the association. I am sure that the hon. Gentleman will be greatly relieved.

Clause 4 will enable apprenticeship funding reforms to be made. The Government will engage stakeholders on the detail of the options through the consultation process. I commend the clause to the Committee.

**Toby Perkins:** The Minister started by saying—he looked genuinely wounded—that he had been hit below the belt. He never quite clarified what I had said that was so unreasonable. I was on tenterhooks, wondering how I had offended him so. We will all just have to wonder.

**David Rutley** (Macclesfield) (Con): Could it have anything to do with the fact that the hon. Gentleman has been referring at length to the previous Government's tendency to intervene, and that it did not lead to a successful conclusion to their much-vaunted policy of no return to boom and bust?

**Toby Perkins:** I will have a quick flick through my notes—no, I do not remember saying that. We simply leave it for people to read the full transcript of this Committee—it will be available from the Vote Office from tomorrow for anybody who wishes to relive the entire experience—and let them make their own judgment. I was disappointed that the Minister did not get an opportunity to say what he considered to be the impact of the collective changes on the further education sector. This is an important point. We recognise that often the courses available at a certain college may not be relevant to a particular employer's apprenticeship, and they may want to go their own way with a properly accredited training scheme of their own. This may be a perfectly sensible option. However, if the impact on the further education sector has not been assessed, and if the cumulative effect of all these cuts on the sector is that it can no longer deliver courses to those who want to continue to use it, and courses are no longer available as a result of the lack of economy of scale, it is deeply problematic.

The Minister's response was, "Well, you have a zero-based budget review, so it would be the same with you". First, he is wrong on that, inasmuch as the Government made a sudden and arbitrary massive cut to one small sector of the further education sector. My hon. Friend the Member for Stoke-on-Trent Central (Tristram Hunt) said that it was the wrong priority and that, within the overall funding envelope, a future Labour Government would look again at that one massive cut for the cohort of 18-year-olds who have not gone through the GCSE system. It is not only possible, but desirable and certain that within the existing overall funding a future Labour Government would make very different decisions.

I am grateful that the Minister keeps coming back to the zero-based budget review and the iron discipline of the shadow Chancellor, because it is an important point that cannot be made too often, but it does not in any way mean that we cannot look at doing things differently. It is also not an answer to the question whether this Government, before making these changes, carried out an impact assessment on the effect of this, combined with all the other changes, to the FE sector and its capacity to provide services?

**Tom Brake:** I would like to give the hon. Gentleman one example of the positive effect that this will have on the further education sector. At the moment, the number of apprenticeships in relation to hairdressing, for instance, grossly exceeds the availability of jobs in the industry. My view is that employers, by defining apprenticeship standards and working closely with other employers in that sector, will ensure that colleges teach to their requirements so the apprenticeships will be much more closely in sync with the requirement from industry.

**Toby Perkins:** I do not disagree with a word the Minister has just said. We have been making this point in the context of our review of sales skills and their importance in the business environment. Around 10% of all jobs are in sales and customer services, yet less than 1% of apprenticeships are. So we have been making precisely the same point, but that does not tell us what the impact will be on the FE sector. Has there been any assessment, and if it leads to a further erosion of the sector's capacity to deliver for its community and the business community, what will be the wider impact of that?

I do not dispute the value of getting employers more involved in the training provided and in those apprenticeships, but has an assessment been made of the impact on the FE sector? If it has been and it is problematic, will the Minister go to the Department for Education and say, "We are making changes here, we think they have some value, but they will put further pressure on the further education sector and you might want to take this into account." It appears that if any assessment has been made, he is either unaware of it or not willing to share it with us, which is deeply worrying.

3 pm

The Minister also said that he wanted simplification and clear language, and to ensure that small businesses felt encouraged to get involved in offering apprenticeships. Again, that is precisely what we want. My hon. Friends' reservations are about dumbing down. Simplification does not have to mean that, but based on the earlier debates and votes, they are suspicious that it will. There is no reason why a future Labour Government could not simplify the system and make apprenticeships more encouraging for small businesses but at the same time make them robust so that we recognise them as having tremendous value. I can understand why my colleagues might have questions about whether that will happen under the Bill.

The Minister referred to the trailblazers, which we support. However, it is important to recognise that they are major companies with massive resources. They often get small companies in their supply chain to offer apprenticeships as well, so an important section of businesses is covered. However, another huge section is not in the supply chain of the major engineering companies. We need to hear more about how we can make it easier for them to offer apprenticeships.

Despite the Minister's plea, I can only assume that the paper that would reveal the number of people who were prosecuted for failing to pay the apprenticeship minimum wage never arrived. We look forward to receiving it.

**Tom Brake** *rose—*

**Toby Perkins:** Ah, hold on a moment. Here we are.

**Tom Brake:** Well, no, I rise to say that I will write to the hon. Gentleman on that subject. It would also be appropriate for me to write to him to say what assessment has been made of the further education sector. I will turn the question around on him. What assessment has he made of the impact on the sector of his suggestion, which is to stop level 2 apprenticeships?

**Toby Perkins:** I know that you are keen to keep us to the subject, Mr Chope, and we have had that debate and moved on to clause 4. Enthusiastic as I am to respond to the Minister's point, I feel a glare coming at me from my right—and indeed from my left—so I will not take the bait. However, I look forward to hearing from the Minister on those two issues. Given that he spoke with some confidence about HMRC's capacity to do all this, people will judge in their own way the fact that he does not have the answer.

We will not vote against stand part, but we look forward to scrutinising the clause further as the Bill progresses and to hearing responses to our fundamental questions, because we want to ensure that small businesses have the capacity to benefit from any simplification.

*Question put and agreed to.*

*Clause 4 accordingly ordered to stand part of the Bill.*

### Clause 5

DRIVING INSTRUCTORS

*Question proposed,* That the clause stand part of the Bill.

**The Solicitor-General:** I join others in welcoming you to the Chair, Mr Chope. I look forward to being under your guidance.

The clause introduces schedule 2, which will amend part 5 of the Road Traffic Act 1988, which deals with driving instructors. The purpose of the changes is to create a single qualification route for all those who wish to be approved driving instructors. That single route will involve the removal of the separate registration category of disabled ADIs. Additionally, the changes will allow disabled ADIs to give instruction to people who hold a full licence and drive a manual car, but want additional instruction after passing their test, for example on motorways. Currently, they are not allowed to do that under pain of prosecution. With those few words, and knowing that the clause has wide support, I commend it to the Committee.

*Question put and agreed to.*

*Clause 5 accordingly ordered to stand part of the Bill.*

*Schedule 2 agreed to.*

### Clause 6

MOTOR INSURERS

*Question proposed,* That the clause stand part of the Bill.

**The Solicitor-General:** The clause contains provisions to amend the Road Traffic Act 1988 to remove the requirement for those insured or secured against third-party risks to return their certificates of insurance or security if they cancel their policy or security mid term. That will mean that 6 million people do not need to return a certificate of insurance if their policies are cancelled in the mid term. That would remove an unnecessary burden and cut administrative costs by £29 million a year, which, if passed on to policyholders, could reduce premiums.

I emphasise that no costs are involved with the clause. The background is that the motor insurance database now has a computerised record, so when a policy is cancelled, that is updated anyway. Those who need to check the insurance status of a vehicle, such as the police or people tackling uninsured drivers on the road, would have the same access to information as they do now.

*Question put and agreed to.*

*Clause 6 accordingly ordered to stand part of the Bill.*

*Schedule 3 agreed to.*

### Clause 7

SHIPPERS ETC OF GAS

*Question proposed,* That the clause stand part of the Bill.

**Tom Brake:** The clause will amend an oversight in the Energy Act 2008 that led to a duplication of licensing requirements on ships importing gas. Currently, the Act requires those who ship gas to hold a licence to unload gas at an already licensed offshore installation. That adds an additional burden on the shipper.

Sections 2 to 16 of the Act provide for a licensing regime governing the offshore unloading of natural gas from liquefied natural gas tankers to installations sited offshore before being piped to the UK by subsea pipelines. The intention behind the Act was to create a streamlined, consenting regime for the construction and operation of such an installation. The Secretary of State is responsible for granting licences for that purpose. This provision

will remove an unnecessary regulatory burden on international maritime shippers of gas wishing to use such importation facilities, which will help to increase the attractiveness of such facilities in the years to come and add to our import facility diversity and, therefore, security of supply.

I stress, however, that all existing legislation in relation to the protection of the environment and health and safety considerations remains unchanged by this change to the Energy Act. I comment the clause to the Committee.

**Toby Perkins:** I do not intend to speak at length. The clause relates to the regulations for gas importation and storage that came into force in 2009. It applies to offshore activities, comprising both the UK territorial sea and areas beyond that designated as a gas importation and storage zone. The clause alters the regulations that currently prohibit the use of an offshore installation for the unloading of gas without a licence. Under the proposals, a third party wishing to unload their gas at an installation owned and licensed to another party would not need to be covered by a licence as long as the owners of the facility had the correct licensing documentation.

The Minister said that the related health and safety legislation would still apply. Will he assure us, however, about what enforcement regime will be considered necessary, what laws and processes he will put in place to ensure safety in this potentially dangerous area and how that enforcement will appear on the ground?

**Tom Brake:** I am happy to do that. The important thing to underline is that the operator has a licence for all the activities associated with the unloading of gas at the offshore unloading point. The operator undertakes all the associated operations.

How will the unloading operations be safely co-ordinated? The intention is that the terminal operator and the arriving LNG tanker will both be covered by the Society of International Gas Tanker and Terminal Operators ship-to-ship transfer guide for petroleum chemicals and liquefied gases, which represents the industry standard and recommended practice, supported by the Maritime and Coastguard Agency. The unloading terminal will develop terminal rules based on the guidelines. The whole terminal operation will be overseen by the Maritime and Coastguard Agency with support from the Health and Safety Executive as required.

In essence, the installation master is responsible for the connection and disconnection of all cargo and safety interfaces on the installation and will control the cargo operations, including pre and post-transfer operations such as purging and cool-down. A loading master will be on board the LNG tanker during the cargo transfer period and will liaise directly with the operator for the unloading installation for all operational preparations. The loading master will remain on standby on the LNG tanker during the entire process and will advise the tanker crew throughout the operation.

We are not removing any HSE or environmental protection. The offshore environmental legislation of the Department of Energy and Climate Change, which regulates the oil and gas industry, has been amended to require the licensee operating the unloading station to comply with all necessary environmental legislation. Likewise, the HSE has extended the scope of the Health and Safety at Work, etc. Act 1974 to apply to such installations.

I hope that I have been able to satisfy the hon. Gentleman that all the necessary controls are in place. There is a clear process that the licensee, who is licensed to operate the facility, must follow to ensure that gas is safely unloaded.

*Question put and agreed to.*

*Clause 7 accordingly ordered to stand part of the Bill.*

## Clause 8

### Suppliers of fuel and fireplaces

*Question proposed,* That the clause stand part of the Bill.

**The Solicitor-General:** Clause 8 amends the procedure for authorising fuels and exempting fireplaces under the Clean Air Act 1993, which followed the original Act of 1956. Currently, the approved fuels and exempted fireplaces are published in biannual statutory instruments. In the most recent, which came into force on 1 October 2013, 195 new fireplace designs were approved. Those statutory instruments have not been the subject of any parliamentary debate or challenge since 1957. The clause will enable the Secretary of State instead to approve fuels and exempt fireplaces for use in a smoke control area by the publication of a list on the DEFRA smoke control webpages. The list will be published monthly, which will reduce the delay for businesses by about eight months and enable consumers to enjoy the new designs.

The Joint Committee suggested that the current procedure should remain, but the Government have carefully considered the concerns that were raised and we remain satisfied about the merits of the measure and its advantages for business and consumers. Unlike the statutory instruments, the audited lists will indicate the dates of new product approvals, variations and withdrawals. That will ensure that there is legal certainty about which products may, or may not, be used at any given time. There are legal safeguards to protect consumers and manufacturers, because the requirement to publish the list means that if a decision to approve, amend or withdraw an authorisation was made unreasonably, it would be subject to judicial review.

**Toby Perkins:** The clause amends part 3 of the Clean Air Act 1993, which relates to smoke control areas. It requires the Secretary of State to publish a list of authorised fuels and exempted fireplaces that can be used in smoke control areas. Currently, that is done through regulations that are updated every six months. The clause removes the need to issue regulations, replacing them with the online list.

3.15 pm

Obviously, we have heard the Minister say that the Secretary of State will keep the list up to date and easily accessible on the gov.uk website. Will the Minister confirm that the criteria for selecting fuels that are considered safe and clean enough to be used will not change, and the clause is designed purely to speed up the process—something that we support—and is not meant to change the terms or processes for the selection of fuels? It is important that it is made absolutely clear

to people that this provision is about speeding things up as opposed to making back-door changes to what fuels can be used.

**The Solicitor-General:** Yes, I can give that assurance. The same level of detail will be required as for the statutory instruments. There will also be the same testing to prove that the products are capable of being used without any quantity of smoke, and there is the protection of judicial review, which I also mentioned.

*Question put and agreed to.*

*Clause 8 accordingly ordered to stand part of the Bill.*

**Clause 9**

SELLERS OF KNITTING YARN

*Question proposed,* That the clause stand part of the Bill.

**Tom Brake:** I imagine that this is the part of the Bill that everyone has been waiting for—the knitting yarn clause. [HON. MEMBERS: "Hear, hear."] Hear, hear, indeed. We had an opportunity in a previous sitting for people to reminisce about their maths A-levels; this clause may give people the opportunity to reminisce about their knitting skills. I can confirm that when I was about seven years old, I knitted a square for Oxfam as part of its production of blankets, although I cannot remember which country the blankets were going to. That was my last attempt, as every attempt I have made since at knitting or sewing has been disparaged by my wife and so I no longer undertake such activities.

That is not what the clause is about, however. It removes outdated restrictions on the quantities that retailers and manufacturers of knitting yarn can make up and sell. It revokes the Weights and Measures (Knitting Yarns) Order 1988, which requires that pre-packaged knitting yarn be sold only by weight and that non-pre-packaged knitting yarn be sold only in fixed weights known as prescribed quantities. Removing those restrictions means that manufacturers and retailers of knitting yarn will be able to decide what weight or size they produce and sell, giving greater freedom to manufacturers and retailers and providing more choice for consumers.

The clause also makes a consequential amendment to the Weights and Measures (Specified Quantities) (Pre-packed Products) Regulations 2009 to revoke earlier amendments to the 1988 order, which had deregulated prescribed quantities for pre-packaged knitting yarn.

Consumer protection will be maintained as consumers will still be informed of the weight of knitting yarn and can rely on that information being accurate under separate requirements that apply to pre-packed and open packaged knitting yarn under the Weights and Measures (Packaged Goods) Regulations 2006.

The measure is entirely deregulatory and the costs arising will be zero. Manufacturers and retailers will not be required to change their existing practices or introduce new sizes as a result of the clause—it will be their choice as to whether to introduce any new sizes. The clause is a good example of a straightforward deregulation that will remove unnecessary restrictions on businesses and allow for innovation and growth, and I commend it to the Committee.

**Toby Perkins:** The Minister is right to say that the clause has captured the imagination somewhat, both on Second Reading and, indeed, in my office when we saw what was proposed. There was previously a provision in European law on selling knitting yarn in specified quantities. The Europeans have revoked that measure, as I understand it, and the clause removes specification of quantities in UK law. It is another example, we hope, of the burdens from Europe being reduced. As we look towards May, it is interesting to see that, although we are talking about a series of trifling measures, the most significant deregulation for small businesses in the past few years was the move that came from Europe that meant that small businesses no longer have to do the financial reporting that they had to do in the past. That is an example of deregulation at a time when some Government Members—I am not talking about the Minister—speak about Europe only in terms of overregulation.

**Chi Onwurah:** Will my hon. Friend give way?

**The Chair:** Order. We are not having a Second Reading debate on the whole Bill. We are just talking about clause 9, which is related very narrowly to yarn.

**Chi Onwurah:** Thank you for that direction, Mr Chope. My question is related to the clause. Does my hon. Friend the Member for Chesterfield know why there has not been more Government celebration of such examples of deregulation that have come through European Union directives?

**Toby Perkins:** I do not know. In saying this, I am focusing on Conservative Members of the coalition, and I do not hold the Minister guilty. Many aspects of the Conservative party seem to believe that the route to electoral success lies in aping those who are causing the party huge problems, rather than in standing up against them. The Conservative party could have done more to talk about the ways in which the Government are working with people across Europe to deregulate.

**Andrew Bridgen** (North West Leicestershire) (Con): I am sorry, but I have to accuse the hon. Gentleman of spinning us a yarn. The relaxation of financial reporting for UK businesses is minute compared with the impact of the social chapter.

**Toby Perkins:** I appreciate that there are Government Members who remain furious about any improvements in workers' rights, but some of us think that they made our workplaces far more civilised and made us a better country. Those are precisely the kinds of words that I might have expected to hear from the Conservative party five or six years ago, when it was apparently a very different organisation. We will not dwell on that.

I am pleased to hear that the Minister has form on yarn, and I regret that we will never get to see the knitting he did for Oxfam. The fact that his more recent efforts have been disparaged by his wife at least suggests that they exist, for which he is to be commended.

This clause is an extraordinarily minor change. To give people an example of how minor the change is, my office contacted the UK Fashion and Textile Association to ask if it wanted to come in to discuss the clause, and the association politely declined a meeting because it

did not feel it was worth half an hour of its time because the change is not worthy of formal discussion. In a way, the clause is emblematic of the Bill as a whole. The Bill contains a huge amount of things that, on the whole, will not make a lot of difference. The organisation most likely to be affected by the clause said, "No, it's not worth half an hour of our time." This could be a deregulatory measure that is literally not worth the paper on which it is written.

**Tom Brake:** The Bill is not just about this clause. Over 10 years, the Bill will save businesses £300 million and the public sector £30 million. Let us not focus too much on one individual clause.

**The Chair:** Well, let us focus on it now.

**Toby Perkins:** The Minister suggested that people who buy yarn will now be a little clearer about what they are buying, which is a good thing. I imagine that the people who buy yarn might be the type of people not to trifle with when it comes to weights and measures. If I am right about that, the Minister, in this extraordinarily small change, will have done a little good. If we achieve nothing else, that is something.

*Question put and agreed to.*

*Clause 9 accordingly ordered to stand part of the Bill.*

## Clause 10

Authorisation of insolvency practitioners

*Question proposed,* That the clause stand part of the Bill.

**The Solicitor-General:** I would like to start by setting out the Government's response to the recent consultation on clause 10. On the recommendation of the Joint Committee, which undertook pre-legislative scrutiny, further consultation on the clause was held. The consultation on allowing partial authorisation of insolvency practitioners was held between 23 January and 21 February. A total of 62 responses were received, and the response was mixed.

**Toby Perkins:** That is a euphemism.

**The Solicitor-General:** I will explain. Most of the insolvency practitioners who responded were against, as were the main insolvency trade body and three of the regulatory bodies. However, there was support from the second largest authorising body—the Insolvency Practitioners Association—and from the only creditor organisation to respond.

Opponents of partial authorisation claimed it would harm businesses and individuals seeking advice, not benefit small firms and not increase competition. However, two of the three largest authorising bodies—the Insolvency Practitioners Association and the Association of Chartered Certified Accountants—indicated that they would offer partial authorisation.

Survey data from non-insolvency practitioner members of one authorising body showed support for partial licensing, with 129 members indicating that they would be interested in a partial licence. The Institute of Credit Management described the proposal as practical and sensible, nor should we forget that there was general support from a range of stakeholders when the proposal was first raised.

Having considered those views, the Government remain of the view that partial authorisation will offer a valuable choice to aspiring insolvency practitioners, many of whom may already work in the industry in a specialist role. When people choose partial authorisation, they will benefit from reduced barriers to entry into the profession and lower training costs. Easier access into the profession will increase the number of appointment takers in the market, which will be beneficial to creditors. The Government have therefore decided to proceed with the proposal as currently set out.

I should note that the Joint Committee also referred to concerns raised by parties who submitted evidence concerning the application of partial authorisation in Scotland. Following pre-legislative scrutiny, we made changes before the Bill was introduced to reflect the different treatments of partnership insolvency in Scotland. The changes will allow a partially authorised insolvency practitioner authorised in personal insolvency to act in relation to Scottish partnerships and members of them.

Let me now set out the benefits of the clause in more detail. Clause 10 will ultimately help creditors, many of whom are small businesses, by reducing the expense of the insolvency process and improving returns. The clause will amend the law by introducing a new regime for partial authorisation of insolvency practitioners. This will result in lower entry costs into the profession for those who seek partial authorisation, and, over time, it should increase competition and lower fees. This will lead to improved returns for creditors.

Insolvency practitioners do an important job in difficult circumstances. They are given significant powers by law, so it is important that they are well trained, but it is important that this does not impose unnecessary costs. To be clear, insolvency practitioners would be able to act only on areas for which they have the relevant qualification. At present, if an individual wishes to set up in business as an insolvency practitioner, they have to pass examinations in both corporate and personal insolvency, and acquire the level of experience required by the body that authorises them.

When we heard evidence from R3, it was suggested that the total costs for training were about £4,000, but, on inquiry, BPP, one of the largest trainers, charged £3,470 for each of the three courses, and the examination costs are £310 for each of the three examinations. It can be seen from that that the training and examination costs of qualifying in both specialisms are significant, and that the process takes considerable time. The costs of passing both examinations are passed on to clients through insolvency practitioners' fees.

We all know that in the field of personal insolvency there are organisations trying to help people with their insolvency and voluntary arrangements. Is it really sensible or right for such organisations or their clients, who are often in need, to have to carry extra costs? For some insolvency practitioners who choose to practise in only corporate or personal insolvency, the time and money spent studying an area in which they do not practise will add little or no value to the service they offer to their client. It is just a burden on their business.

3.30 pm

**Toby Perkins:** We will explore the issue in detail later, but I am interested in the sentence that the Minister has just finished. If we are discussing an extra cost to businesses that is of no value, why did all the insolvency practitioners and their major representative body tell the consultation that the proposal is a bad idea?

**The Solicitor-General:** Often, they already have the full qualification. Currently, a smaller number specialise. They have already incurred the cost, but many of them support the change. The picture is that a lot of people out there with an established practice have qualified in both ways. They have spent the money and, from their point of view, there is nothing much in the change. However, for the sort of organisations I was referring to, trying to help people who want voluntary arrangements, or for the large practices that want to specialise in corporate insolvency, the change will bring advantages. The current requirement is just a hindrance to business and competition, and it costs money.

**Toby Perkins:** I would first like to draw the Committee's attention to the Register of Members' Financial Interests, specifically the work done for my office by R3, as a donation in kind, in the form of specialist seconded insolvency advice to support Labour's policy development.

The Labour party opposes clause 10 for many reasons that we have heard previously. We have spoken about how the Bill is predominantly about perception and will, on the whole, make minor changes. Some of them are worthy and we will support them; others we have concerns about. The changes will have, broadly, a limited effect on businesses, except—the Government hope—by giving them some kind of assurance that, if largely ineffectual, the Government's actions are at least well meaning.

We can take it as read that the Bill is far smaller than the sum of its parts, and that its hotch-potch of measures will surprise many firms that expected much more based on the Government's big talk about their deregulatory agenda. Nevertheless, clause 10 seems to be entirely without friends. Labour opposes the clause, as we believe it will dumb down the profession and give an advantage to large insolvency firms at the expense of smaller and new entrants. Overall, we believe that it is a regulatory rather than deregulatory move.

The weakness of the Government's position was brutally exposed by Andrew Tate of R3, who said that, unusually, his organisation found the Bill "misconceived." He appeared to think that it was entirely without merit and should be scrapped, and that if the new power was taken up at all, it would be by larger firms. Far from reducing costs and increasing competition, such a move would shut smaller firms out of the industry in favour of larger firms. None of us believes for a moment that the Government have created the Bill because they deliberately want to make things worse. We think that what I have described was an accidental by-product of the clause. However, it is worth while reminding ourselves where the clause has come from and what it will mean.

Under the current system of authorisation, insolvency practitioners are granted an insolvency licence that allows them to act as an insolvency practitioner in relation to both corporate and personal insolvency cases. The licence is granted upon passing the joint insolvency exam and having gained practical insolvency experience—approximately 600 hours are required by most licensing bodies. Currently, the joint insolvency exam incorporates both personal and corporate insolvency law, and individuals are authorised to act as an insolvency practitioner in relation to all categories of appointment—there is no partial authorisation. The clause will introduce a system whereby insolvency practitioners can choose to qualify in either personal or corporate insolvency, or in both. Those who are partially qualified would be able to practise only in their chosen specialist area.

Specifically, clause 10 would amend part XIII of the Insolvency Act 1986. The amendments would be made by clause 10(2) and (3). New section 390A will be inserted to provide that an IP who is partially qualified will be authorised to act only in relation to companies, or only in relation to individuals. The clause will also provide for a person to be fully authorised to act as an IP and to practise in all categories of appointment. Individuals who are already authorised to act as an IP will be fully authorised.

The Government seem to have three intentions in making the changes, the first being to increase competition. Actually, however, the changes will dumb down the profession and shut out small practitioners. The smaller practitioners know that, when they sit down with someone who is considering an individual voluntary arrangement, involvement of a corporate element might not be apparent. Smaller practices always have people with a range of skills right across the board, because their practitioners do not know when they sit down whether they will be talking about corporate insolvency or simply personal insolvency. The larger providers are more likely to set up some kind of easyJet, "make yourself insolvent in 15 minutes" approach, and they will be the ones to take over an increasing part of the market. The small providers, who are often helping out at relatively low cost people with low demands, will therefore be shut out of the market by the major companies in the name of improving competition. That is what the changes will do.

Secondly, the Government say that the changes will reduce training costs, leading to lower prices. The changes, however, will actually lead to second-class insolvency practitioners. Ninety per cent of the IPs consulted by R3 said that they would not use the provision at all, even if it were to exist.

**The Solicitor-General:** Those who are running a debt advice service, such as a social enterprise or a charitable organisation, might want an insolvency practitioner who can advise people about voluntary arrangements. Why should that employee have to go through thousands of pounds-worth of unnecessary extra training?

**Toby Perkins:** The point is that when those at the advice service say to someone, "Come on in. Go and sit down with our personal insolvency adviser", they do not know how the conversation will go. They are not aware at that point that the problem is beyond their level of expertise and that they need to refer the person on—they will only know after spending 45 minutes with the person; they do not always know beforehand.

The Minister has made it clear throughout the progress of the Bill that he wants to listen to the business community. One of the points made very strongly, as I

am sure he is aware from the consultation, is that the business community is saying, "Anyone who understands insolvency understands that you often think you are dealing with a personal insolvency case and find that it turns into a personal and corporate one." The kind of people who think, "Well, we will have a much narrower offering, with specialists who are properly qualified" are much more likely to be the larger providers, rather than the smaller ones. Therefore, 80% of R3 members said that they would not take on someone who did not understand the full picture. To someone who is only partially qualified, 80% of the industry as it exists at the moment would say, "We're not interested in recruiting you." We talk about skills, but at the same time we are deliberately setting up second-class IPs.

Furthermore, to think about the practicalities for a moment, people might come to speak to an IP about struggling to make mortgage payments and only reveal half way through the discussion that they are also a partner in a business and that the business, too, has debts. It might become clear that some of their mortgage arrears are linked to the fact that the business is also in arrears, while the relationship with their mortgage is complicated if it is on a property over the premises from which they run their business. The process involves a considerable amount of detail and a tremendous amount of stress and upset—insolvency is an incredibly upsetting thing, especially in this country, where we have a proud view about not being bankrupt—with significant penalties for people who become bankrupt. People might go through all that process only for the insolvency practitioner to say, "I am sorry, I did not realise it was that. We will have to suspend the interview and I will find someone else who is qualified to sit down with you." That is the reality.

**The Solicitor-General:** I gave the hon. Gentleman one example of how his suggestions are a restraint of trade, but I will give another. Say a big firm wants to split into three divisions: those who just do personal insolvency, those who just do corporate and those who do a bit of both. The training costs overall would be much lower. Why should those lower costs overall not pass to the client? Why should we restrain trade in that way?

**Toby Perkins:** The industry is telling me that the Bill will not reduce costs or lead to what the Minister is setting out. We have a bizarre spectacle. He is saying that, in the interests of deregulation, a company with qualified people should create three divisions, one for people who are partially qualified in one direction, one for those partially qualified in another and another for those with both qualifications. That does not make any sense.

The Minister has also said that the measure might lead to less ongoing training. First, that is undermined by the fact that people need to keep their skills up to date. They might think that they mainly deal with personal cases or corporate cases, but they might step from one into another. Secondly, we have just had a debate about the difference between the Opposition, who want to increase standards and professional development, and the Government, who want to lead a race to the bottom. On the same day, the Government are saying that professional standards are too high and that we should reduce them in an area that is vital to saving jobs and businesses and protecting vulnerable people against insolvency.

So the measure fails on all the tests that the Government have set for it, but it also has much wider damaging consequences. Britain's insolvency regime is much admired around the world for its success in rescuing businesses and saving jobs. At a time when other countries are looking at our regime and saying, "What can we learn from you?", we have a Government saying, "Why do we not reduce professional standards and start doing it a bit worse?" The Bill changes a single licence into three different licences in the name of deregulation. When people go to see an insolvency practitioner, how will they know whether they need to speak to a fully or partially qualified practitioner?

The Minister claims that IPs will benefit because the measure will reduce the cost of training and ongoing regulations, but if the benefit is for those insolvency practitioners who will no longer have to spend money on professional development—they will have additional money that the Minister hopes will lead to lower bills—why are they not saying, "Yeah, let us get on with it"? They are saying that it is a bad idea, because they recognise that the measure is regulatory, not deregulatory, and so will be more costly. They also recognise that it dumbs down the professional standards of the industry.

In written evidence submitted to the Joint Committee on the draft Deregulation Bill, the Insolvency Service said that the aim of partial authorisation was to enhance competition in the insolvency profession, following an Office of Fair Trading report in 2010. The Government therefore argue that clause 10 will lower barriers to entry to the profession and thus encourage downward pressure on the fees charged. The evidence presented to the Joint Committee, however, strongly disputed that. R3, the trade body representing IPs, and the Insolvency Lawyers Association submitted evidence demonstrating that the move would be regulatory in nature and would not increase competition or lead to lower fees.

In what I suspect might become the subheading of the Bill, the clause appears to be another measure that is a solution looking for a problem to solve. There is no demand for the change, but there is much opposition. A majority of the recognised professional bodies in the field are against partial licences, and smaller businesses in particular reject the change. More than 90% of small IPs who responded to the R3 survey said that they would not train a partial licence holder. The clause simply increases the regulatory burden rather than decreasing it. Evidence suggests that the take-up of partial licences will be very small. The result will be an increase rather than a decrease in costs to the profession, because regulators will have to develop a new exam and monitoring processes to regulate little-used partial licences. As these costs will undoubtedly be met by IPs, any limited take-up is most likely to be in large firms, leading to a reduction in competition, an increase in costs and the opposite of what the Minister is attempting to achieve. The Government's own estimate is that only about 100 partial licences will be issued in the first year. It simply does not justify the potential costs.

3.45 pm

Some 75% of small firms undertake both corporate and personal insolvency procedures for commercial reasons, so it is likely that only the very large firms will be able to adopt the partial licence. R3 said in evidence to the Joint Committee:

"Whilst we do not believe that partial licences will be taken up widely, it is more likely to be the very large firms who are able to adopt partial licences (as their business models are more likely to have a limited practising scope). As such, there is a risk that partial licences will create an unlevel playing field across the industry, making it relatively more costly for smaller IPs to compete in an already difficult market."

We have serious concerns that the Government have not properly consulted on the clause and have not listened to the businesses most affected by the kinds of issue that I have just outlined. The Government agreed to further consultation as proposed by the Joint Committee, but it was launched on the same day that the Bill was laid in Parliament, which gives very little time for stakeholders to be heard and for any changes to be made.

In particular, the lack of time has led R3 to express worry that the Government are unaware of the concerns from smaller practices and are only now asking the insolvency regulators to estimate the cost of the proposal to introduce two new licences. Furthermore, R3 expressed concern that much of the evidence collected in favour of the change was actually collected in 2010 and related to a different proposal. Demand was limited in 2010 for specific licences for personal insolvency work, as a result of an increase in the uptake of individual voluntary arrangements. However, the market has already met the extra demand with the development of IVA specialists, which are businesses that focus on processing a high volume of consumer IVAs under the supervision of a smaller number of IPs.

As I was saying a moment ago, the World Bank ranks our current regime as the seventh best in the world in terms of how much is returned to creditors and the speed of the process. The industry deserves respect for the work that it is doing and for its opinion on the proposal. We in this country should be proud of the fact that we have a regime that is admired across Europe and to which many people around the world look in order to attempt to learn from it. It is therefore risky to introduce a reform that could reduce standards in the profession and subsequently reduce returns to creditors. It could threaten a strength of the UK economy, leading to the collapse of more businesses and the loss of more jobs.

IPs believe that experience in both disciplines is necessary in order to do the job well. Andrew Tate from R3 told the Committee last Tuesday:

"When I advise someone who is in financial distress, when I first see them I do not know whether I will be dealing with a corporate or a personal issue. Often, when owner-managed businesses get into financial distress, we find that the owner-manager has borrowed on credit cards or taken out loans to put money into the company to keep it going, and that is generally his main source of income. You find a strong correlation between corporate and personal issues when people come for advice in that situation. You have to be able to appreciate and advise them on the corporate aspects, and also have a view of the personal."—[*Official Report, Deregulation Public Bill Committee,* 25 February 2014; c. 36, Q80.]

Those are precisely the skills that the industry has at the moment, and the Minister is trying to stop that. It is like going to a GP and saying, "We want to reduce the amount of training you have. You can start being a specialist in the top half of the body but not the bottom half." I am wondering whether this will in fact improve the service. It is a depressing example of this Government's mindset on the economy and the kind of country that they want us to be.

The Insolvency Lawyers' Association also submitted written evidence to the Joint Committee about clause 10, questioning the logistics of operating a three-tier system—partial, personal or corporate or full authorisation—and whether it would add to rather than remove unnecessary burdens. The ILA observed that introducing a tiered system of authorisation would be more expensive for those regulating insolvency, thus increasing the cost to Government. It may also make it more difficult for those entering the market, who will have to specify at an early stage which aspects they are to focus on, putting them at a disadvantage in comparison with IPs that are already authorised to act and will be fully authorised. It might also have the effect of discouraging competition, in that corporate insolvency work would remain the preserve of very large practices, excluding smaller providers.

In the interests of competition we would see greater specialisation in corporate work that would freeze out smaller providers, and larger firms taking the easyJet model of insolvency, freezing out small firms from that sort of market. These sound like proposals from a party that has its eye on the needs of big business, not the party of small businesses, as the Labour party is committed to be.

The ILA concluded:

"It would be unfortunate if that narrowing of expertise could also potentially result in a lowering of standards at the entry level, which would not benefit the industry."

So the clause fails the test it sets itself. It is poorly thought through, it is unwanted by the people whom it was supposed to help and, rather than deregulate, it is set to add a new layer of regulation. If the Government are serious about listening to business, they should listen on clause 10 and drop it from the Bill.

**Kelvin Hopkins:** I strongly support my hon. Friend, who has covered all the points. I was personally lobbied by representatives of the IP profession and a constituent, Mr Nicholas Barnett, who works in the Luton office of the insolvency practitioners Libertas. I knew nothing of the subject until I met them, but I was convinced by what they told me. I am not always convinced by lobbyists; I am often very dubious about them. These were very genuine putting a firm, strong case. For a relatively small profession, it has been doing a very good job and should not be abused. As my hon. Friend said, there is almost no demand for change. It looks like change for change's sake driven, perhaps by a Minister or some officials. I do not know. The idea of de-skilling a profession that is working well and doing a good job, and fragmenting those professional skills, seems nonsense. It can only do damage; it cannot improve matters. If anything, it will only play into the hands of some of the larger companies.

Currently, insolvency practitioners have to train and pass exams covering both corporate and personal insolvency to qualify. That is quite right. My hon. Friend talked about doctors. I was going to use the example of the general practitioner who says, "I do only sore throats and ingrowing toenails; you will have to go to someone else to talk about stomach infections or whatever." A general practitioner must have a preliminary understanding of everything that might be wrong with somebody.

The point made to me is that the Government have not prepared an adequate impact assessment. When businesses and individuals seek financial advice, they need to know from the start whether an IP can help them. Quite often the distinction between corporate and personal financial affairs is blurred, and it is not known until someone has spoken to the company or the individual concerned what their precise needs would be.

So the case put to me is strong. The expected take-up of partial licences would be very small in a profession that has only 1,700 practitioners. Driving some of the smaller companies out of business on the basis of some idea of change that has been driven not by demand or by the profession, but perhaps by the whim of a Minister, seems nonsense. As my hon. Friend the Member for Chesterfield said, the UK has one of the most competitive insolvency regimes in the world and it has been doing a very good job. Undermining that profession would not be sensible.

There is no need for more specialised IPs to enter the market; on the contrary, there have been a few redundancies in recent years. I am not against protectionism to an extent in certain sectors where it has a useful function. Some think that the professions should be more open and less protected, but to maintain high skill levels, it is sometimes valuable to maintain a degree of protection.

**Andrew Bridgen:** Does the hon. Gentleman accept that protectionism comes at a cost to the consumer? Can he not see that the vast majority of cases involve personal insolvency, with no corporate relationship, and that many customers could be served rather more cheaply with a partially qualified insolvency practitioner who could offer a cheaper service? Having fully qualified insolvency practitioners in such cases is like having a consultant surgeon to cut someone's toenails.

**Kelvin Hopkins:** I do not accept that. The amount saved would be very small in certain cases. There would be many cases in which narrow specialists who covered only part of the profession would not be appropriate. They would not know until they had spoken to the business person concerned what the real needs were.

Maintaining high professional standards so that people know that the practitioner whom they will see will know what they are talking about and can cover any eventuality or aspect of the problem is very important. Maintaining high professional standards, whether in teaching, medicine, the law or insolvency practice, is very important. I support my hon. Friend the Member for Chesterfield and think that the clause should be dropped.

**The Solicitor-General:** We have had a short debate, but some important points were made. Sometimes in politics we have to know whose side we are on. One of the most poignant moments I have had in a surgery was when a poor person in difficulties who was being chased by every creditor who could chase them told me that their ambition was to go bankrupt or to get some help with their insolvency. They were in such a poor condition and sad situation that that was their main aim in life. Their ambition was to be rid of the debts and the harassment they were getting. That is the side we should be on—that of the people who are really hurting and who cannot afford to go bankrupt because it is so expensive.

Personal insolvency work is about more than 48,000 people getting individual voluntary arrangements setting them free; it is about 24,500 people getting bankruptcy orders and getting themselves free to start new lives; it is about 27,000 debt relief orders. That is 101,000 altogether—101,000 stories of people being relieved from that anxiety. This measure is about reducing the costs for people like that. It is all well and good to be on the side of the insolvency practitioners, who are able people. Obviously, they help the Labour party, but they agree with me on the other clauses that I am speaking on. It is not surprising that established practitioners do not want competition. I should have thought that Labour would have understood that established practitioners often want restraint, restriction and protectionism. That is not always a good thing, because the victims of not having lower fees are the people I am talking about, the people who need help.

It is all well and good to say that small business does not want this, but there are businesses that are social enterprises and the charities we heard about that just want to help these people. They are not looking to do corporate work or anything like that. They are not people with business interests of the sort that the hon. Member for Chesterfield was talking about. The leader of the Labour party often talks about standing up for the little guy, but that is what this is about. It is about competition reducing fees. It is extraordinary that Labour is so far from where it came from that it argues the case of the insolvency practitioner on issues like protectionism, restraint of trade and restriction.

**Kelvin Hopkins:** Will the Solicitor-General give way?

**The Solicitor-General:** I will say one more thing about the hon. Member for Chesterfield, because he was saying, "Oh well, if you go to a general practitioner, he can do a bit of everything," but if someone is really ill they need a specialist. If people want to set up in this area—specialising in helping people who are in need—or in business helping corporates, why should they not do so? We live in a free country, and economic freedom is as important as any other freedom.

4 pm

**Kelvin Hopkins:** I suggest to the hon. and learned Gentleman that what people want when they come to a surgery for advice on bankruptcy is to get a thoroughly qualified professional who knows every angle and who can give them advice on whatever problem they have, not somebody who might say, "That's not my specialism; I think I'd better send you to somebody else."

**The Solicitor-General:** If someone wants a tax lawyer, they go to a tax lawyer; they do not go to somebody who is a generalist. The same is true in this area. If somebody wants a specialist in personal insolvency, why would they not go to somebody who has not only done all the same exams as other people, but who specialises in it? There is no justification at all for the idea that somebody who has done the same examinations and who specialises in the topic would not know what they are doing.

This matter was consulted on in 2010. There was a similar clause then, except that it did not deal with the Scottish situation. There was support for it. We are not stopping people from dealing with both specialisms if

*[The Solicitor-General]*

they want to; people have the choice. Many personal insolvencies do not involve any corporate matters, and it is not difficult for a partially authorised insolvency practitioner to make that clear in his advertising, or his personal literature. Obviously, if it is a debt advice service, it is unlikely that the corporates would go there, but this is something that can be made clear.

There is no question of standards being dumbed down. It is the same examination organisation; it is the same people delivering the training; it is the same quality. It is just that this change is about competition and fees, and how high they should be. To be on the side of the status quo and the established practitioner is all very well and good but it sounds very conservative. With an issue such as this, I would like to be on the side of the people who need the help.

**Toby Perkins:** The Minister played a bad hand rather well, but the reality is that he has no evidence—there is none in anything we have seen—that this change will lead to a reduction in bills, so the whole premise of his argument is wrong. He says that this change will increase competition, but we are told that it will not do so; it will give more of the business to larger firms. He says that it will reduce costs, but he has no evidence that it will do so.

**The Solicitor-General:** The hon. Gentleman says that there is no evidence that it will reduce costs, but it costs £4,000 for each of these exams. If someone only does two of them, they will save £4,000.

**Toby Perkins:** Where is the evidence that that ends up leading to lower fees? The Minister does not have any. This change has not been thought through for a minute.

**Kelvin Hopkins:** We are not talking about the cost to the practitioner of the exams that they take, but the cost to the business person seeking their advice. It is the difference between consulting somebody with a narrow skill rather than someone with the complete professional skill. We do not attempt to quantify that; it might be negligible, or at least very small.

**Toby Perkins:** Precisely. The point is that some of these insolvency practitioners have been in this field for 20 or 25 years, and the idea that they will sit down with someone and say, "Actually, I only did half the training to save £4,000 some 20 years ago, so I am going to reduce your bill," is total nonsense. There is no evidence that the change will lower people's bills. It might lead to a small reduction in insolvency practitioners' overall costs, but that is not the same as costing debtors less money.

The Minister said, "Yes, we have one of the best insolvency regimes in the world, but we want to stand up to the insolvency practitioners." The Government will be taking on people who already practise to a high standard and are saying, "I know that you might think that you are reducing our bills, but you are going to dumb down our industry and make it worse."

The Minister said that he will listen to business, but business is saying, "We are specialists is this area. You haven't got a clue what you are doing; you have got it wrong." He refuses to listen to businesses and says that he is on the side of the little guy. It does not stand up to any analysis. He needs to go away and think again. He needs to listen to what the specialists in the industry are telling him and understand that he has got it wrong.

At the end of the day, the Minister should walk away and say, "Okay, we consulted on it. The consultation told us that we have got it wrong. No one wants it, so we are going to drop it." Instead, he is carrying on with a Bill that could undermine a successful regime that saves hundreds of businesses and thousands of our constituents' jobs every year. People in our constituencies come to us and say, "My company is going bust," or "The company that I work for is going bust; I am desperate that it gets saved," but the Minister is willing to undermine the industry and make it worse. He should drop the Bill.

*Question put,* That the clause stand part of the Bill.

*The Committee divided:* Ayes 9, Noes 7.

**Division No. 6]**

**AYES**

| | |
|---|---|
| Barwell, Gavin | Hemming, John |
| Bingham, Andrew | Maynard, Paul |
| Brake, rh Tom | Nokes, Caroline |
| Bridgen, Andrew | Rutley, David |
| Heald, Oliver | |

**NOES**

| | |
|---|---|
| Cryer, John | Perkins, Toby |
| Docherty, Thomas | Turner, Karl |
| Hopkins, Kelvin | Williamson, Chris |
| Onwurah, Chi | |

*Question accordingly agreed to.*

*Clause 10 ordered to stand part of the Bill.*

*Ordered,* That further consideration be now adjourned. *—(Gavin Barwell.)*

4.7 pm

*Adjourned till Thursday 6 March at half-past Eleven o'clock.*