

APPG on Fair Business Banking review of insolvency profession, in conjunction with City law firm Humphries Kerstetter, finds evidence of widespread and serious misconduct

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The insolvency industry in the UK is failing in its primary goal of supporting the wider economy by rescuing businesses and recycling assets in a fair and just manner, according to a report by the APPG on Fair Business Banking supported by City law firm Humphries Kerstetter. Evidence compiled during a nine-month investigation suggests there are widespread structural failings in the industry, compounded by a weak regulatory regime that has limited powers or willingness to sanction individuals or firms. Conflicts of interest are so widespread that many IPs no longer consider there is anything wrong with favouring the interests of one party in an insolvency over the general body of creditors - almost always when that party has the power of appointment.

Kevin Hollinrake MP, Co-Chair of the APPG, stated: “The conclusions of our report are clear and extremely concerning – that insolvency practitioners often prioritise the interests of their bank panel paymasters at the expense of other creditors and shareholders. This is totally unacceptable, a clear breach of their duty of care and this behaviour is not being addressed by the membership organisations whose responsibility it is to regulate them. Sections of the UK insolvency industry are operating in a manner that it is more akin to the Wild West than a developed Western economy. Too many insolvencies descend into little more than an asset grab by the parties who hold the levers of power. Whilst we accept that elements of the industry are upholding standards, financial rewards are corrupting the very basis on which the industry is supposed to operate. We will be working hard with our partners in industry and Parliament to push for a rapid adoption of the corrective measures we have set out in our report.”

Working with City law firm Humphries Kerstetter the APPG has come up with five simple recommendations to address the current failings. These include: A ban on appointments where an IP has conducted pre-appointment work for a creditor; creating a single, independent regulator with an Ombudsman; a centralised database recording the outcomes of administrations; giving statutory backing to the IPs Code of Ethics; and introducing limited legislative changes controlling IP conduct both pre and post-appointment.

James Russell, partner at Humphries Kerstetter said: “The insolvency industry is one of the last professions in the UK not to have an independent regulator. The sector is too important to the wider UK economy to be allowed to operate unchecked and with the current widespread conflicts of interest. We firmly believe the changes we have put forward will benefit insolvencies, the wider economy and, by raising standards, the insolvency industry itself.”



Fair Business Banking

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The APPG is coordinated and administered via the APPG on Fair Business Banking Secretariat.

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