

Insolvency faces new regulator and crackdown

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KPMG was at the centre of a scandal over the sale of the mattress company Silentnight, which was once promoted by the singer Myleene Klass

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The insolvency profession will be governed by an independent regulator with powers to seek compensation for victims of malpractice under government proposals to be announced today.

Ministers are planning tougher regulation for insolvency firms and practitioners after allegations of misconduct and conflicts of interest.

There are about 1,600 insolvency practitioners in Britain who help to rescue companies from administration. They can seize assets and remove directors and are self-regulated at present by four groups, including the Institute of Chartered Accountants in England and Wales and the Insolvency Practitioners Association.



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Today's government consultation will propose replacing the membership bodies with a single independent regulator that would sit within the Insolvency Service.

Lord Callanan, the business minister, said that the proposals would “deliver greater transparency, accountability and protection for creditors, investors and consumers.”

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A new mechanism will be introduced that will allow compensation to be paid for victims of misconduct or error by an insolvency practitioner or firm. Under the present system, membership bodies can fine insolvency practitioners, but for a victim to receive compensation they generally are required to pursue expensive and risky court proceedings.

This year MPs accused the insolvency profession [of operating like the “Wild West”](#) after an inquiry by the all-parliamentary group on fair business banking found “startling” evidence about the behaviour of the profession, including widespread conflicts of interest.



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Prominent cases included [the sale of Silentnight](#), a mattress company, to HIG, a private equity firm. KPMG and one of its former partners were fined in August after it was found that they had lost objectivity when they

assisted HIG in buying the company without its £100 million pension scheme.

The all-party parliamentary group found that between 2010 and 2019 nearly 8,000 complaints were made against insolvency practitioners, but only five lost their licence. Kevin Hollinrake, co-chairman of the parliamentary group, said: “Without a robust regulator and no mechanism for redress, insolvency practitioners have effectively been their own judge, jury and executioner.”

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Toby Starr, a partner at Humphries Kerstetter, a City law firm, said: “This is a very encouraging update from government.”

Ministers face opposition from the insolvency profession. Duncan Wiggetts, of the ICAEW, said: “The biggest problem with the current framework is not the identity of the enforcing body but the regulatory framework itself, which is focused on the regulation of individual insolvency practitioners and so prevents complaints — and substantial penalties in cases of misconduct — to be brought against firms. In our view, the creation of a single regulator is both unnecessary and potentially damaging to the UK’s insolvency and restructuring profession.”

Colin Haig, president of R3, the insolvency and restructuring trade association, said that the government would need to set out in detail “how it

would ensure the genuine independence” of the proposed single regulator.

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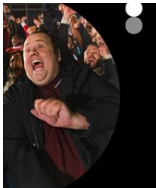
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