

Insolvency firms face crackdown in government shake-up

Insolvency firms face being formally regulated for the first time under reforms to be announced next week that will nevertheless fall short of a pledge to establish a new watchdog.

Sky News has learnt that the Insolvency Service, which is part of the Department for Business and Trade, will unveil plans that will mean firms as well as individuals can face sanctions for misconduct.

Sources said this weekend that a statement could come as early as Monday.

The announcement from Whitehall will come nearly two years after a consultation was launched to pave the way for the creation of a new independent regulator to sit within the Insolvency Service.

That came in the wake of prominent corporate collapses such as those of Bhs and Carillion, which drew attention to the conduct of company directors and auditors.

The aim of the reforms is to close a regulatory gap and bring insolvency firms in line with the rules governing providers of audit and legal services, said one industry executive who has been notified of the proposals.

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Providers of insolvency services have for decades been overseen by a quartet of Recognised Professional Bodies, which include the Insolvency Practitioners Association and the Institute of Chartered Accountants in England and Wales (ICAEW).

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One industry practitioner said they were surprised that ministers had decided against proceeding with a new regulator.

One source said that could yet be an option in the longer term but would require legislative time.

The scope of the new rules governing firms was unclear on Saturday, but the source added that the current quartet of RPBs would be responsible for implementing them.

Among the government's other pledges in 2021 were to create a public register of all individuals and firms that offer insolvency services, and establish "a system of compensation and redress

amendments to the current arrangements for Insolvency Practitioners to hold security (bonding) to cover losses in the event of fraud or dishonesty".

It was unclear if these reforms would be included in the package to be announced next week.

The Department for Business and Trade declined to comment.