



The Insolvency
Service

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DEAR INSOLVENCY PRACTITIONER Issue 166 – November 2024

Dear Reader,

Please find enclosed the latest articles from the Insolvency Service:

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Chapter 4 Bonding

Article 8 Reform of the framework for Insolvency
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08) Reform of the framework for Insolvency Practitioner bonding

The government has published The Insolvency Practitioners (Amendment and Transitional Provisions) Regulations 2024, which come into force on 1 December 2024 and which follow a [consultation on reform of insolvency regulation](#). Stakeholders advocated for reforms to the bonding framework, which has not been substantively updated in almost 40 years. A bond is made up of two parts: a Specific Penalty Sum (SPS), which provides separate cover for each insolvency case, and a General Penalty Sum (GPS), which provides general cover for any cases where the SPS cover is insufficient.

The bonding reforms will be incorporated into [Schedule 2 to the Insolvency Practitioners Regulations 2005](#) as follows:

- GPS to be increased from £250,000 to £750,000, and to apply across all cases where the SPS is insufficient, including those where no SPS cover is in place (paragraph 3(2)(b))
- Minimum statutory requirements for bonds to include provisions for the payment of costs and expenses reasonably incurred or charged by the successor insolvency practitioner, including parallel costs (reg 3(2)(f))
- Bonds to include a clause on calculation of interest from the date of relevant loss to the date of claim for that loss, with Sterling Overnight Index Average (SONIA) as the benchmark (paragraphs 3(2)(a) and 8ZB)
- Bonds to include a run-off period of at least 2 years from release or discharge from office (paragraph 8ZA)
- Where a maximum indemnity period is provided for, this should be no less than 6 years, with the ability to extend with the agreement of the bond provider (paragraph 8ZC)
- Surety or cautioner to give at least 60 days' notice to the IP and authorising body before a bond expires or is cancelled due to non-payment of a premium (paragraph 8ZD)

The reforms come into force on 1 December 2024, with transitional arrangements in place until 31 December 2025:

- Existing bonds issued on the old approved wording will remain valid until the bond expires
- From 1 December 2024, bonds may either be issued with the new provisions (once approved by the Secretary of State), or on the old approved wording
- From 1 January 2026, all bonds will need to have their wording approved by the Secretary of State in line with the new provisions of the amended Insolvency Practitioners Regulations 2005

Dear IP

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Chapter 4 - Bonding

The Insolvency Service is aware that bond providers have been working on the amendment of bond clauses in anticipation of the changes.

Any enquiries regarding this article may be sent to:
Policy.Unit@insolvency.gov.uk

78) Changes to Official Receiver's fees and hourly rates

The Official Receiver's (OR's) fees to administer bankruptcy and compulsory liquidation proceedings are set to increase from 9 January 2025 to mitigate inflationary increases in operating costs.

The deposit payable when a company is wound up in the public interest in accordance with s124A of the Insolvency Act 1986 and the hourly rates applied by ORs for undertaking additional duties, not otherwise covered by fees, are also set to increase from the same date.

The majority of these fees have not changed since April 2016. There will be no change to the upfront cost to the public of seeking a bankruptcy or winding up order.

Changes to Administration and General Fees

Changes to the fees are set out in the table below:

<u>Fee</u>	<u>Current (£)</u>	<u>New (£)</u>
Administration Fee on the making of a bankruptcy order following an application by the debtor	1,900	2,390
Administration Fee on the making of a bankruptcy order following an application by a creditor	2,775	3,300
Administration Fee on the making of a winding up order (other than on a petition presented under section 124A of the Insolvency Act 1986)	5,000	6,000
General Fee for all cases	6,000	7,200

Changes to Fees in s124A (“Public Interest”) Liquidations

There are only a small number of s124A winding up orders made each year (usually fewer than 100), yet the nature of the work involved is complex, resource intensive, and takes longer to complete.

These winding up petitions are presented by the Secretary of State or other public bodies such as HMRC, who cover the cost of the petition.

The table below sets out the changes to existing deposit amounts:

<u>Deposit</u>	<u>Current (£)</u>	<u>New (£)</u>
Deposit payable on the presentation of a winding up petition under section 124A	5,000	13,500
Administration Fee where a company is wound up under section 124A	7,500	13,500

Increases to OR Hourly Rates

The table below sets out the updated OR national grades and hourly rates:

<u>Official Receiver Chargeable Grades</u>	<u>Updated OR Hourly Rate (£)</u>
A	43 (48 London)
B	52 (55 London)
C	70 (76 London)
D	83 (90 London)
L	55 (55 London)

These changes have been implemented through legislation. The Insolvency (Amendment) Regulations 2024 were laid in Parliament on 29 May 2024 and will come into force on 9 January 2025. The Insolvency Proceedings (Fees) (Amendments) Order 2024 was laid in Parliament on 19 September 2024 and will also come into force on 9 January 2025.

For further information on these changes, please contact fees2024@insolvency.gov.uk.