

Statements of Insolvency Practice

The new SIPs 1, 2 and 7 (Effective date: 2 May 2011)

Following a review last year, the Joint Insolvency Committee (JIC) agreed that SIPs should, for the future, deal more clearly with underlying principles and that technical guidance should be produced separately. The process of revising existing SIPs commenced with SIP 2; that SIP has now been adopted by each of the insolvency authorising bodies and will come into effect on 2 May 2011.

R3 will be issuing a Practical Guidance Note, to be read in conjunction with the new SIP 2, covering the practical matters that are dealt with in the existing SIP 2.

Also being issued at the same time, is a new SIP 7. A revised draft of that SIP was issued for consultation last year and the new SIP is a result of that revision and consultation process. This SIP has also been approved by all of the authorising bodies and will come into effect on 2 May 2011.

SIPs combine statements of the principles to be adopted with an explanation of key compliance standards. To emphasise the importance that all authorising bodies attach to insolvency practitioners adopting this approach, a new Introduction to SIPs has been produced. SIP 1, which replaces the existing SIP 1, will also come into effect on 2 May 2011. The attention of insolvency practitioners is drawn in particular to paragraph 2 of that SIP:

SIPs should be read in conjunction with the wider fundamental principles embodied in the Insolvency Code of Ethics and should be applied in accordance with the spirit of that Code. A literal interpretation of a SIP may not be appropriate where it would be contrary to the fundamental principles of the Code.

Practitioners are reminded that failure to observe the principles and/or maintain the standards set out in a SIP is a matter that may be considered by a practitioner's regulatory authority for the purposes of disciplinary or regulatory action in accordance with that authority's membership and disciplinary rules.

Practical matters

The existing SIP 1 (*An administrative receiver's responsibility for the company's records*) will be re-numbered as SIP 17 from 2 May 2011. The text of that SIP has not been updated. It may be appropriate for the JIC to re-examine the content of this SIP as part of its ongoing review of the SIPs but this is not currently a priority. In reaching this decision, JIC took note of feedback from recognised professional bodies which have licence holders based in Northern Ireland, (where due to the age of a number of charges administrative receiverships remain viable), who wished that the content of the existing SIP 1 remain as a SIP. Additionally, although insolvency in the Republic of Ireland is unregulated, SIPs are issued to insolvency practitioners in that jurisdiction by Chartered Accountants Ireland as a series of guidance notes with a view to maintaining standards by setting out required practice and harmonising practitioners approach to particular aspects of insolvency. The JIC did not wish to take a narrow view in its approach to standard setting and therefore agreed to be pragmatic and renumber the existing SIP 1.

Future developments

A public consultation on a revised version of SIP 9 (*Remuneration of insolvency office holders*) closed in December 2010. The consultation responses are being considered and a report will be made to the Joint Insolvency Committee in June.

A public consultation in relation to SIP 16 (*Pre-packaged sales in administrations*) was undertaken in 2010 and the results of that consultation are being assessed. Work is being carried out on a revised SIP, although this will be affected by the publication of the outcome of the recent consultation by the Insolvency Service.