



## **Insolvency Practitioners Association**

### **2010 CPPI Examiner's report – Charles Turner, FRP Advisory**

The CPPI continues to gain awareness and credibility with potential candidates and employers who wish to take advantage of this specialist personal insolvency qualification. The qualification is aimed at individuals who specialise in personal insolvency and wish to study for a qualification which tests the personal insolvency regime in more breadth and depth than the generalist CPI qualification. For the first time the exam was sat in Scotland and I am delighted to include in this report some comments from Gordon Chalmers of Wylie & Bisset who carried out much of the work in preparing the Scottish paper.

So far as the main elements of the paper were concerned, please note the following feedback:

#### **Multiple choice and short form questions:**

Multiple choice: generally well answered, no real difficulties. Most candidates scored 7 or more out of 10.

Questions 11 – 15 were 2 mark questions and 16 – 20 each carried 4 marks. Most questions were generally answered well with candidates scoring at least half marks but there were some issues with the following questions which are worthy of note:

Q11 was about the contents of a Nominee's report to court on a debtor's proposal, ie whether the proposed IVA has a reasonable prospect of being approved and implemented, whether a meeting should be convened and if so where and when. Too many candidates confused the report with the Nominee's comments and wrote at some length about the many matters which are to be covered in the comments. This was inappropriate and candidates should note that they are not expected to write at great length in order to earn 2 marks. Given the importance of these key documents, candidates should know the difference.

Q 14 was about the responsibility an IVA provider has, pursuant to the IVA Protocol, when advertising for work via a third party. Admittedly this was not an easy question and it caught out most candidates. All areas of the Protocol are liable to be tested, so future candidates should take note.

Q 18 was about a section 283A notice to a bankrupt and spouse/ former spouse where a trustee is claiming an interest in a dwelling house. This is now an important document in most bankruptcies with a property asset. It was disappointing that most candidates had little idea what information should be contained in the notice.



## 15 marker questions

Q 21 This was a compulsory question about various antecedent transactions. Most candidates answered this question reasonably well and scored over half marks (an average of 9.6). Marks were lost by not recognizing that a 'friend' is not an associate for the purposes of these provisions and most candidates failed to identify the void disposition of property (section 284 of the Act) involving the transfer of an asset by the bankrupt to his children after presentation of the bankruptcy petition. There were also two property sales which were potential transactions at an undervalue. Most candidates did not pick up on the fact that the property sold over 4 years pre-petition was at a time when the debtor was, from the given facts, apparently not insolvent and the recipient of the property (the debtor's brother) would be likely to be able to rebut the presumption of insolvency.

Q 22 This second compulsory question required candidates to prepare a straightforward equity apportionment between husband and wife, prepare the trustee's receipts and payments account and comment on certain procedures involved in dealing with and calculating the anticipated dividend. Candidates scored less than half marks on average which was disappointing. Easy marks were missed in not setting out the information given in the question - assets, costs and liabilities - in the R & P and dividend calculations. The notice of intended dividend document is an important document and candidates should have a basic appreciation of the main rules and contents.

Q 23 This was an optional question about the recently revised Insolvency Code of Ethics. The fact that only two candidates answered this question was I suspect an indication of most candidates' lack of awareness of a document which is fundamental to the conduct expected of not just Insolvency Practitioners themselves but of their staff in dealing with insolvency assignments. Any candidate knowing the five fundamental principles and offering a short explanation for each would have scored 10 marks and would have coped well with the supplementary questions. As it was one candidate picked up the easy marks on offer, the other did not.

Q 24 This question tested some of the concepts contained within the IVA Protocol – a document which is now central to many thousands of IVAs and is clearly fertile territory for this specialist personal insolvency examination. It was pleasing to see that most candidates were better prepared than in previous sittings and coped reasonably with this question although the average mark was still just under half marks. There remains room for improvement on candidates' knowledge of the Protocol and candidates can expect it to be tested.

Q 25 The final question tested candidates' knowledge of the protection, valuation and realisation of the trustee's interest in a jointly owned residential property (the 'matrimonial home'). Most of the practical steps required were identified by candidates. The beneficial interest was split 60/ 40 in favour of the non-bankrupt spouse and candidates were invited to consider whether that was likely to be challengeable by the trustee. Most concluded correctly from the facts given that it was unlikely that this split could be set aside by a trustee. The average mark obtained was 8.7.



### **Scottish CPPI – Gordon Chalmers**

The June 2010 sitting of the Scottish CPPI was its first sitting and also represented a pilot for the Scottish exam. The paper was geared to examine candidates to the same level as the CPI, and incorporated the personal insolvency questions from the CPI paper. The associated syllabus remained wide, and covered issues also relevant to corporate insolvencies (e.g. ethics, SIPs, IP Regs). The CPPI syllabus also covered Non Insolvency Debt Solutions - not previously forming part of the CPI examination. Some candidates exhibited extensive knowledge in particular areas and deficiencies in others - demonstrating for some an overreliance on practical experience, and for others preparation gaps in covering the whole syllabus. 14 candidates undertook the examination with 8 passing.

### **Congratulations**

Our congratulations go to all successful candidates in England and Wales as well as in Scotland and we hope that many more will seek to acquire this specialist qualification which we believe will continue to gain in credibility with employers and in the market place.

26 October 2010