

A CREDITORS' GUIDE TO SUPERVISORS' FEES - ENGLAND AND WALES

1. Introduction

1.1 In a voluntary arrangement, as in other types of insolvency, the amount of money available for creditors is likely to be affected by the level of costs, including the remuneration of the insolvency practitioner appointed to implement the arrangement. This guide explains how fees are fixed in voluntary arrangements, how the creditors can affect the level of fees, and the information which should be made available to them regarding fees.

2. The voluntary arrangement procedure

2.1 Voluntary arrangements are available to both companies and individual debtors. Company voluntary arrangements are often referred to as CVAs, and individual voluntary arrangements as IVAs.

2.2 The procedure is similar for both CVAs and IVAs and enables the company or individual to put a proposal to their creditors for a composition in satisfaction of their debts or a scheme of arrangement to settle their affairs. A composition is an agreement under which creditors agree to accept a certain sum of money in settlement of the debts due to them.

2.3 A CVA may be used as a stand-alone procedure or as an exit route from an administration. It may also be used where a company is in liquidation, but this is extremely rare. The proposal will be made by the directors, the administrator or the liquidator, depending on the circumstances.

2.4 A proposal for an IVA may be made by a debtor whether or not they are already subject to bankruptcy proceedings.

2.5 The voluntary arrangement procedure is extremely flexible and the form which the voluntary arrangement takes will depend on the terms of the proposal agreed by the creditors.

2.6 In both CVAs and IVAs the proposal must provide for an insolvency practitioner to supervise the implementation of the arrangement. Until the proposal is approved by the creditors, the practitioner is known as the nominee. If the proposal is approved, the nominee (or if the creditors choose to replace them, their replacement) becomes the supervisor.

2.7 In this Guide, the person acting as nominee or supervisor or the proposed supervisor is referred to as the insolvency practitioner. The information that they are required to provide may be contained within the proposal for the CVA or IVA.

3. Fees, costs and charges - statutory provisions

3.1 The fees, costs, charges and expenses which may be incurred for the purposes of a voluntary arrangement are set out in the Insolvency (England and Wales) Rules 2016. They are:

- Fees and expenses in relation to the nominee's services agreed with the company (or its administrator or liquidator) or the debtor (or the official receiver or the trustee where the debtor is subject to bankruptcy proceedings);
- Any disbursements made by the nominee prior to the arrangement coming into effect;
- any fees or expenses which:
 - are sanctioned by the terms of the arrangement (see below), or
 - where they are not sanctioned by the terms of the arrangement, would be payable, or correspond to those which would be payable, in an administration, winding up or bankruptcy (as the case may be).

3.2 The rules require the following matters to be stated or otherwise dealt with in the proposal:

- The amount proposed to be paid to the nominee (as such) by way of fees and expenses, and
- How the fees and expenses of the supervisor will be determined and paid.

3.3 The rules do not specify on what basis the fees of the nominee or supervisor is to be calculated. This is

A CREDITORS' GUIDE TO SUPERVISORS' FEES - ENGLAND AND WALES

for agreement between the debtor or the company and the creditors. The fees may be stated as a fixed sum, as a percentage of funds coming into the arrangement or by reference to the time costs of the nominee or supervisor and his staff.

4. The role of the creditors

4.1 It is for the creditors to decide whether to agree the terms relating to remuneration along with the other provisions of the proposal. The creditors have the power to modify any of the terms of the proposal (with the consent of the debtor in the case of an IVA), including those relating to the fixing of remuneration. The nominee should be prepared to disclose the basis of his fees, and proposals for charging the supervisor's fees to the creditors. Although there are no further statutory provisions relating to remuneration in voluntary arrangements, the terms of the proposal may provide for the establishment of a committee of creditors and may include among its functions the fixing of the supervisor's remuneration.

5. What information should the creditors receive?

5.1 General principles

5.1.1 Those responsible for approving payments to the nominee, supervisor or associates of the insolvency practitioner or their firm should be provided with sufficient information to make an informed judgement about the reasonableness of their requests.

5.1.2 The nominee/supervisor should provide an indication of the likely return to creditors when seeking approval for the basis of their remuneration.

5.1.3 Information provided by the nominee, supervisor or proposed supervisor should be presented in a manner which is transparent, consistent throughout the life of the case and useful to creditors and other interested parties, whilst being proportionate to the case.

5.1.4 Where approval for fees to be paid from arrangement funds is sought on more than one basis (e.g. as a set amount and a percentage of funds received), it should be clearly stated to which part of the insolvency practitioner's activities each basis relates.

5.1.5 Payments to an insolvency practitioner from the arrangement funds should be fair and reasonable reflections of the work necessarily and properly undertaken in respect of the insolvency practitioner's appointment. These payments should not be approved by any party with whom the insolvency practitioner has a professional or personal relationship which gives rise to a conflict of interest. Those responsible for approving payments from the arrangement funds to an insolvency practitioner or their associates should be provided with sufficient information to enable them to make an informed judgement about the reasonableness of the insolvency practitioner's requests.

5.1.6 Information provided by the insolvency practitioner about payments made from arrangement funds should be presented in a manner which is transparent, consistent throughout the life of the appointment and useful to creditors and other interested parties, whilst being proportionate to the circumstances of the appointment.

5.1.7 A nominee/supervisor should disclose:

a) all payments, arising from the insolvency appointment to the nominee/supervisor or their associates

b) the form and nature of any professional or personal relationships between the nominee/supervisor and their associates.

5.1.8 The nominee/supervisor should inform creditors and other interested parties of their rights under insolvency legislation and should advise them how they may access suitable information setting out their rights within the first communication with them and in each subsequent report.

5.1.9 Where a nominee/supervisor sub-contracts work that could otherwise be carried out by them or their staff,

A CREDITORS' GUIDE TO SUPERVISORS' FEES - ENGLAND AND WALES

this should be drawn to the attention of creditors and other interested parties with an explanation of why it is being done, what is being done, and how much it will cost.

5.1.10 Where the company may require additional specialist assistance that will not be provided by the supervisor, the CVA proposal must explain this, the reason why such assistance may be necessary and the costs of such assistance.

5.2 Key issues

5.2.1 The key issues of concern to those with a financial interest in the level of payments from the insolvency estate will commonly be:

- The work the nominee/supervisor anticipates will be done, and why that work is necessary;
- The anticipated payment for that work;
- Whether it is anticipated that the work done will provide a financial benefit to creditors, and if so what anticipated benefit (or if the work provided no direct financial benefit, but was required by statute);
- The work actually done and why that was necessary;
- The actual payment for the work;
- Whether the work has provided a financial benefit to creditors, and if so what benefit (or if the work provided no direct financial benefit, but was required by statute)

5.2.2 When providing information about payments from the arrangement estate, the nominee/supervisor should do so in a way which clearly explains the key issues. Narrative explanations should be provided to support any numerical information supplied. Such an approach allows creditors and other interested parties to better recognise the nature of a nominee/supervisor's role and the work they intend to undertake, or have undertaken, in accordance with the key issues.

5.2.3 Where approval for a set fee or percentage basis is sought, the insolvency practitioner should explain why the basis requested is expected to produce a fair and reasonable reflection of the work that the insolvency practitioner anticipates will be undertaken. Where a set amount or a percentage basis is being used, an explanation should be provided of the direct costs included. The insolvency practitioner should not seek to separately recover sums already included in a set amount or percentage basis fee and should be transparent in presenting any information.

6. Expenses

6.1 The proposal should include full disclosure of all expenses anticipated to be incurred during the arrangement (see paragraph 7.1).

6.2 Expenses are any payments from the arrangement which are neither a nominee/supervisor's remuneration nor a distribution to a creditor or a member. Expenses also include disbursements. Disbursements are payments which are first met by the nominee/supervisor, and then reimbursed to the nominee/supervisor from the arrangement.

6.3 Expenses are divided into those that do not need approval before they are charged to the arrangement (category 1) and those that do (category 2).

- Category 1 expenses: These are payments to persons providing the service to which the expense relates who are not an associate of the nominee/supervisor. Category 1 expenses can be paid without prior approval.
- Category 2 expenses: These are payments to associates or which have an element of shared costs. Before being paid, category 2 expenses require approval in the same manner as a nominee/supervisor's remuneration. Category 2 expenses require approval whether paid directly from the arrangement or as a disbursement.

6.4 When seeking approval of category 2 expenses, the nominee/supervisor should explain, for each expense, the basis on which the expense is being charged to the arrangement. Any shared or allocated

A CREDITORS' GUIDE TO SUPERVISORS' FEES - ENGLAND AND WALES

payments incurred by the nominee/supervisor or their firm are to be treated as category 2 expenses and approval sought before payment.

6.5 The following are not permissible as either remuneration or an expense:

- an expense or any other charge calculated as a percentage of remuneration;
- an administration fee or charge additional to a nominee/supervisor's remuneration;
- the recovery of an overheads other than those absorbed in the charge out rates.

7. Progress reports and the provision of additional information

7.1 Following approval of the arrangement, the supervisor should ensure that full disclosure is made, in reports to creditors, of the costs of the arrangement and of any other sources of income of the supervisor, their associates, or the supervisor's firm, in relation to the case. The supervisor should specify the amount of the remuneration they have drawn, in accordance with the terms of the proposal (as approved). Any disclosure by the supervisor of payments, remuneration and expenses should be of assistance to those who have a financial interest in the level of payments in understanding what was done, why it was done and how much it costs. Reports should include a narrative update in respect of the supervisor's activity during the period being reported upon and on a cumulative basis.

7.2 If the costs of the arrangement have increased beyond previously reported estimates, this increase should be reported and an explanation of the increase provided at the next available opportunity.

7.3 The supervisor should also provide such additional information as may be required in accordance with paragraph 5.2.

7.4 Where the basis of the remuneration of the nominee or supervisor has been fixed on the basis of time spent, the nominee or supervisor is required to provide certain information about the time spent on the case, free of charge, upon request by specified persons. The persons entitled to ask for this information are –

- any creditor;
- where the arrangement relates to a company, any director or member of that company; and
- where the arrangement relates to an individual, that individual.

7.5 The information which must be provided is –

- the total number of hours spent on the case by the insolvency practitioner or staff assigned to the case;
- for each grade of staff, the average hourly rate at which they are charged out;
- the number of hours spent by each grade of staff in the relevant period.

7.6 The period for which the information must be provided is the period from appointment to the end of the most recent period of six months reckoned from the date of the nominee's or supervisor's appointment.

7.7 Where the nominee or supervisor has vacated office, information must be provided from the date of appointment to the date that they vacated office.

7.8 The information must be provided within 28 days of receipt of the request by the nominee or supervisor, and requests must be made within two years from vacation of office.

7.9 Requests for additional information about payments should be viewed upon their individual merits and treated by the nominee/supervisor in a fair and reasonable way. The provision of additional information should be proportionate to the circumstances of the appointment.

8. Effective date

8.1 This guide applies where the nominee in relation to the arrangement agrees to act on or after 6 April

A CREDITORS' GUIDE TO SUPERVISORS' FEES - ENGLAND AND WALES

2017, or where information is provided by the supervisor about fees, expenses or other payments on or after 6 April 2017.

8.2 ***Please note that insolvency practitioners were subject to different regulatory requirements prior to 1 April 2021. Therefore, information provided by insolvency practitioner prior to that date may vary slightly to the information required as set out in this guide.***

9. Maxwell Davies Limited's Statement of Policy on Fees

9.1 Unless otherwise fixed in accordance with the Insolvency Act 1986, an office holder's fees are charged by reference to the time properly given by the office holder and her staff in attending to matters arising in the case.

9.2 In addition to staff directly employed by Maxwell Davies Limited, the office holder may instruct the following to carry out work on the case:

Entity ("Sub-contractors")	Work Undertaken
Insolutions Business Advisory PVT Limited Consultant	See below* Investigation work

9.3 Insolutions Business Advisory PVT Limited is an associated/ connected company operating in India in which the office holder holds a financial interest. The company has been set up to provide administrative support to the office holder. Staff work on all aspects of case administration under the supervision of the office holder.

9.4 The Sub-contractors are engaged as a more cost-effective measure, to enable the work to be undertaken by people with the most appropriate level of expertise, and it avoids the considerable costs that would result if Maxwell Davies Limited were otherwise to directly employ specialists and sufficient staff resources to carry out the work. Junior grades of staff are used where appropriately compatible with the efficient conduct of the matter in order to ensure that costs are kept to a minimum.

9.5 All time spent by the Sub-contractors on the case under the office holder's instructions shall be charged at the rates listed below (subject to any future changes), which are also applicable to the office holder and staff directly employed by Maxwell Davies Limited. The charge-out rates have been set taking into consideration the savings generally achieved by using the Sub-contractors.

9.6 Where it is proposed or agreed that the office holder's remuneration shall be fixed on the basis of time properly spent by the office holder and her staff, this shall include all time properly spent by the Sub-contractors. Thus, for the purposes of the fee estimate, the estimate of time that will be spent and the description of work to be undertaken reflect the combined position of the office holder, staff employed by Maxwell Davies Limited, and the Sub-contractors. Any reports issued by the office holder shall also reflect the combined position of the time spent and work carried out by these parties as a whole.

9.7 The following table provides the current charge-out rates. Rates may be varied from time to time, at the sole discretion of Maxwell Davies Limited, and such changes will be notified in retrospect with each report to creditors. Where the office holder's remuneration has been approved on a time cost basis, those fees will be calculated on the basis of the charge-out rates applicable at the time that the work was carried out.

Grade of staff	Current charge-out rate per hour, effective from 01.04.19 £
Director/appointment taker	472.00
Senior Manager	394.00
Manager/ Supervisor	315.00
Senior Administrator	250.00
Administrator / Cashier	194.00
Junior Administrator	131.00

A CREDITORS' GUIDE TO SUPERVISORS' FEES - ENGLAND AND WALES

- 9.8 Rates may vary between individuals, reflecting experience and qualification. For certain more complex tasks, Maxwell Davies Limited may seek to apply a higher rate in respect of work undertaken, but subject to prior authorisation in accordance with the Act and the Rules.

Disbursements

It is the policy of Maxwell Davies Limited to charge and recover all actual disbursements [Category 1 Disbursements] incurred and full records of those disbursements are retained and are available together with an explanation to all Creditors at any time.

Case Management Fee	£185.00 per case
Storage	£0.26 per box per month

It is also our policy in all insolvencies to charge the following Category 2 Disbursements (subject to VAT): -

Mileage	45p per mile (incl. of VAT)
Photocopying	10p per sheet