Judith Marsden
The Insolvency Service
Policy Team
4 Abbey Orchard Street
Westminster
London
SW1P 2HT

4 October 2019

Dear Judith

Call for evidence: regulation of insolvency practitioners review of current regulatory landscape

We the undersigned represent collectively 91% of the credit union sector, being the Association of British Credit Unions Limited, UKCreditUnions, ACE Credit Union Services, the Scottish League of Credit Unions & the National Credit Union Forum.

In submitting this response to you we would like to affirm the strength of feeling within the credit union sector as to the poor practices within the insolvency practitioner industry, particularly in relation to IVAs and (in Scotland) Protected Trust Deeds. Our collective work and our individual submissions to the call for evidence have highlighted the following key issues which we believe the current system of regulation within the insolvency practitioner industry does not currently address:

1. Problematic use of lead generators and poor advertising of insolvency solutions
2. Poor advice and mis-selling of insolvency solutions to vulnerable debtors
3. Consistent and repeated failure to issue statutory notifications on credit unions
4. Disproportionate and unreasonable fees levied on debtors
5. An ineffective regulatory framework based on self-regulation by the Recognised Professional Bodies

The combined effect of these factors is widespread poor outcomes for debtors who are, by definition, already financially vulnerable. Many IVAs and PTDs are being sold entirely inappropriately where a Debt Management Plan or Debt Arrangement Scheme would be more appropriate given the aggregate balance of debts in question.

The current situation of large scale poor practice in the insolvency industry has a disproportionate impact on credit unions due to our mission of inclusion and the provision of affordable credit to the vulnerable and underserved. This is because those which credit unions seek to support are typically excluded from mainstream credit – since the increasing levels of insolvency have caused banks and others to retrench their credit risk appetite – and with only high cost credit available to them. Credit unions on the contrary seek to extend credit on fair terms to these groups.

Since 2015, aggregate credit union sector data shows that the amount of loans in arrears or written off has grown by 25% in the period to 2018. An increase of this scale is a significant drag on credit unions' ability to sustainably lend to excluded and underserved communities.

If no action is taken in rectifying the current position, the practices of the insolvency practitioner industry will only serve to exacerbate exclusion and vulnerability as ever more mainstream creditors and affordable alternatives like credit unions decide to withdraw their services in order to manage credit risk and ever more debtors find themselves subject to inappropriate insolvency solutions.

As a credit union sector, we call on the Insolvency Service to look closely at the evidence presented by credit unions and others in relation to the practices of the insolvency industry and the inadequacies of the RPB regulatory system and to commit to introducing formal, independent regulation of insolvency practitioners and the firms for whom they act to address the current situation. We would encourage consideration that such regulation be conducted by the Financial Conduct Authority which has a strong track record of consumer protection since being established in 2012.

To not do so would be to allow more vulnerable individuals to be exploited, credit union interests as creditors to continue to be ignored and to risk a national scandal in years to come as the scale of malpractice and mis-selling emerges.

Yours sincerely,

Robert Kelly
Chief Executive
ABCUL

Bill Hudson
Chief Executive
ACE Credit Union Services

Dawn Vear
Chief Executive
UKCreditUnions

Dermot O'Neill
Chief Executive
Scottish League of Credit Unions

Frances McCann
National Credit Union Forum