

Elena Whitham MSP
Convener, SJSS Committee
Scottish Parliament

Date 7 June 2022

Dear Convener

LOW INCOME AND DEBT INQUIRY

Thank you again for the opportunity to give evidence to the Committee on 26 May. There were three areas where I promised to come back to the Committee in writing, as follows:

Mr Balfour asked me about the share council tax debt plays in bankruptcies. Looking at the first three months of 2022, there were around 400 MAP bankruptcies awarded. Of these, 65% listed council tax debts, totalling around £900,000. This equates to £2250 per case, or £3460 per case which included council tax debts.

Ms Duncan-Glancy asked me about the income the Agency receives from bankruptcy application fees. This is set out in the table below:

	2017-18	2018-19	2019-20	2020-21	2021-22
	£000	£000	£000	£000	£000
Full	301	337	388	50	52
MAP	186	221	177	16	11
Total	487	558	565	66	63

It is worth noting that bankruptcy numbers have been historically very low over the period since the start of the pandemic – that is, the fall in income from application fees in the last two years is not only the outcome of the reduction in fees, with most bankruptcies no longer paying a fee, but also a factor of the low case numbers. The 2021-22 figures have yet to go through the audit process, and will be confirmed when the Agency's Annual Accounts are published in the autumn.

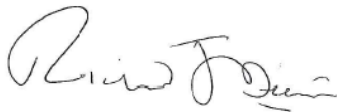
Ms Duncan-Glancy also asked me whether the period bankruptcy sits on a credit reference file in this country is typical of practice internationally. I am grateful to colleagues in the International Association of Insolvency Regulators for their help in answering this. First impressions is that we sit largely in the middle of the pack. I have had responses from Canada (where a bankruptcy shows on the credit file for 7 years, whilst their equivalent of a protected trust deed sits on the credit file for 5 years from the end of the plan), the United

States (10 years, but 7 years for “chapter 13” plans), New Zealand (bankruptcy 4 years after **discharge** – so typically 7 years for their equivalent of full administration bankruptcy, but typically 5 years for their MAP equivalent: 5 years after the plan ends for their equivalent of a trust deed), Hong Kong (8 years), and Australia (whichever is the later of either 5 years from the award of bankruptcy or two years from the discharge. If it helps the Committee, in terms of the “world leaders” in personal insolvency, I tend to look for inspiration to Canada, Australia and New Zealand (though that is just a personal opinion).

I note SPICE are also seeking information covering the full cost of administering a bankruptcy. Provisional information produced for our annual accounts shows the average cost of administering a full administration bankruptcy for the 1500 cases that finished in 2021-22 was £2,850. We covered from those cases an average of £1260 – an average loss of £1590 a case. Again, these figures will be confirmed when our annual accounts are published after audit. Comparable figures are not available for MAP cases.

I hope this is helpful, and I would be happy to provide further information if the Committee wishes to follow up these or other aspects.

Yours sincerely



Richard Dennis
The Accountant in Bankruptcy