

GOVERNMENT CUTS WILL LET CORPORATE CRIMINALS OFF THE HOOK

Government moves to cut costs within the Insolvency Service by axing more than 50 front line jobs is set to allow directors who flout the law to keep their place in the board room, warns a Black Country insolvency and business recovery expert.

The mass job cut is likely to hit every regional office across the country, including the West Midlands, each losing around three Official Receiver Investigators, mostly, it is understood, from within the corporate division.

John Travers, of Stourbridge-based John D Travers & Co, says insolvency practitioners have long complained that the Insolvency Service should be doing more to discourage rogue directors, and that the redundancies will let many candidates for disqualification off the hook.

He said: "Whilst it is broadly accepted that cuts in public expenditure have to be made, this reduction in the resources to fight corporate crime is unfortunately timed.

"In tough economic times, we are likely to see the number of dodgy directors rise, and it is particularly odd, coming at a time when the Government is upping its stance against directors utilising crown monies to fund their failing businesses. "

The job losses come in the wake of last month's report by the Office of Fair Trading (OFT) into the insolvency market which recommended reform of the regulatory system by repositioning the Insolvency Service, whose current role is to administer the UK's insolvency regime, as the dedicated regulator of the various recognised professional bodies and withdrawing its role as a direct regulator of practitioners.

Last year, out of the 4,752 referrals by insolvency practitioners, the Insolvency Service disqualified 1,252 directors, or about 26 per cent. Six years ago 45 per cent of those put forward were disqualified.

"One in four reports resulting in a disqualification is simply not a high enough strike rate," says John.

"The insolvency professional has been calling for the Insolvency Service to step up its actions against these so-called delinquent directors.

"To axe so many in key front line roles at a time when there is uncertainty about the future of the economy may indicate a bigger overhaul of the workings of the UK's insolvency regime in the future.

"For now, with the potential threat of a double-dip recession, and the number of distressed companies already rising, there is little doubt that the Insolvency Service will find itself under even more pressure to perform with already apparently stretched resource," he added.

13July 2010