



Guide for Directors and Business Owners

What is an IP and what are their duties?



If your company is experiencing financial challenges or distress, you will likely seek a professional's assistance for you and your business. An Insolvency Practitioner (IP) is well-placed to assist you in your current circumstances and navigate your business towards the best solution. However, if you have yet to deal with an IP, you may be unaware of how they can help, what their duties are and what appointing an IP entails. Here, we consider everything a business owner needs to know about an Insolvency Practitioner and their skills and responsibilities.

What is a licenced Insolvency Practitioner?

A licensed Insolvency Practitioner is a highly qualified professional who has successfully passed the rigorous JIEB (Joint Insolvency Examination Board) set of examinations. This is the sole pathway to becoming a qualified IP. It's worth noting that many licensed IPs may have acquired other professional qualifications, such as accountancy or legal qualifications, before undertaking the JIEB exams. This diverse background often leads them to specialise in the legalities of insolvency, further enhancing their expertise.

A licenced IP is someone qualified to act on behalf of companies and individuals when facing business distress or insolvency. An IP can also assist with a range of business advisory roles that challenged companies may be facing and aid directors of solvent companies who wish to bring their business to a legal and profitable close.

How is an IP appointed?

In most cases, an IP is appointed by a company director who is seeking assistance with a significant issue within their business. For example, a lender, creditor, or another stakeholder may have requested an Independent Business Review, which will be conducted by an IP. A director may also wish to close down their business in the best possible way for its stakeholders and creditors so that there are no future repercussions, which an IP can fulfil. It is important to note that for an IP to be able to progress with the business, a Letter of Engagement will need to be completed.

In matters of compulsory liquidation, the courts will appoint an Insolvency Practitioner as the Official Receiver to conduct the liquidation process to its conclusion.

What are the duties of an Insolvency Practitioner?

An IP will have different duties depending on the business's situation and the insolvency process they are appointed to conduct. Here are two key examples of an IP's role and their duties.

Administrator

Administration is a formal insolvency process, which puts an immediate ring fence around the company and its assets so that no creditor can start or continue action to recover their debts.

In this scenario, an Insolvency Practitioner is appointed as the Administrator. Their role is to realise a better outcome for creditors, whether by arranging a company sale or facilitating an ordered shutdown of the business.

Liquidator

Liquidation is the complete dissolving of a company. A Liquidator, who must be a licensed IP, is appointed to take control of all company assets and convert these into cash for distribution.

In an insolvent liquidation, an IP distributes whatever cash is left over after costs to the company's creditors. This distribution is done in accordance with the priorities set by the Insolvency Act, a process often referred to as the 'insolvency waterfall'.

In a solvent liquidation, such as a Members' Voluntary Liquidation, the directors and shareholders will receive the proceeds of the company's liquidation.

Other Insolvency Practitioner roles

An Insolvency Practitioner can also take on various other roles, both in an official and unofficial capacity. An IP is well-placed for these advisory positions because of their broad and thorough knowledge of business profitability and decline. Some examples of these roles are:

Independent Business Review (IBR) defence

A lender may approach a business that has breached its loan covenants to undertake an IBR of the company. In this scenario, an IP can project manage the engagement with a lender and guide directors through the process.

Pre-lend review

An IP can conduct a pre-lend review for a company seeking to raise capital via debt or equity if the prospective capital provider requires it. An IP has extensive experience preparing lender user-friendly reports that assist lenders in assessing the suitability of businesses as borrowers of lenders' products.

Stakeholder management

An IP has significant experience assisting companies in managing their relationships with key stakeholders, such as a lender, HMRC, or its largest customer or supplier, where these have become strained. An IP can work with directors to prepare a stakeholder management plan and devise appropriate strategies to help build trust and find opportunities for goal congruence with key stakeholders.

How do I find a licensed insolvency practitioner?

Directors may be recommended to an Insolvency Practitioner by their accountant, solicitor, or other trusted party. While this is useful, directors should be vigilant about the IP they choose to ensure they are licenced and positioned to take on the appointment.


The UK government maintains a searchable database of licenced Insolvency Practitioners based on location, so directors can find a local IP or verify the credentials of a recommended IP

Working with a professional firm of licensed IPs can give your business the best of both worlds. With 14 national locations around the UK, Opus can provide businesses with a local, experienced Insolvency Practitioner who is part of a wider network of expertise.

Opus Restructuring & Insolvency is the largest independent corporate restructuring firm in the UK with experienced, nationwide teams who are on hand to provide businesses with a number of advisory roles, including funding advice, corporate simplification, financial health checks, cash flow and forecasting support as well as turnaround planning and implementation. The firm also works with businesses and individuals when the financial situation is so critical that the only exit solution is an insolvency process; or alternatively, the use of one of the formal insolvency procedures is the best way to rescue the business or facilitate a restructuring to put the business or the individual back on a sound financial footing.

The firm is part of Opus Business Advisory Group which is an independent advisory firm. If you are seeking professional advice about your business, Opus is here to help and discuss all options with you to find the best solution for you and your business.

The team can be contacted on **0203 995 6380** or emailed at **support@opusllp.com**.

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