

EVALUATION OF CONTRIBUTIONS FROM INCOME BY BANKRUPTS – INTERIM EVALUATION REPORT

Section 1 - Purpose of the paper

1. To provide details of the on-going evaluation work being undertaken in respect of the income payment agreement (IPA) provisions of the Enterprise Act 2002 (EA).

Section 2 – Background and Purpose of Evaluation

2. On 1 April 2004, new insolvency legislation came into force contained in the Enterprise Act 2002. This new legislation introduced income payment agreements (IPAs) as an administrative alternative to court-based income payment orders (IPOs).

3. The objectives of the IPA provisions contained in the Enterprise Act 2002 are:

- To reduce the time by the Official Receiver and Court in dealing with IPO applications where a bankrupt has consented; and
- To improve returns to creditors

4. The principal aim of the evaluation is to provide a comprehensive assessment of whether, to what extent and how the provisions relating to IPAs meet these policy objectives. The evaluation also provides information and data that can be used to inform future policy decisions.

5. The Insolvency Service made a commitment to the Government to undertake an evaluation of the Enterprise Act 2002 within 3 years of commencement of the various provisions. The IPO provisions commenced on 1 April 2004 and therefore, the evaluation is due to be completed by 31 March 2007. This is an interim report to summarise the evaluation work and findings to date.

Section 3 – Approach

6. The evaluation uses both quantitative and qualitative evaluation methods, including:

- Analysis of data on individual insolvency cases held on The Insolvency Service's internal Information Technology system
- Sampling and review of files on individual insolvency cases to supplement information from other sources
- Meetings with professionals within the insolvency sector to seek their views regarding the appropriateness and impact of insolvency legislation
- Structured questionnaires and interviews with bankrupts, creditors, and other members of the public to obtain their views and experience of the impact of insolvency legislation and to obtain feedback on the wider issues associated with bankruptcy.

7. In order to ascertain the impact of the Enterprise Act 2002 provisions, benchmark information was obtained regarding the operation and effect of the existing legislation, i.e. before the implementation of the Enterprise Act 2002 provisions.

8. A copy of the evaluation planning paper is contained at [appendix 1](#).

Section 4 – Work Carried Out to Date

9. No substantial evaluation work has been carried out to date.

Objective 1: To reduce the time spent by the Official Receiver and Court in dealing with IPO applications where a bankrupt has consented

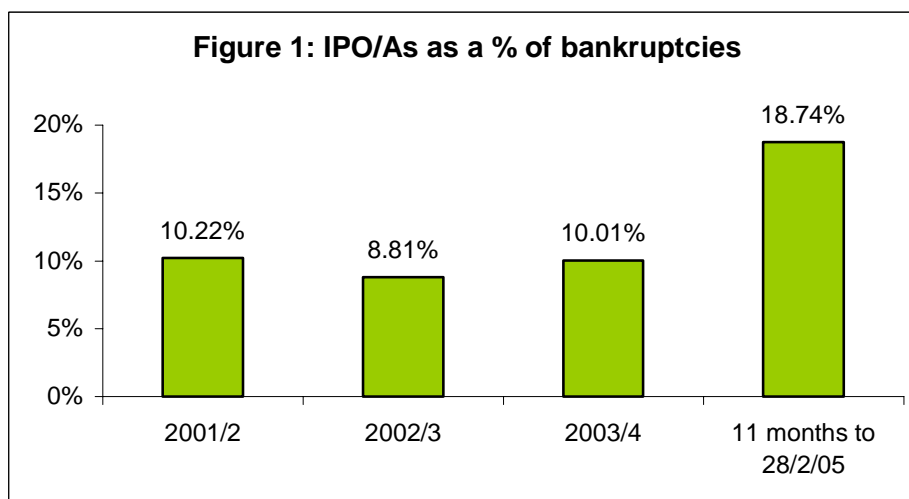
10. This objective relates to the benefit to the court and Official Receiver in introducing IPAs. The evaluation looks at the level of IPO/As obtained by the Official Receiver, the time spent by the Official Receiver and the court in dealing with IPO/As, and the level of contested and varied IPO/As.

Objective 2: To improve returns to creditors

11. This objective relates to the benefit to creditors of the IPA provisions. The evaluation looks at the level and costs of IPO/As obtained, the number of payments involved, and the variations made to IPOs.

Section 5 - Preliminary conclusions and recommendations

12. Prior to the Enterprise Act 2002, the level of IPOs in relation to the level of bankruptcy orders has remained pretty consistent. Initial figures post-Enterprise Act 2002 indicate an increase in the level of IPO/As obtained by Official Receivers in relation to bankruptcy orders (see figure 1).



13. In the 11 months to 28 February 2005, there were 6,262 IPO/A applications made by Official Receivers, of which 91% were IPAs.

13. No changes to the evaluation planning paper are recommended at this time.

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