

## **AN INTRODUCTION TO STATEMENTS OF INSOLVENCY PRACTICE**

### **Purpose and principles**

- 1 The purpose of Statements of Insolvency Practice (SIPs) is to promote and maintain high standards by setting out required practice and harmonising the approach of insolvency practitioners to particular aspects of insolvency practice. They apply in parallel to the prevailing statutory framework.
- 2 SIPs should be read in conjunction with the wider fundamental principles embodied in the Insolvency Code of Ethics and should be applied in accordance with the spirit of that Code. A literal interpretation of a SIP may not be appropriate where it would be contrary to the fundamental principles of the Code.
- 3 The fundamental principles are:
  - **Integrity**

An insolvency practitioner should be straightforward and honest in all professional and business relationships.
  - **Objectivity**

An insolvency practitioner should not allow bias, conflict of interest or undue influence of others to override professional or business judgements.
  - **Professional competence and due care**

An insolvency practitioner has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques. An insolvency practitioner should act diligently and in accordance with applicable technical and professional standards when providing professional services.
  - **Confidentiality**

An insolvency practitioner should respect the confidentiality of information acquired as a result of professional and business relationships and should not disclose any such information to third parties without proper and specific authority unless there is a legal or professional right or duty to disclose. Confidential information acquired as a result of professional and business relationships should not be used for the personal advantage of the insolvency practitioner or third parties.
  - **Professional behaviour**

An insolvency practitioner should comply with relevant laws and regulations and should avoid any action that discredits the profession. Insolvency practitioners should conduct themselves with courtesy and consideration towards all with whom they come into contact when performing their work.
- 4 An insolvency practitioner who becomes aware of any insolvency practitioner who they consider is not complying or who has not complied with the relevant laws and regulations and whose actions discredit the profession, should report that insolvency practitioner to the complaints gateway operated by the Insolvency Service or to that insolvency practitioner's recognised professional body.

- 5 In addition, insolvency practitioners should ensure that their acts, dealings and decision making processes are transparent, understandable and readily identifiable, where to do so does not conflict with any legal or professional obligation. An insolvency practitioner should inform creditors at the earliest opportunity that they are bound by the Insolvency Code of Ethics when carrying out all professional work relating to an insolvency appointment. The insolvency practitioner should, if requested, provide details of any threats identified to compliance with the fundamental principles and the safeguards applied. If it is not appropriate to provide such details, the insolvency practitioner should provide an explanation why.

### **Regulatory status**

- 6 SIPs set principles and key compliance standards with which insolvency practitioners are **required** to comply. Failure to observe the principles and/or maintain the standards set out in a SIP is a matter that may be considered by a practitioner's regulatory authority for the purposes of disciplinary or regulatory action in accordance with that authority's membership and disciplinary rules.
- 7 Insolvency practitioners should evidence their compliance with SIPs and should, therefore, document their strategies and decision making processes appropriately.
- 8 SIPs set out required practice, but they are not statements of the law or the obligations imposed by insolvency legislation itself. Where an insolvency practitioner is in doubt about any obligation imposed upon them by a SIP, they should obtain appropriate guidance.
- 9 SIPs are issued to insolvency practitioners under procedures agreed between the insolvency regulatory authorities, acting through the Joint Insolvency Committee. They apply to practitioners authorised by each of the bodies listed below:
- Recognised Professional Bodies:
- The Association of Chartered Certified Accountants
  - The Insolvency Practitioners Association
  - The Institute of Chartered Accountants in England and Wales
  - The Institute of Chartered Accountants in Ireland
  - The Institute of Chartered Accountants of Scotland
  - The Law Society
  - The Law Society of Northern Ireland
  - The Law Society of Scotland
- Competent Authorities:
- The Insolvency Service for the Secretary of State
  - The Insolvency Service, Department of Enterprise, Trade & Investment
- 10 No liability attaches to any body or person that prepares, issues or distributes SIPs. The obligation to comply with SIPs rests solely upon the insolvency practitioner, as does any liability arising from any failure to do so.

**Effective Date: 1 October 2015**