

## **Fee Accrual**

The office holder is the general name for the Insolvency Practitioner dealing with the case affairs.

In accordance with the insolvency legislation, the office holder is entitled to charge appropriate fees for dealing with the case affairs.

It is usual practice for the agreement of fees to be sought on a basis of time properly incurred in dealing with the case (“a time costs basis”). However, on occasion it is necessary to seek agreement of fees as a fixed percentage of assets realised and/or distributions made, as a fixed fee or as a combination of the above.

The precise basis of how fees are to be charged will be provided to creditors prior to agreement being sought.

The basis upon which fees are agreed is determined by the relevant category of creditors, detail of which is explained within the relevant creditors’ guides to fees.

Unless otherwise advised, fees shall be drawn on account from the case funds as and when realisations allow, subject to agreement.

## **Fees Charged on a Time Cost Basis & Estimation of Fees**

Where an office holder wishes to seek the agreement of fees on a time costs basis, he is required to give creditors full details of not only what he believes such fees to be i.e. an estimation, but what work shall be done in relation to those fees.

This estimation is a projection based upon the practice’s knowledge of the case and the experience of other cases of a similar size, type and complexity. Calculations are made using specific details of the case such as the type of realisations, number of creditors and the anticipated duration of the case prior to closure.

## **Fees Charged on Fixed Fee Basis**

Fixed fees are charged per activity undertaken. For example, correspondence with creditors may be charged as a fixed fee, similarly employees, directors, and/or shareholders may all be charged as a fixed fee. Any costs shown for these fees should not usually change from the initial fee estimate provided in the case.

## **Fees on a Percentage Basis**

Where it is intended that fees be drawn on a percentage basis, for example as a percentage of the value of asset realisations, or the distribution of funds, these fees can only be calculated on the amount of funds to be dealt with. The final fee may therefore be lower or higher than that information provided in our guide.

Different percentages can be used for different assets or types of assets and any percentage basis sought may vary on a case by case basis.

## **Staff**

Each member of staff involved with the case will charge time on an individual basis. The hourly cost of each member of staff shall be calculated in accordance with their experience and resultant grade within the practice.

In view of the complexity of the work involved, it is not practice policy to use sub-contractors, however we reserve the right to do so should the case require it. Details of any sub-contractor used shall be provided within the appropriate statutory report.

## **VAT**

Except when acting as Nominee or Supervisor of an estate, fees will be subject to VAT at the appropriate rate. Where the case is not registered for VAT, VAT shall be shown as an irrecoverable expense of the estate.

## **Disbursements**

Every case dealt with will incur disbursements. The office holder is required to explain the amount and nature of such disbursements whenever a formal abstract of accounts is produced. Regulations require that we separate category 1 and 2 disbursements for your information. An explanation of which is as follows:

### Category 1 Disbursements:

Category 1 disbursements are expenses directly attributable to the case, where exact costs can be ascertained and recharged without profit. These include insolvency bonds, advertising, case management software, company searches, post redirection orders, postage, external room hire, external storage as well as public transport and accommodation costs incurred by staff whilst attending to the administration of the estate. This list is not exhaustive and any other external supplies and services, specifically identifiable to the case will also be recovered as a category 1 disbursement at cost.

### Category 2 Disbursements

Category 2 disbursements are additional overheads that relate to the estate but are either not directly attributable to it, or the exact cost is not ascertainable and therefore cannot be precisely recharged. These expenses include, inter alia, stationery, photocopying and storage costs.

The following is a current schedule of category 2 disbursements which may be charged by the practice:

- Mileage recharged at up to 45 pence per mile.

The practice does not ordinarily seek to recover category 2 disbursements except for travel and business mileage directly attributable to the case but reserves the right to do so where such disbursements are substantial and appropriate approval has been obtained.

## **Disclosure of Use of Connected Parties**

Please note that where it is necessary to use the services of an external agent who is associated to the practice by way of common directors and/or shareholders, this will be disclosed and approved in the same way as category 2 disbursements. No additional profit element will be charged for these services if applicable.

## **Charge Out Rates**

A table of current hourly charge out rates with effect 1 January 2019 is provided below:

<b>Grade of Staff</b>	<b>Charge Out Rate Per Hour (£)</b>
Partner/Director/Consultant	350
Manager	250
Assistant Manager	225
Senior Administrator	205
Administrator	185
Cashier	175
Assistant Administrator	130
Support Staff	100

Accounting matters relevant to a case will not always be dealt with by a cashier, accounting matters not dealt with by a cashier will be charged at the relevant staff members charge out rate as outlined above.

The office holder reserves the right to uplift both the hourly charge out rates and category 2 disbursements periodically without further recourse to the creditors. By law, such increases must be disclosed to creditors within each statutory report.

### **Support Staff**

To minimise cost to the case support staff are used to undertake certain matters.

### **Recording of Fees**

Time is formally recorded in prescribed categories in units of 6 minutes. All units of time properly spent, shall be recorded on a formal time management system and retained throughout appointment, irrespective of the basis of fees approved.

### **Reporting of Fees**

Statutory reports detailing fees incurred and drawn will provide the basis of the fee resolution obtained and details of how the fees were approved. Creditors may request further and better particulars of fees and disbursements where they believe further explanation is required. The exact basis of how requisite members and creditors may request such information will be included in each statutory report.

### **Further Information**

Further information about creditors’ rights can be obtained by visiting the creditors’ information micro-site published by the Association of Business Recovery Professionals (R3) at <http://www.creditorinsolvencyguide.co.uk/>

Details about how the office holder’s fees may be approved for each case type are available in a series of guides issued with Statement of Insolvency Practice 9 (SIP 9) and can be accessed at <http://mgjl.co.uk/for-creditors/guide-to-fees/> Alternatively, a hard copy may be requested from this office.

**END OF POLICY**