



The Insolvency
Service

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DEAR INSOLVENCY PRACTITIONER

Issue 114 – December 2020

Message from the Insolvency Service

Dear Reader

Please find enclosed the latest updates from the Insolvency Service.

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37) HMRC: New IT platform update

In October, HMRC informed insolvency practitioners of problems caused by the introduction of a new IT platform that was specifically affecting insolvency cases. In particular, the problems were affecting Insolvency Practitioners who were:

- Notifying HMRC of insolvency
- Submitting paper returns
- Requesting repayments
- Awaiting confirmation that all matters are concluded

Temporary solution

HMRC has introduced a temporary solution which will improve its service to insolvency practitioners by reducing the number of outstanding cases so HMRC can progress new cases. This includes issuing and processing paper returns, enabling those cases to be progressed. HMRC has increased the number of staff working on this solution and insolvency practitioners should start to receive returns for completion shortly.

Whilst HMRC fully understands why insolvency practitioners are making contact to find out what is happening with cases, HMRC would be grateful if insolvency practitioners do not follow up these cases. This will enable HMRC to allocate more time to work through the original requests and reduce the backlog, rather than spending time responding to duplicate requests.

HMRC will also be closing telephone lines for EIS Newcastle from the 30 November until the 11 December to enable staff to undertake the essential training required to deliver this temporary solution.

What happens next

Following the completion of the initial steps taken to address the backlog, HMRC will be able to provide insolvency practitioners with a timescale for completion of cases as soon as possible and through the Dear IP newsletter.

HMRC is very grateful for insolvency practitioners' patience and is sorry for the impact the delays are having on them.

38) COVID-19 Financial Support Schemes – Reporting Misconduct

The Insolvency Service has received reports of a number of corporate insolvencies in which there appears to have been abuse of the various COVID-19 Government financial support schemes, such as:

- Bounce Back Loans
- Coronavirus Job Retention Scheme (support for employees on furlough)
- Small Business Grant Fund
- Retail, Hospitality and Leisure Grant Fund
- Local Authority Discretionary Grants Fund

It is appreciated that other support schemes are available and misconduct involving the abuse of any will be considered as part of the investigation targeting process.

The Director Conduct Reporting Service does not have any specific questions relating to COVID-19 and IT constraints prevent these from being added.

If office-holders identify any possible abuse of the COVID-19 support schemes (please see examples below) they should report this by answering yes to the question in section 12 of the conduct report: *“Have you identified any potential criminal matters; statutory or regulatory breaches that are not currently being investigated by other regulators or the police?”*.

This will ensure that the report is sifted in and office-holders will be contacted for further information. Office-holders should answer yes to the question, even if they are aware that the police or another regulator is investigating.

If office-holders are dealing with any cases where the conduct report has already been submitted and they are aware of a COVID-19 support scheme being abused which has not been identified on the Directors Conduct Report, they should report this as new information via the “Contact Us” link which can be found on every page of the application.

Examples of COVID-19 support scheme abuse already reported include the following:

- Bounce Back Loans obtained, and the proceeds removed by the directors for their personal benefit in close proximity to the company entering into formal insolvency proceedings
- Using the Coronavirus Job Retention Scheme for purposes other than paying employees on furlough, or claiming support for employees who continue to work contrary to the terms and conditions of the scheme

- Providing false information in connection with any application for a COVID-19 support scheme

Insolvency practitioners should also report any suspected fraud in relation to HMRC-administered coronavirus relief schemes (such as the Job Retention Scheme) directly to HMRC so that HMRC can consider criminality or personal liability:

www.gov.uk/government/organisations/hm-revenue-customs/contact/report-fraud-to-hmrc.

To comply with anti-money laundering requirements, where insolvency practitioners are aware, or have suspicions, of any criminal activity resulting in the entity being in possession of proceeds of crime, they should also submit a Suspicious Activity Report (SAR). Office-holders are reminded that where they intend to deal with the assets of, or make any payments from, an entity which they know or suspect includes proceeds of crime, they should also consider whether they should submit a Defence Against Money Laundering SAR to the National Crime Agency, to obtain consent to proceed with the transaction.

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