Business and Trade Select Committee
House of Commons
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Priorities of the Business and Trade Committee for 2026 - Call for Evidence
- Association of Business Recovery Professionals ("R3") Response

1. ABOUT R3

1.1. R3 is the trade association, representing 3,300 insolvency, restructuring, advisory, and turnaround professionals across the UK. We represent licensed insolvency practitioners (IPs), lawyers, turnaround and restructuring experts, students, and others in the profession. Our members work across the spectrum of the profession, with representation from 750 businesses, from global legal and accountancy firms through to smaller, high-street practices.

1.2. Our members play a broad and varied role. They advise directors of distressed businesses, helping to place them on a more secure financial footing. As administrators, they manage businesses that cannot pay their debts while a rescue deal is struck, and where rescue is not feasible, they act as liquidators, distributing funds to creditors and investigating any financial wrongdoing.

1.3. The insolvency, restructuring and turnaround profession is a vital part of the UK economy. Through the work of the profession, our members promote economic regeneration, resolve financial distress for businesses and individuals, save jobs, and create confidence and public trust which underpin trading, lending and investment. They also return hundreds of millions of pounds in tax debt to the Exchequer annually.

1.4. IPs are regulated separately from other financial services professionals. Individual IPs (not firms) are accountable to one of three Recognised Professional Bodies (RPBs), which are, in turn, overseen by the Insolvency Service, which is itself an executive agency of the Department for Business and Trade.

1.5. While other regulatory bodies, such as the Financial Conduct Authority (FCA), face significant scrutiny over their role in supporting the government's growth agenda, the insolvency sector and its attendant regulators receive little attention and are not specifically mentioned in the government's Regulatory Action Plan.

1.6. This response has been prepared by R3 in collaboration with its Policy Group and Fraud and Asset Recovery Group who wish to raise concerns regarding barriers to economic growth, drivers behind productivity challenges and how the UK can remain competitive when addressing business recovery and economic confidence. We would be delighted to discuss the points raised below in greater detail. To do so, please contact Ceara Roopchand, R3 Policy and Public Affairs Manager at Ceara.Roopchand@r3.org.uk.

2. COMMITTEE 2026 PRIORITY CONSIDERATIONS

R3 urges the Committee to consider the following as part of its 2026 priorities:

2.1. **Corporate governance and insolvency inquiry:** The Committee should use the delay to the draft Audit Reform and Corporate Governance Bill to run an inquiry into the UK's corporate governance framework, including insolvency-related regulation and provisions.

2.2. **Regulatory burden reduction:** R3 urges the Committee to press the Department for Business and Trade to accelerate its work on reducing administrative regulatory burdens and commit to collaborating with the profession to establish a cost baseline within six months.

2.3. **Financial institution cooperation barriers:** The Committee should engage with banking regulators and financial institutions to understand the barriers to banks complying with their duties to cooperate with office holders.

2.4. **Modernisation of insolvency rules:** To include modernisation of the insolvency rules within the Committee's 2026 priorities, exploring opportunities to repeal and simplify outdated reporting requirements.

3. QUESTIONS

(1) Which areas of reform—planning, infrastructure, regulation, skills—are most urgent for unlocking growth?

3.1. From the frontline experience of business recovery professionals, the area most urgently requiring reform to unlock economic growth is regulation. This area currently represents immediate, systemic, and universal drags on corporate viability and investment confidence.

3.2. R3 members work with clients operating in different industries who experience the regulatory burden in distinct ways, but a common theme is the sense of being over-planned and over-regulated. For IPs, this means managing cases where excessive policy layering and compliance checks have stifled operational flexibility, delayed decision-making, or contributed to financial distress. Whether dealing with a small enterprise or a large infrastructure firm, IPs must untangle complex regulatory frameworks that vary in impact and intensity. The immediate focus must be placed on streamlining regulation to reduce cost and complexity. These actions will provide the essential operational certainty needed for businesses to thrive, restructure effectively, and attract confident investment.

(2) What are the main drivers of the UK's productivity challenge?

3.3. The UK's productivity challenge is rooted in a culture of over-regulation, excessive procedural checks, and inefficient delivery across both the public and private sectors. Layers of bureaucracy and inconsistent enforcement have created systemic inefficiencies that waste professional time, increase costs, and constrain economic recovery.

3.4. <u>Civil service bureaucracy:</u> Over the past decade, the size of the civil service has grown substantially, accompanied by expanding layers of policy guidance, procedural checklists, and internal approvals. R3 members consistently identify this as one of the greatest drags on productivity, citing that even straightforward processes are slowed by excessive internal review and administrative burden.

3.5. The civil service and associated bodies (e.g., The Insolvency Service, Companies House) must move away from a culture of procedural layering. This inertia increases time-to-resolution, which is incompatible with the needs of a modern economy. Furthermore, operational staff need to be empowered to act decisively. Policy must shift from pre-emptive paralysis to post-event audit and review, accelerating standard case progression without compromising governance.

3.6. <u>Ineffective regulatory enforcement:</u> The value of regulation is undermined when enforcement is inconsistent or under-resourced. This failure is directly costly:

- IPs spend considerable time and effort reporting on directors' conduct, but with limited follow-up action from the under-resourced Insolvency Service. The cost of this unproductive effort ultimately falls on creditors.
- Weak or delayed enforcement diminishes the incentive for compliance, turning regulatory requirements into bureaucratic exercises rather than effective tools for promoting accountability and good governance.

3.7. <u>Banking sector inefficiency and obstruction:</u> The banking sector remains one of the most persistent obstacles to efficient business recovery. R3 members report that delays and administrative inefficiencies within banks add significant time and cost to investigations:

- Banks often take an extended period to respond to IP requests, frequently requiring multiple follow-ups.
- Basic information, such as bank statements, is often withheld, delayed, or provided in incomplete form - with little consequence for non-compliance.
- When information is eventually supplied, it is often inaccurate or misleading, increasing investigative complexity and further driving up costs to the detriment of creditors.

3.8. <u>Unnecessary IP reporting burden:</u> Statutory requirements for extensive progress and bankruptcy reports place a disproportionate administrative burden on IPs. These obligations can consume significant time and financial resources without a corresponding benefit to creditors or regulators, and can even render smaller cases financially unviable.

(3) Is the current regulatory environment helping or hindering growth and investment?

3.9. R3 members strongly feel the current regulatory environment is hindering growth and investment. The existing regulatory framework imposes disproportionate burdens, fosters inefficiencies, and fails to reflect the commercial realities of restructuring, insolvency and turnaround work. It is characterised by over-regulation, ministerial risk aversion, and institutional inertia - factors that collectively erode confidence, slow economic recovery, and deter investment.

3.10. The current regulatory environment is being severely hindered by legislative uncertainty, specifically concerning the repeated delays to the publication and enactment of the draft Audit Reform and Corporate Governance Bill. While the intent of the Bill is supported by the profession, the years long delay to crucial legislation is undermining confidence.

3.11. Ministerial risk aversion and legislative delays: Ministerial caution and aversion to act decisively on known inefficiencies represent a missed opportunity to strengthen the UK's business recovery ecosystem. When the former Minister for Insolvency gave evidence to this Committee in July 2025, he stated that establishing a regulatory cost baseline would take 18 months. Such a delay risks entrenching inefficiency at a time when businesses urgently need an environment that supports agility, investment, and recovery.

3.12. Failure to act swiftly not only perpetuates unnecessary costs and bureaucracy but also undermines investor confidence in the government's commitment to reform. Without a more proactive stance, the UK risks losing its competitive advantage as a leading jurisdiction for business restructuring and investment.

3.13. R3 urges the Committee to press the Department for Business and Trade to accelerate this work and commit to collaborating with the profession to establish a cost baseline within six months. Prioritising such a review would demonstrate policy leadership, support business recovery, and signal to investors that the UK is serious about creating an efficient and modern regulatory environment.

3.14. Furthermore, ongoing legislative delays pertaining to the draft Audit Reform and Corporate Governance Bill is delaying vital investments in stronger governance and internal controls. Given the high volume of legislation cited as the reason for the latest delay, the Committee should immediately launch an inquiry into the status of the Bill. This inquiry should be undertaken while the primary legislation remains stalled.

Such an inquiry would serve several vital purposes:

- **Re-establish urgency:** A formal inquiry would refocus attention on the systemic risks posed by weak corporate governance and poor audit quality, which led to the initial promise of reform.

- **Gather professional evidence:** It would provide a platform for the business recovery profession, creditors, and institutional investors - the parties who bear the ultimate financial cost of corporate failure - to present up-to-date evidence on how the delay is directly impeding stability and growth in the corporate landscape.

3.15. Disproportionate regulatory burdens: IPs are often required to undertake exhaustive procedures, such as detailed director conduct reports, even when enforcement action is unlikely due to under-resourced regulators. This leads to wasted professional effort and unnecessary cost, ultimately borne by creditors. This lack of proportionality in regulatory expectations undermines the efficiency of the insolvency process, discourages professional engagement with smaller or marginal cases, and weakens overall business recovery rates.

3.16. The Insolvency Service must be equipped with the authority and resources to act as a more effective regulator. It should be empowered to hold directors of failed companies accountable with sufficient vigour, ensuring that regulatory obligations are met and misconduct is deterred.

3.17. In addition, the current anti-money laundering framework for IPs, while well-intentioned, is overly prescriptive, disproportionate, and operationally burdensome. The regulatory framework imposes a heavy financial and administrative burden on insolvency practices, particularly smaller firms. For example, IPs are often forced to submit multiple, granular Defence Against Money Laundering (DAML) requests throughout the administration of an estate (e.g., one for making a payment, another for selling an asset), creating a continuous, high-volume administrative bottleneck that distracts from core recovery duties. Reform should focus on developing a practical, risk-based regime that recognises the IP's role as an investigator.

3.18. Furthermore, delays of up to six months for court hearings significantly undermine the efficiency gains made by IPs. Addressing administrative and resource constraints within the court system is essential to shortening the economic cycle of recovery and improving outcomes for creditors and the Exchequer. Establishing ring-fenced judicial capacity for insolvency matters would reduce case backlogs, accelerate asset realisation, and restore the predictability and efficiency that international investors and creditors rely on when assessing the UK as a place to do business.

3.19. To remain internationally competitive, the UK must present itself as a jurisdiction that is fast, fair, and commercially sensible. These changes are essential to strengthen the UK's brand, attract international investment, and support faster economic recovery.

3.20. <u>Rigid and inefficient procedures:</u> Current processes lack the flexibility needed for efficient case management. For example, the binary accept/reject approach to stakeholder decisions -such as on fee caps - means that even minor amendments require restarting the process from the beginning. This rigidity delays case progression, increases administrative costs, and discourages agile, commercially sensible decision-making which further undermines the timeliness and effectiveness of business rescue efforts.

3.21. <u>Banking sector non-cooperation:</u> Banks remain a major source of delay and inefficiency in insolvency proceedings. IPs routinely face long response times, repeated requests, and incorrect or incomplete information when seeking bank statements or transaction data. This non-compliance not only breaches legal obligations but also increases the cost and duration of investigations, reducing returns to creditors and eroding investor confidence in the UK's ability to deliver timely and transparent business resolutions.

3.22. The Committee should engage with banking regulators to understand the barrier to banks complying with their duties to cooperate with office holders. A proportionate penalty regime should be introduced for banks and directors who fail to provide required data within a defined timeframe. This would remove the current incentive to delay and reduce reliance on costly court applications. The revenue loss to HMRC caused by banking inefficiencies should serve as a compelling case for reform in order to align banking practices with public interest objectives.

3.23. <u>Outdated legislative inefficiencies:</u> The information recovery mechanisms provided under Section 236 of the Insolvency Act 1986 are increasingly misaligned with the realities of modern business operations and digital financial systems. Their procedural rigidity and reliance on slow, manual processes result in significant delays in obtaining critical information, particularly from financial institutions. This legislative lag has material economic consequences: it impedes timely investigations, prolongs asset recovery, and reduces returns to creditors. Over time, the inability of the insolvency framework to adapt to contemporary business practices weakens the UK's competitiveness as a place to do business and undermines investor confidence in the predictability and efficiency of its restructuring regime.

3.24. For example, the statutory 18-month deadline to obtain a Resolution for Remuneration (otherwise known as a REM) is often incompatible with complex or investigative insolvency cases, which typically extend beyond two to three years. This misalignment forces unnecessary court applications and undermines efficient case management. Current procedures require a full restart of the decision process if a proposed resolution needs modification. This rigidity increases administrative burden and costs. Reform should allow for practical amendments and negotiation within the existing procedure.

3.25. While the current regulatory framework is well-intentioned, it is misaligned with the operational and commercial realities of insolvency practice. Reform is required to embed proportionality, flexibility, and accountability to ensure that regulation supports, rather than stifles, business recovery, investment confidence, and economic growth.

(4) What impact will the Government's Regulatory Action Plan have on reducing unnecessary costs and delays for businesses?

3.26. The Government's Regulatory Action Plan holds significant promise for improving the efficiency and effectiveness of the UK's business recovery landscape. However, its success hinges on moving beyond general principles to target specific, quantifiable administrative burdens that currently undermine efficiency, depress creditor outcomes, and erode the UK's competitive position in global restructuring.

3.27. The most urgent area for reform - and a consistent source of frustration and inefficiency among R3 members - is the statutory reporting regime imposed on IPs. These reporting requirements represent a disproportionate administrative overhead, functioning in practice as a direct cost to creditors and the public purse.

3.28. <u>Cost vs. engagement:</u> The futility of detailed progress reports: The statutory requirement for lengthy, highly detailed progress reports consumes significant professional time and resources, yet achieves limited engagement or practical value:

- **Evidence of disutility:** In one recent administration, IPs invested substantial time in preparing reports, yet only 14 individuals accessed them over the course of a year.

- **Impact on creditors:** The professional time devoted to producing low-value disclosures is charged to the case estate, directly reducing the funds available for distribution to creditors.

3.29. This mismatch between regulatory effort and stakeholder benefit illustrates the inefficiency the Action Plan must prioritise if it is to deliver meaningful reform.

3.30. <u>Eliminating time-consuming formalities:</u> Several statutory reporting requirements serve little practical purpose in modern insolvency practice and act purely as regulatory drag.

- **Bankruptcy formalities:** The obligation to file detailed reports in routine personal bankruptcies consumes valuable time and resources without substantive benefit to creditors. Their removal would allow practitioners to focus on complex, high-value recoveries.

- **Annual progress reporting:** Where an annual update is retained, it should be proportionate and focused on transparency rather than procedural formality. A streamlined report should include only:
    - A concise receipts and payments account, showing funds received and distributed; and
    - An updated estimated outcome statement, giving creditors a clear understanding of potential future dividends.

3.31. The Regulatory Action Plan will only achieve its intended impact if it targets these examples of concrete inefficiencies. For the business recovery profession, streamlining reporting obligations represents the fastest and most direct route to:

- Reducing unnecessary administrative costs;
- Accelerating case progression; and
- Improving financial returns to creditors and investors.

3.32. R3 therefore urges the Committee to include modernisation of the insolvency rules within its 2026 priorities, exploring opportunities to repeal and simplify outdated reporting requirements. This reform is essential to ensure that the UK's business recovery framework remains efficient, responsive, and internationally competitive.

(5) What opportunities exist to streamline or consolidate regulators to improve efficiency?

3.33. The consolidation of the three RPBs into a single regulator was proposed as part of an earlier government consultation on insolvency practitioner regulation. This would be a logical next step for the profession and would help to simplify an overly complex system.

3.34. While our members are broadly supportive, they raised concerns that if this regulator operated from within government it would lack independence because the Insolvency Service also carries out public insolvency work through the office of the Official Receiver (OR).

3.35. If a single regulator operated from within the insolvency service, it would set insolvency legislation, regulate insolvency practitioners, and then, effectively, compete with those same insolvency practitioners for work through the OR – while not being subject to the same regulation itself. This would not be an even, or fair, playing field. Such a system would lack actual independence through the mixing of executive and quasi-judicial powers which should properly be separated. It would also suffer the same lack of perceived independence for which the current system is criticised.

3.36. Any future single regulator, whether operating from within government or otherwise, must also regulate the work of the OR – who should also be subject to the same reporting requirements and regulatory obligations as the private sector.

(6) How should the UK position itself in relation to international competition, including the US, EU and emerging economies?

3.37. The UK's strategic goal must be to position itself as the globally preferred jurisdiction for complex cross-border restructuring and insolvency. This requires combining the established robustness of our legal system (regulatory credibility) with unmatched operational speed and certainty (commercial agility).

3.38. Currently, the UK's framework is hampered by internal friction, bureaucratic inertia, and a lack of enforcement. These internal failings risk ceding ground to more streamlined competitors, notably the US Chapter 11 process, modern EU preventive frameworks, and efficient financial centres like Singapore. Reforms grounded in the practical experience of those managing business failures and recoveries are vital to safeguard the UK's position as a leading destination for restructuring and investment.