



Pre-Pack Pool Ltd

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ANNUAL REVIEW for the year ended DECEMBER 2020.

The Pre-Pack Pool (The Pool) was formed in November 2015 following recommendations in The Graham Report of 2013.

Its function up until May 2021 was to provide an independent opinion on connected party pre packs, in accordance with the recommendations of the report.

Whilst referral to the Pool remained voluntary numbers remained low and in the year to December 2020, 36 cases representing approximately 13% of those eligible were referred (2019 8%).

Numbers:

The Insolvency Services' figures released in **May 2021** showed that in 2020 there were **272** connected party pre-packs. The same report indicated that RPBs' (The Insolvency Practitioners' Regulatory Bodies) received **481** SIP16, (pre-pack) reports suggesting that approximately 56% of pre-packs were to a connected party (almost exactly the same percentage as 2019).

Of the 272, **36** were referred to The Pool, at **13%** this represented a slight increase on previous years.

Breakdown of opinions:

28 sales were given a positive opinion "not unreasonable to proceed".

6 were given a "qualified" positive "not unreasonable but with some limitations as to information provided".

2 were given a negative opinion. "case not made" (Note that The Pool cannot block such sales, merely give an opinion).

The future operation of The Pool:

In last year's review The Pools future was very unclear given the continued delay of the release of the report into future regulation of Pre-Packs by Government and the fact that the "sunset clause", which did provide for them to make changes was allowed to lapse on its expiry date in May 2020.

However, after much debate in The House of Lords, when reviewing the Corporate Insolvency and Governance Act 2020 the sunset clause was reinstated with a new expiry date of **June 2021**.

The Insolvency Service's report into the impact of The Graham Report reforms on Pre-Packs was eventually published in **October 2020** and in a significant change recommended mandatory referral of connected party pre packs to an independent "**Evaluator**". Regulations were subsequently laid before Parliament in February 2021, culminating in The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021;(The Regulations) which came into force on **30th April 2021**.

These regulations call for a "qualifying "Report by an Evaluator which must consider whether the grounds and consideration for a connected party sale "within 8 weeks of an Administration" are reasonable. (Note that this goes beyond what in the past was restricted to pre-packs and now includes *any* connected party sale within the 8-week period).

Pre-Pack Pool as an Evaluator.

The Directors consider that the Pool members, who previously provided "opinions" on connected party pre-packs, meet the qualification requirements to be Evaluators under The Regulations and thus the future of The Pool is much more secure than at the time of our last report.

The new regulations will allow for competitors to enter the market for the provision of qualifying reports but with 5 years of experience, The Pre-Pack Pool is well placed to be the leader in the sector.

D H GRUBB

S HOPEWELL

(Directors)

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