



## KROLL ADVISORY LTD. (“Kroll”)

### PROFESSIONAL FEES - SIP 9

Our mission statement is “to provide clients with an outstanding service based on technical excellence, effective problem solving and the highest level of client care”. It provides a quality, Managing Director led service and takes compliance with insolvency legislation and best practice guidance seriously.

This guide to our fees has been produced to provide creditors with information required by best practice guidance and we recommend that this is read in conjunction with the note entitled “Voluntary Arrangement: A Guide for Creditors on Insolvency Practitioner Fees”, which is attached.

At Kroll we may seek to recover fees on a time cost basis. Time is charged in 6-minute units and set out below are our hourly rates, with effect from 1 March 2023, excluding VAT:

|                                  | £         |
|----------------------------------|-----------|
| Managing Directors               | 785       |
| Managers / Directors             | 475 - 700 |
| Senior associates                | 400 - 420 |
| Project administrators/ Analysts | 180 - 320 |

As previously stated, we pride ourselves on the quality of work undertaken. With that in mind, we would invite creditors to consider the following points:

1. Kroll has to meet its own overheads and those associated with an administration of an estate, irrespective of when fees are available from a particular case. We endeavour to allocate tasks to staff with the appropriate skills and at an appropriate charge-out rate.
2. Expenses are any payments from the Arrangement which are neither a Nominee/Supervisor’s remuneration nor a distribution to a creditor or member. Expenses also include disbursements. Disbursements are payments which are first met by the Nominee/Supervisor and then reimbursed to the Nominee/Supervisor from the Arrangement.
3. Expenses are divided into those that do not need approval before they are charged to the Arrangement (Category 1) and those that do (Category 2).
4. Category 1 expenses: these are payments to persons providing the service to which the expense relates who are not an associate of the Nominee/Supervisor. Category 1 expenses can be paid without prior approval.
5. Category 2 expenses: these are payments to associates or which have an element of shared costs (eg mileage incurred by staff). Before being paid, Category 2 expenses require approval in the same manner as the Nominee/Supervisor’s remuneration, whether paid directly from the Arrangement or as a disbursement.
6. Where Managing Directors or staff are obliged to use a motor vehicle in the course of their work, their business mileage is reimbursed at a rate of 45 pence per mile which is recharged to the case and is the HMRC approved rate.
7. We do not charge for the use of internal meeting rooms, internal copying, stationery or internal storage.
8. Further information concerning any expenses is attached to the report.



## VOLUNTARY ARRANGEMENT: A GUIDE FOR CREDITORS ON INSOLVENCY PRACTITIONER FEES

### ENGLAND AND WALES

#### 1. Introduction

- 1.1 In a voluntary arrangement, as in other types of insolvency, the amount of money available for creditors is likely to be affected by the level of costs, including the remuneration of the insolvency practitioner appointed to implement the arrangement. This guide explains how fees are fixed in voluntary arrangements, how the creditors can affect the level of fees, and the information which should be made available to them regarding fees.

#### 2. The voluntary arrangement procedure

- 2.1 Voluntary arrangements are available to both companies and individual debtors. Company voluntary arrangements are often referred to as CVAs, and individual voluntary arrangements as IVAs.
- 2.2 The procedure is similar for both CVAs and IVAs and enables the company or individual to put a proposal to their creditors for a composition in satisfaction of their debts or a scheme of arrangement to settle their affairs. A composition is an agreement under which creditors agree to accept a certain sum of money in settlement of the debts due to them.
- 2.3 A CVA may be used as a stand-alone procedure or as an exit route from an administration. It may also be used where a company is in liquidation, but this is extremely rare. The proposal will be made by the directors, the administrator or the liquidator, depending on the circumstances.
- 2.4 A proposal for an IVA may be made by a debtor whether or not they are already subject to bankruptcy proceedings.
- 2.5 The voluntary arrangement procedure is extremely flexible and the form which the voluntary arrangement takes will depend on the terms of the proposal agreed by the creditors.
- 2.6 In both CVAs and IVAs the proposal must provide for an insolvency practitioner to supervise the implementation of the arrangement. Until the proposal is approved by the creditors, the practitioner is known as the nominee. If the proposal is approved, the nominee (or if the creditors choose to replace them, their replacement) becomes the supervisor.
- 2.7 In this Guide, the person acting as nominee or supervisor or the proposed supervisor is referred to as the insolvency practitioner. The information that they are required to provide may be contained within the proposal for the CVA or IVA.

#### 3. Fees, costs and charges - statutory provisions

- 3.1 The fees, costs, charges and expenses which may be incurred for the purposes of a voluntary arrangement are set out in [the Insolvency \(England and Wales\) Rules 2016](#). They are:
- Fees and expenses in relation to the nominee's services agreed with the company (or its administrator or liquidator) or the debtor (or the official receiver or the trustee where the debtor is subject to bankruptcy proceedings);
  - Any disbursements made by the nominee prior to the arrangement coming into effect;



- any fees or expenses which:
  - are sanctioned by the terms of the arrangement (see below), or
  - where they are not sanctioned by the terms of the arrangement, would be payable, or correspond to those which would be payable, in an administration, winding up or bankruptcy (as the case may be).

3.2 The rules require the following matters to be stated or otherwise dealt with in the proposal:

- The amount proposed to be paid to the nominee (as such) by way of fees and expenses, and
- How the fees and expenses of the supervisor will be determined and paid.

3.3 The rules do not specify on what basis the fees of the nominee or supervisor is to be calculated. This is for agreement between the debtor or the company and the creditors. The fees may be stated as a fixed sum, as a percentage of funds coming into the arrangement or by reference to the time costs of the nominee or supervisor and their staff.

#### **4. The role of the creditors**

4.1 It is for the creditors to decide whether to agree the terms relating to remuneration along with the other provisions of the proposal. The creditors have the power to modify any of the terms of the proposal (with the consent of the debtor in the case of an IVA), including those relating to the fixing of remuneration. The nominee should be prepared to disclose the basis of their fees, and proposals for charging the supervisor's fees to the creditors. Although there are no further statutory provisions relating to remuneration in voluntary arrangements, the terms of the proposal may provide for the establishment of a committee of creditors and may include among its functions the fixing of the supervisor's remuneration.

#### **5. What information should the creditors receive?**

##### **5.1 General principles**

5.1.1 Those responsible for approving payments to the nominee, supervisor or associates of the insolvency practitioner or their firm should be provided with sufficient information to make an informed judgement about the reasonableness of their requests.

5.1.2 The nominee/supervisor should provide an indication of the likely return to creditors when seeking approval for the basis of their remuneration.

5.1.3 Information provided by the nominee, supervisor or proposed supervisor should be presented in a manner which is transparent, consistent throughout the life of the case and useful to creditors and other interested parties, whilst being proportionate to the case.

5.1.4 Where approval for fees to be paid from arrangement funds is sought on more than one basis (e.g. as a set amount and a percentage of funds received), it should be clearly stated to which part of the insolvency practitioner's activities each basis relates.

5.1.5 Payments to an insolvency practitioner from the arrangement funds should be fair and reasonable reflections of the work necessarily and properly undertaken in respect of the insolvency practitioner's appointment. These payments should not be approved by any party with whom the insolvency practitioner has a professional or personal relationship which gives rise to a conflict of interest. Those



responsible for approving payments from the arrangement funds to an insolvency practitioner or their associates should be provided with sufficient information to enable them to make an informed judgement about the reasonableness of the insolvency practitioner's requests.

- 5.1.6 Information provided by the insolvency practitioner about payments made from arrangement funds should be presented in a manner which is transparent, consistent throughout the life of the appointment and useful to creditors and other interested parties, whilst being proportionate to the circumstances of the appointment.
- 5.1.7 A nominee/supervisor should disclose:
- a) all payments, arising from the insolvency appointment to the nominee/supervisor or their associates;
  - b) the form and nature of any professional or personal relationships between the nominee/supervisor and their associates.
- 5.1.8 The nominee/supervisor should inform creditors and other interested parties of their rights under insolvency legislation and should advise them how they may access suitable information setting out their rights within the first communication with them and in each subsequent report.
- 5.1.9 Where a nominee/supervisor sub-contracts work that could otherwise be carried out by them or their staff, this should be drawn to the attention of creditors and other interested parties with an explanation of why it is being done, what is being done, and how much it will cost.
- 5.1.10 Where the company may require additional specialist assistance that will not be provided by the supervisor, the CVA proposal must explain this, the reason why such assistance may be necessary and the costs of such assistance.

## 5.2 Key issues

- 5.2.1 The key issues of concern to those with a financial interest in the level of payments from the insolvency estate will commonly be:
- The work the nominee/supervisor anticipates will be done, and why that work is necessary;
  - The anticipated payment for that work;
  - Whether it is anticipated that the work done will provide a financial benefit to creditors, and if so what anticipated benefit (or if the work provided no direct financial benefit, but was required by statute);
  - The work actually done and why that was necessary;
  - The actual payment for the work;
  - Whether the work has provided a financial benefit to creditors, and if so what benefit (or if the work provided no direct financial benefit, but was required by statute)
- 5.2.2 When providing information about payments from the voluntary arrangement estate, the nominee/supervisor should do so in a way which clearly explains the key issues. Narrative explanations should be provided to support any numerical information supplied. Such an approach allows creditors and other interested parties to better recognise the nature of a nominee/supervisor's role and the work they intend to undertake, or have undertaken, in accordance with the key issues.



5.2.3 Where approval for a set fee or percentage basis is sought, the insolvency practitioner should explain why the basis requested is expected to produce a fair and reasonable reflection of the work that the insolvency practitioner anticipates will be undertaken. Where a set amount or a percentage basis is being used, an explanation should be provided of the direct costs included. The insolvency practitioner should not seek to separately recover sums already included in a set amount or percentage basis fee and should be transparent in presenting any information.

## **6 Expenses**

6.1 The proposal should include full disclosure of all expenses anticipated to be incurred during the arrangement (see paragraph [7.1](#)).

6.2 Expenses are any payments from the arrangement which are neither a nominee/supervisor's remuneration nor a distribution to a creditor or a member. Expenses also include disbursements. Disbursements are payments which are first met by the nominee/supervisor, and then reimbursed to the nominee/supervisor from the arrangement.

6.3 Expenses are divided into those that do not need approval before they are charged to the arrangement (category 1) and those that do (category 2).

- Category 1 expenses: These are payments to persons providing the service to which the expense relates who are not an associate of the nominee/supervisor. Category 1 expenses can be paid without prior approval.
- Category 2 expenses: These are payments to associates or which have an element of shared costs. Before being paid, category 2 expenses require approval in the same manner as a nominee/supervisor's remuneration. Category 2 expenses require approval whether paid directly from the arrangement or as a disbursement.

6.4 When seeking approval of category 2 expenses, the nominee/supervisor should explain, for each expense, the basis on which the expense is being charged to the arrangement. Any shared or allocated payments incurred by the nominee/supervisor or their firm are to be treated as category 2 expenses and approval sought before payment.

6.5 The following are not permissible as either remuneration or an expense:

- a) an expense or any other charge calculated as a percentage of remuneration;
- b) an administration fee or charge additional to a nominee/supervisor's remuneration;
- c) the recovery of any overheads other than those absorbed in the charge out rates.

## **7. Progress reports and the provision of additional information**

7.1 Following approval of the arrangement, the supervisor should ensure that full disclosure is made, in reports to creditors, of the costs of the arrangement and of any other sources of income of the supervisor, their associates, or the supervisor's firm, in relation to the case. The supervisor should specify the amount of the remuneration they have drawn, in accordance with the terms of the proposal (as approved). Any disclosure by the supervisor of payments, remuneration and expenses should be of assistance to those who have a financial interest in the level of payments in understanding what was done, why it was done and how much it costs. Reports should include a narrative update in respect of the supervisor's activity during the period being reported upon and on a cumulative basis.



7.2 If the costs of the arrangement have increased beyond previously reported estimates, this increase should be reported and an explanation of the increase provided at the next available opportunity.

7.3 The supervisor should also provide such additional information as may be required in accordance with paragraph 5.2.

7.4 Where the basis of the remuneration of the nominee or supervisor has been fixed on the basis of time spent, the nominee or supervisor is required to provide certain information about the time spent on the case, free of charge, upon request by specified persons. The persons entitled to ask for this information are –

- any creditor;
- where the arrangement relates to a company, any director or member of that company; and
- where the arrangement relates to an individual, that individual.

7.5 The information which must be provided is –

- the total number of hours spent on the case by the insolvency practitioner or staff assigned to the case;
- for each grade of staff, the average hourly rate at which they are charged out;
- the number of hours spent by each grade of staff in the relevant period.

7.6 The period for which the information must be provided is the period from appointment to the end of the most recent period of six months reckoned from the date of the nominee's or supervisor's appointment.

7.7 Where the nominee or supervisor has vacated office, information must be provided from the date of appointment to the date that they vacated office.

7.8 The information must be provided within 28 days of receipt of the request by the nominee or supervisor, and requests must be made within two years from vacation of office.

7.9 Requests for additional information about payments should be viewed upon their individual merits and treated by the nominee/supervisor in a fair and reasonable way. The provision of additional information should be proportionate to the circumstances of the appointment.

## 8. Effective date

8.1 This guide applies where the nominee in relation to the arrangement agrees to act on or after 6 April 2017, or where information is provided by the supervisor about fees, expenses or other payments on or after 6 April 2017.

8.2 ***Please note that insolvency practitioners were subject to different regulatory requirements prior to 1 April 2021. Therefore, information provided by insolvency practitioner prior to that date may vary slightly to the information required as set out in this guide.***