

NORTHPOINT PRACTICE FEE RECOVERY POLICY (revised 1 June 2019)

This note explains how we can propose alternative fee bases allowed when acting in insolvency appointments.

Legislation allows different fee bases to be used for different tasks within the same case. These bases are generally known as time costs, percentage and fixed and are explained further below.

The fee basis, or combination of fees bases, proposed for an appointment is subject to approval by a creditors committee (if appointed), by creditors (if no committee) or by the Court (if no choice).

Further information about creditor rights can be obtained at www.creditorinsolvencyguide.co.uk a website of the Association of Business Recovery Professionals (R3).

Further details about fees are available in guides issued with Statement of Insolvency Practice 9 (SIP 9). These can be accessed at www.insolvency-practitioners.org.uk or a hard copy may be requested from us.

Once the fee basis has been approved a periodic report is issued, providing updates and information regarding fees.

Under legislation, reports must disclose how creditors can seek further information or challenge fee.

Time cost basis

When using this basis we use charge out rates appropriate to the skills and experience of a member of staff and the work that they perform. This is combined with the amount of time that they work on each case, recorded in 6 minute units, with supporting narrative if helpful, to explain the work undertaken. Charge-out rates charged are reviewed from time to time and may be adjusted.

Grade	Rate/hour 1.6.19 £	Previous rate/hour 1.4.16 £
Appointment taker	450	400
Director	350	350
Manager/Senior	300	250
Cashier/Assistant	175	150

Time spent is recorded directly to the relevant case and the nature of the work undertaken is recorded at that time. The work is generally recorded under the categories: Administration and Planning, Investigations, Realisation of Assets, Creditors, Trading and Case specific matters.

When we seek time costs approval we have to set out a fee estimate. That estimate acts as a cap on our time costs so that we cannot draw fees of more than the estimate without further approval.

When seeking fee approval, we will disclose the work that we intend to undertake, the hourly rates we intend to charge for each part of the work, and the time that we think each part of the work will take. We will summarise that information in an average or "blended" rate for all of the work being carried out within the estimate. We will also say whether we anticipate needing to seek approval to exceed the estimate and, if so, the reasons that we think that may be necessary.

The disclosure that we make should include sufficient information about the insolvency appointment to enable you to understand how the proposed fee reflects the complexity (or otherwise) of the case, any responsibility of an exceptional kind falling on the office holder, the effectiveness with which the office holder has carried out their functions, and the value and nature of the property with which the office holder has to deal (disclosure applies to all fee bases).

If we subsequently need to seek authority to draw fees in excess of the estimate, we will say why we have exceeded, or are likely to exceed the estimate; any additional work undertaken, or proposed to

be undertaken; the hourly rates proposed for each part of the work; and the time that the additional work is expected to take. As with the original estimate, we will say whether we anticipate needing further approval and, if so, why we think it may be necessary to seek further approval.

Percentage

The legislation allows fees to be charged on a percentage of the value of the property with which the office holder has to deal (realisations and/or distributions). Different percentages can be used for different assets or types of assets. A report accompanying any fee request will set out the potential assets in the case, the remuneration percentage proposed for any realisations and the work covered by that remuneration, as well as the expenses that will be, or are likely to be, incurred. Expenses can be incurred without approval, but must be disclosed to help put the remuneration request into context.

The percentage approved in respect of realisations will be charged against the assets realised, and where approval is obtained on a mixture of bases, any fixed fee and time costs will then be charged against the funds remaining in the liquidation after the realisation percentage has been deducted.

If the basis of remuneration has been approved on a percentage basis then an increase in the amount of the percentage applied can only be approved by the committee or creditors (depending upon who approved the basis of remuneration) in cases where there has been a material and substantial change in the circumstances that were taken into account when fixing the original level of the percentage applied. If there has not been a material and substantial change in the circumstances then an increase can only be approved by the Court.

Fixed

The legislation allows fees to be charged at a fixed amount. Different fixed amounts can be used for different tasks. A report accompanying any fee request will set out the fixed fee that we proposed to charge and the work covered by that remuneration, as well as the expenses that will be, or are likely to be, incurred. Expenses can be incurred without approval, but must be disclosed to help put the remuneration request into context.

If the basis of remuneration has been approved on a fixed fee basis then an increase in the amount of the fixed fee can only be approved by the committee or creditors (depending upon who approved the basis of remuneration) in cases where there has been a material and substantial change in the circumstances that were taken into account when fixing the original level of the fixed fee. If there has not been a material and substantial change in the circumstances then an increase can only be approved by the Court.

Members Voluntary Liquidations and Voluntary Arrangements

The legislation discussed above does not apply to (solvent) Members' Voluntary Liquidations, Company Voluntary Arrangements or Individual Voluntary Arrangements.

Agent's Costs and Expenses

Charged at cost based upon the charge made by the Agent instructed. The term Agent includes Solicitors/Legal Advisors, Auctioneers/Valuers, Accountants, Quantity Surveyors, Estate Agents and other specialist advisors.

The office holder will provide details of expenses to be incurred, or likely to be incurred, when seeking fee approval. When reporting to the committee and creditors during the course of the insolvency appointment the actual expenses incurred will be compared with the original estimate.

Disbursements

Disbursement allocation in connection with the administration of the estate must be disclosed to creditors. Disbursements are categorised as either Category 1 or Category 2.

Category 1 - expenses directly referable to an invoice from a third party, in the name of the estate or Northpoint. In the case of the latter, the invoice makes reference to the estate. These disbursements are recoverable without prior approval either by direct payment from the estate or, where the firm has made payment on behalf of the estate, by a recharge of the amount invoiced by the third party. Examples are statutory advertising, external meeting room hire, external storage, specific bond insurance and Company search fees.

Category 2 - expenses are incurred by the firm and could be recharged to the estate; they are not attributed to the estate by a third party invoice and/or they may include a profit element. These disbursements are recoverable from the estate, subject to the basis of the disbursement charge being approved by creditors in advance. Examples are photocopying, internal room hire, internal storage and mileage.

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