

Connected Party Transactions

The disposal of assets during an insolvency process to connected parties, may give rise to concerns that assets may have been disposed of, at less than the market value, and or on more favourable terms than would be available to a third party.

It is recognised that connected party transactions may be in the best interests of creditors but requires adequate disclosure to creditors and other interested parties' as soon as reasonably practicable.

Transparency in all dealings with connected parties, is paramount. It is equally important that the Insolvency Practitioner acts and is seen to be acting in the interests of the creditors as a whole and is able to demonstrate this.

To do this, new guidance for Insolvency Practitioners has been produced in the form of a revised Statement of Insolvency Practice 'SIP' that becomes effective on 1st December 2016.

The new SIP 13 has been developed by a working party of the Joint Insolvency Committee, comprising insolvency practitioners and creditor representatives, and was subject to public consultation earlier this year.

The new SIP 13 will apply to connected party transactions in corporate and personal insolvency cases, however it will not apply in members' voluntary liquidations.

It will require a formal valuation of any or all of the assets as necessary. Valuations should be undertaken by an appropriate independent valuer, who holds adequate professional indemnity. Details of the valuer used should be disclosed to creditors.

A detailed record of the reasoning behind both the decision to make a sale to a connected party and all alternatives considered should be disclosed for such transactions.

Please note that should your clients require any confidential advice regarding any insolvency matter they are welcome to contact Ian, John or Robert. An initial consultation is provided free of charge and without obligation. Also, if you or any of your colleagues require any clarification regarding insolvency law or procedure, please do not hesitate to contact us.