

**Scottish Parliament
Social Justice and Social Security Committee
Low Income and Debt Enquiry
Submission by Alan McIntosh
Date received: 26 May 2022**

Dear Sir or Madam

Further to your Committee taking evidence from the Accountant in Bankruptcy, I would like to raise some points with regards the evidence that was submitted.

- 1) The Accountant in Bankruptcy gave evidence to the Committee to say that the average costs of administering a Full Administration Bankruptcy for his service was £1,500. I would like to reference your Committee Members to the Accountant in Bankruptcy's Annual Report for 2020-21, which on Page 13 show the unit costs of a sequestration as being £653 with the target for that year being £484.
- 2) Also, in response to a question from MSP, Pam Duncan-Glancy, who asked how much fees the AIB received from Bankruptcy applications, the Accountant in Bankruptcy suggested this would be a couple of hundred thousand for Minimum Asset Bankruptcies.

In 2020/21, using the AIB's own statistics, there were 1,694 Minimum Asset Bankruptcies. As the AIB said in his evidence, only 19% paid a fee. As the fee is only £50, I would suggest the fees generated would be no more than £16,903. For Full Administration Bankruptcies (of which there were 1,815. If only 19% of those paid a fee, which is £150, only £51,728 would have been generated. In total, fees generated from bankruptcy applications in 2020/21 would have been £67,821. The cost of waiving fees for all debtor applications would be no more than that.

- 3) The Accountant in Bankruptcy suggested that with Bank Arrestments, what was important is we help those that can't pay, not those that won't pay. I disagree agree with the way this issue is being framed by the AIB. The issue relating to increasing the Protected Minimum Balance is about ensuring everyone has a reasonable amount left in their account each month. The figure proposed of £1,000 is not an arbitrary figure, but the amount the AIB allows someone to keep in their bank account when they are made bankrupt, so they have enough to live on.

Increasing the Protected Minimum Balance does not protect those that Won't Pay, as if they have more than £1,000 in their account, this will be arrested. What is being proposed is a balanced and proportionate measure.

- 4) In relation to Earning Arrestments, the AIB suggested that if these could be varied, this would place a significant burden on employers who administer

them, as they may have to make regular changes. I fundamentally disagree with this. Earning Arrestments are based on a percentage of earnings over the Protected Minimum Balance, so as employee's income varies the level of arrestment can vary on a weekly or monthly basis. I don't see how therefore, allowing an employee and their creditors to agree either a lower fixed amount (which won't vary) or lower percentage would place a significant burden on employers.

Also, I would draw the Committee's attention to the fact that Direct Earning Arrestments used by the Department of Works and Pensions work exactly like this and employers legal comply with those.

Yours sincerely, Alan McIntosh