



REVIEW OF PENSIONS INSTITUTIONS

Comments by the Association of Business Recovery Professionals ('R3') in response to the consultation paper issued by the Department of Work and Pensions in March 2007

The Association of Business Recovery Professionals ('R3') represents insolvency practitioners authorised by all the professional bodies which are recognised under statute to regulate insolvency practitioners in the UK. Over 90% of authorised insolvency practitioners are members of R3. Our members are active in the field of corporate rescue and turnaround, as well as in formal insolvencies.

Our members have experience of dealing with both the Pensions Regulator and the Pension Protection Fund. Dealings with the Regulator occur mainly when advising or acting in corporate rescues and restructurings. PPF involvement occurs where there is an eligible scheme in formal insolvency proceedings.

The experience of our members in dealing with both organisations has been favourable. Both appear to be fulfilling their functions in a capable, pragmatic and constructive manner. We are not aware of any operational problems which would suggest a pressing need for a merger of the two organisations.

The one issue which does seem to us to be worth commenting on is the possibility of conflict of interest if the two bodies were merged into one. It is easy to imagine that a situation could arise in which the view taken by the regulatory arm when considering what might be in the best long-term interests of the members of an underfunded scheme could be different from that of the arm with responsibility for paying out compensation. The former might take a longer term view, which could result in a greater call on the compensation fund in the event of failure at a later date. The possibility of conflict is acknowledged in the memorandum submitted by the Regulator, only to be dismissed somewhat summarily without much in the way of discussion.

We agree with the view expressed in the consultation paper that this an important issue that requires close examination, but in view of the short period of time during which both bodies have been operating, there may be limited empirical data on which to base any meaningful study.

We would just add that the very short time-scale of under a month for responding to the consultation is really inadequate to allow a proper examination of the important points raised.

Association of Business Recovery Professionals
29 March 2007