



Are pre-packs unfairly prejudicing landlords? Have your say

Summary and implications

The Government has announced that it will shortly begin a consultation on important new measures designed to boost confidence in the 'pre-pack' administration procedure. You can have your say in this process.

The Government may consider:

- Making compliance with SIP 16 mandatory.
- Preventing anyone advising on the pre-pack from becoming the administrator of the insolvent company.
- Requiring creditors or the court to sanction pre-packs which involve connected parties.

The effect of a pre-pack on the landlord

A pre-pack may lead to a recovery for higher ranking creditors. However, for landlords it often results in an unsecured claim for arrears of rent and ongoing rent against an empty shell company and, frequently, the problem of unlawful occupation.

Why SIP 16 matters

When dealing with a pre-pack, insolvency practitioners should follow the guidance contained in the Statement of Insolvency Practice 16 (known as SIP 16).

SIP 16 aims to ensure that insolvency practitioners maintain high standards of behaviour when dealing with a pre-pack sale. Specifically, IPs should provide enough information to creditors to justify using the pre-pack procedure and reassure creditors that their interests have been taken into account. Currently, compliance with SIP 16 is not mandatory, although IPs may face disciplinary action if they do not follow its guidelines.

Why the Government consultation?

A review by the Insolvency Service last year highlighted a disregard of SIP 16 in some cases. This has prompted the Government to consult on

Ask a question

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What is a pre-pack?

A pre-packaged, or 'pre-pack' sale is an agreement to sell an insolvent company's business on terms which are negotiated, usually between the existing management and the prospective administrator, before the administrator is appointed. The sale of the business completes immediately (or shortly after) the appointment of the administrator.

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whether SIP 16 is achieving its purpose and whether it provides a sufficiently robust framework for IPs who are involved in pre-pack sales.

How to have your say

Details of the consultation are on the Insolvency Service website, [click here](#).

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