

# ***Joint Insolvency Examination 2025***

**12 NOVEMBER 2025**

**3.5 HOURS**

## **PERSONAL INSOLVENCY**

This exam consists of **four** questions (100 marks).

### **Marks breakdown**

Question 1	20 marks
Question 2	20 marks
Question 3	20 marks
Question 4	40 marks

**References to legislation are to that which was in force on 30 April 2025. References to ‘the Act’ are to the Insolvency Act 1986 as amended.**

**References to Sections, Schedules and Rules are to Sections and Schedules of the Act and to Rules of the Insolvency (England and Wales) Rules 2016.**

**References to Sections and Rules of other Acts, Regulations and Orders will mention the Act, Regulation or Order.**

### **Important Information**

Please read this information carefully before you begin your exam.

#### **Starting the exam**

Click on the **right-hand arrow** in the header to begin the exam. The exam timer will begin to count down.

#### **Preparing your answers**

Answer all questions.

Respond directly to the exam question requirements. Do not include any content of a personal nature, such as your name.

#### **Copying over answers for marking**

Only your answer in the answer area will be marked. You **MUST** copy over any data for marking from the spreadsheet area to the answer area.

#### **Issues during the exam**

If you encounter any issues during the exam you should tell the invigilator (centre) as they may be able to resolve the issue at the time. The invigilator cannot advise you on how to use the software.

#### **Ending the exam**

When the exam timer reaches zero, the exam will end. To end the exam earlier, go to the last question and click the right-hand arrow button, then click the **Submit** button to close the exam.

## Question 1

You are an Authorised Insolvency Practitioner and the Trustee in Bankruptcy of Mr Danny Durres. Mr Durres was made bankrupt on 8 April 2025 on a creditor's petition and you were appointed on 12 May 2025.

Mr Durres's mother has indicated to you that she might be prepared to discharge the bankruptcy debts and expenses in order that Mr Durres can obtain an annulment of the bankruptcy order. The maximum amount that she can raise is £200,000.

To date, 5 creditors have each filed a proof of debt in the bankruptcy, as follows:

1. **Bank guarantee.** A proof has been received for £50,000 being the amount due under a personal guarantee provided by Mr Durres on 2 May 2022 in respect of a loan made by a bank to a limited company of which Mr Durres was a director. The limited company entered into Creditors' Voluntary Liquidation on 5 November 2024.
2. **Landlord.** A claim under a number of headings has been received from the landlord of commercial premises which Mr Durres leased in his sole name. Rent of £6,000 per annum was payable in equal instalments on the usual quarter days. The landlord has claimed £3,000 in respect of rent arrears for the December 2024 and March 2025 quarters, future rent of £24,000 in respect of rent from the June 2025 quarter day to the end of the lease term and £750 in respect of dilapidations. You disclaimed your interest in the lease on 27 May 2025.
3. **Spread betting contract.** A claim has been received in respect of a spread betting contract entered into by Mr Durres. A total of £53,750 has been claimed by the creditor who has provided a copy of the spread betting contract and a statement of trades which confirms an overall loss of £53,750.
4. **Matrimonial.** Mr Durres's former wife has filed a proof of debt for £30,000 in respect of a lump sum order made in matrimonial proceedings. A copy of the order dated 2 March 2018 pursuant to which Mr Durres was obliged to make the lump sum payment has been provided.
5. **Council tax.** The local Council has filed a proof of debt for £3,700 in respect of arrears of council tax to March 2025 and council tax due in respect of the year from April 2025 to March 2026. The council tax relates to a residential property owned and occupied by Mr Durres. A statement of account has been supplied in support of the Council's claim.

## Requirements

- (a) **For the two proofs of debt relating to the bank guarantee and the landlord, set out the steps that you would take in order to be in a position to adjudicate on these proofs. In each case explain what further information or documentation you would require in order to complete your adjudication.**  
(6 marks)
- (b) **Explain, giving reasons, whether or not you would admit the proofs of debt received from the spread betting company, Mr Durres's former wife and the Council.**  
(5 marks)

Following the claims adjudication process, you have admitted creditor claims totalling £151,000.

### **Requirements**

- (c) Giving your reasons, explain whether the sum of £200,000 is likely to be sufficient to enable Mr Durres to seek an annulment of the bankruptcy order pursuant to section 282(1)(b) of the Act. Clearly state any assumptions that you make. (6 marks)**
- (d) Assuming that, with his mother's financial assistance, Mr Durres decides to seek the annulment of the bankruptcy order, what steps should you take as Trustee? (3 marks)**

**Total: (20 marks)**

## **Question 2**

You are an Authorised Insolvency Practitioner and a partner in Skopje & Co Personal Insolvency. You are the Joint Supervisor of around 6,000 individual voluntary arrangements (“IVA”) and Joint Nominee of a further 120 prospective IVAs.

Skopje & Co Personal Insolvency is considering instigating an advertising and marketing campaign, either directly or through a third party, in order to expand its practice and to increase the number of IVA cases that it handles.

### **Requirements**

- (a) Identify the particular risk factors faced by an Authorised Insolvency Practitioner who is an office holder on a high number of IVA cases. Explain how each of the risk factors might be mitigated.**  
(14 marks)
- (b) Explain the issues which an Authorised Insolvency Practitioner should consider prior to his firm instigating an advertising and marketing campaign.**  
(6 marks)

**Total: (20 marks)**

### Question 3

You are a manager at Orhid LLP and are responsible for managing the firm's personal insolvency cases. Staff working for you have drawn your attention to developments in three bankruptcy cases.

#### David Tirana

Your colleague was appointed as the Trustee in Bankruptcy of Mr Tirana on 1 October 2025. Your initial enquiries have established that Mr Tirana is in low-paid part time employment, lives in rented accommodation and is the registered keeper and owner of a 2024 Lotus Emira motor vehicle worth approximately £80,000. Immediate steps were taken to secure the vehicle which is now stored by your agent in a secure compound.

Shortly after the vehicle was uplifted by the agent, you received a call from a Mr Bryn Berat. Mr Berat explained that Mr Tirana needs the vehicle to be returned as soon as possible and asked that you let him know how much it would cost to get it released to Mr Tirana. Mr Berat said that his preference was for you to email him with details of the amount required to be paid and the account to which the funds should be transferred, and he would arrange payment. As Mr Berat is not a UK national, he said that payment would come from his wife's bank account in Monaco. Alternatively, Mr Berat suggested that he could arrange for cash to be brought to your office. You took Mr Berat's contact details and said that you would revert to him as soon as possible.

Following Mr Berat's call, a quick online search indicated that in 2020 a Bryn Berat was convicted of various offences in connection with the supply of illegal drugs.

#### Requirement

- (a) **Set out your proposed course of action in relation to Mr Berat's suggestions and the motor vehicle.**

**(9 marks)**

#### Chris Kichevo

Your colleague was appointed as the Trustee in Bankruptcy of Mr Kichevo on 10 November 2025. The bankruptcy order was made on 29 December 2022 on a petition presented to the Court on 16 November 2022. The case remained with the Official Receiver's office following the making of the bankruptcy order. A review of the handover papers indicates that Mr Kichevo is the joint registered proprietor of a freehold property. The joint owner is Mr Kichevo's former wife who has resided at the property since it was purchased. On 18 November 2022 a property adjustment order was made in matrimonial proceedings pursuant to which Mr Kichevo was required to transfer the property into his former wife's sole name.

#### Requirement

- (b) **Set out the actions that should be taken by you in relation to the property.**

**(8 marks)**

## **Jess Elbasan**

Your colleague is the Trustee in Bankruptcy of Miss Elbasan whose disclosed income and expenditure showed that she had surplus income over and above that required for her reasonable domestic needs. As agreement could not be reached regarding the terms of an Income Payments Agreement, an application was made to Court for an Income Payments Order ("IPO") pursuant to Section 310 of the Act. An IPO was made last month which requires Miss Elbasan's employer to deduct £500 a month from her salary and to pay it directly to her Trustee in Bankruptcy. Miss Elbasan has emailed you to make a formal complaint that the Trustee has taken her money. She has stated that unless the money is returned to her in the next 7 days, she will be reporting the Trustee to his regulatory body.

### **Requirement**

- (c) **Set out the action that should be taken by you following receipt of Miss Elbasan's complaint.**

**(3 marks)**

**Total: (20 marks)**

## Question 4

You are an Authorised Insolvency Practitioner.

Raymond Morris, who is a Tax adviser in your firm, has sought your help on the position of his new client Roddy Smiles. Mr Smiles was a professional sports player who has recently retired from competition and returned to Nottinghamshire to live and coach.

Mr Morris has spent some time with Mr Smiles in order to try and put his tax affairs in order and has established that, up to and including the tax year ended 5 April 2025, Mr Smiles has accumulated unpaid personal tax of £80,469 including interest and penalties, largely because of his failure to account for tax from income in periods when he spent a lot of time abroad.

Over the last few years, Mr Smiles has built up a portfolio of rental properties in an upcoming area close to the city centre, popular with students and young professionals. He manages these personally alongside his coaching role.

The properties are:-

	Estimated value	Amount outstanding under secured loan	Interest rate on secured loan	Original purchase price	Monthly rental receivable
	£	£	% rate	£	£
6 Wells Crescent	165,000	100,000	4.75	100,000	1,100
27 Wells Crescent	160,000	120,000	5.25	100,000	1,100
52 Wells Crescent	250,000	180,000	5.50	240,000	1,700
1 Fountain Place	220,000	154,000	5.25	120,000	1,400
14 Fountain Place	210,000	158,000	4.75	140,000	1,300
5 Spring Road	155,000	180,000	5.50	235,000	1,650

The estimated values are based on an inspection of the portfolio carried out by an RICS surveyor in September 2025. The surveyor has advised that his valuations are based on the properties being sold to individual buyers with vacant possession. Selling as a portfolio with tenants in situ would be likely to reduce the values obtained by 10%.

You have also learnt the following:

### 5 Spring Road

- Since Mr Smiles purchased the property at 5 Spring Road, it has been established that old mine workings beneath several properties in Spring Road are causing subsidence. Proposals are being drawn up to stabilise all the affected properties but no costings

have been received. In the meantime, the surveyor has provided his best estimate of the property's valuation.

## **Mortgagees**

- The properties were all purchased with the assistance of “buy to let” interest only mortgages. The advances on the three properties in Wells Crescent were made by the same mortgage lender whilst the other three properties are each mortgaged to different mortgage lenders.

## **Tenants and tenancies**

- All the properties currently have tenants in them except for 6 Wells Crescent which is empty. New tenants are expected to move into that property on 2 January 2026. Tenants are all on private residential tenancies and pay a deposit of one month's rent. Rent is received on the 30<sup>th</sup> day of every month.
- Mr Smiles has been advised by the tenants at 1 Fountain Place that they intend to give up their tenancy on 31 March 2026. Mr Smiles plans to spend around £4,000 at this property improving the insulation and windows in the utility room to make this a more useable space before selling the property. He estimates that a sale could be achieved by the end of July 2026.

## **Service charges, utilities and maintenance**

- All properties are located on the same development and each attracts an annual service charge of £1,000 payable to the developer. This is paid quarterly by Mr Smiles on the usual quarter days.
- The individual tenants are responsible for paying their own council tax and utilities. A monthly buildings insurance cost of £500 is paid by Mr Smiles which covers all of the properties.
- Mr Smiles estimates that, on average, he spends around £500 per annum on each property in general maintenance and upgrading. He thinks that, because he does the maintenance himself, his maintenance costs are half of what they would be if an outside agent/contractor were to be used.

## **Other matters**

- Mr Smiles is confident that his living expenses can be met from his coaching income. His priority is to retain a property portfolio which he sees as his “pension pot” and which he would like to grow, if possible, in the future. Mr Smiles would like to make a payment proposal to HMRC based on paying the monthly surplus income from the rental properties to them, together with the proceeds of the sale of 1 Fountain Place.
- Mr Smiles currently has £10,200 in his current account with ABC Bank.



## Requirements

- (a) **Prepare a monthly cash flow for the 12 month period ending 31 October 2026 demonstrating the surplus funds available to facilitate a repayment to HMRC. Show your workings and clearly state any assumptions that you make.** (13 marks)
- (b) **Prepare an email to Mr Morris giving your observations on the cashflow and outlining a proposal which could be made to HMRC.** (7 marks)

Three weeks after sending your email to Mr Morris, he calls you to advise that he has been made aware that HMRC have served a statutory demand on Mr Smiles. HMRC are reluctant to accept the payment proposal made and it seems likely that they intend to proceed with the presentation of a bankruptcy petition.

Mr Morris advised you that, in addition to his debt with HMRC, Mr Smiles has three credit card debts outstanding with a combined balance of approximately £20,000.

Mr Smiles has also belatedly advised that the most recent mortgage deals he has are for 14 Fountain Place and 6 Wells Crescent. He believes that there would be a penalty of 4% if these mortgages were to be redeemed before 30 June 2026.

Mr Morris is due to speak with Mr Smiles and HMRC tomorrow. You agree to help him prepare for these calls.

## Requirement

- (c) **Prepare an estimated outcome statement which assumes that Mr Smiles is made bankrupt. Compare the estimated returns to creditors if the Trustee immediately markets the properties for sale or if time is allowed following the Trustee's appointment to secure vacant possession of the properties. Clearly state any assumptions that you make and comment on the factors which should be considered when determining the sales strategy for the properties.** (20 marks)

**Total: (40 marks)**