

Statement of principles for insolvency work and memorandum of understanding for introducers

It is intended that certain firms and/or individuals (“the introducer”) will introduce to RJC Financial Management (“RJCFM”) clients who are in need of financial assistance. It is envisaged that where RJCFM earns a fee from these introductions the introducer would be entitled to receive a fee for the introduction.

The purpose of this statement is to set out the terms under which the introductions will be made, the way that the work will be undertaken and the terms on which the payment will be made.

Introductions

Introductions to RJCFM shall be in the form of individuals or companies who are in need of advice on their financial situation with a view to determining whether an insolvency or compromise procedure is appropriate to enable them to resolve the financial problem.

It may be necessary for introducers to assist in the preparation of initial fact find information which will be prepared in standard format. The purpose of this exercise is to provide a summary of the key information needed to enable an initial view on the appropriate advice. There may be additional information required which can be obtained during subsequent meetings or in communications with clients.

Introducers will not entice individuals and / or companies into any particular procedure. Although suggestions of the most appropriate solution can be made these will not be binding upon RJCFM.

In the event of a conflict between a potential client being introduced to RJCFM and that same client making direct contact with RJCFM, the question of whether the client is an introduction will be determined by the timing of when RJCFM was made aware of the client and by whom.

Basis of advice

The principles under which RJCFM operate are that best advice will be given to clients without regard to the potential fee income that may be earned from alternative solutions.

It is the firm opinion of RJCFM that each solution is tailored to the client’s particular circumstances and there is not a one solution fits all attitude. All advice to clients will be given by RJCFM and RJCFM will not be held responsible for any suggestions or advice given by the introducer.

Types of appointment and level of introducers fees

There could be a number of alternative solutions available for clients including for Individuals: Refinancing, Debt Management Plan, IVA or Bankruptcy and for Companies: Refinancing, Restructuring, CVA, Administration or Liquidation.

In respect of formal insolvency appointments as defined by the Insolvency Act 1986, introduction fees will be payable at a rate of 25% of the pre-appointment fee net of VAT. For the avoidance of doubt this incorporates the Nominee's fee in an IVA and CVA, the pre-administration fee in respect of administrations and the fee for assisting the director to place the company into liquidation, prior to the liquidator's appointment, in respect of a liquidation. No fee is payable in the event that an individual should pursue bankruptcy.

In respect of a Debt Management Plan, the introduction fee will be payable on the basis of 25% of all fees earned during the course of the Plan.

All introducer's fees no matter what type of advice given will be limited to £1,000 per introduction, excluding VAT.

Additional fees or alternative incentives are available for introducers who refer larger quantities of clients to RJCFM. These additional awards are at the discretion of RJCFM.

Any fee payable to the introducer will be payable as an expense of RJCFM and will not be recharged to the client. No fee will be charged to the client by RJCFM other than the standard charges payable for the individual advice that will be given.

It is not the normal practice of RJCFM to charge individual clients an upfront fee for the proposal of an IVA. However, RJCFM reserves the right to charge an upfront fee for acting as Nominee in the event that there may be questions on whether the IVA will be approved or in more complicated cases where there may be pressure on fees from creditors.

For the avoidance of doubt RJCFM do not charge for an initial meeting or initial communication with clients.

All fees will be payable to the introducer as and when fees are received by RJCFM. In the event that RJCFM do not receive a fee, the introducer will also not be entitled to the corresponding introduction fee.

Promotional activity

The introducer is entitled to advertise their own services. However, all promotional material should refrain from the use of references to RJCFM without express written permission from RJCFM. Any permission is likely to be in respect of advertising exclusive to the matter of debt advice and all adverts must comply with professional guidelines of RJCFM's regulatory body.

RJCFM will continue to advertise for debt advice work in the ordinary course of business.

Exclusivity

RJCFM will continue to approach potential introducers. No attempts will be made by RJCFM to entice sub-introducers of existing introducers to become directly authorised. If RJCFM is made aware of the identity of such sub-introducers, no further attempts will be made to arrange for them to become directly authorised.

Examples

As a basis of the type of advice given and to be used an indication only:

An IVA is designed for individuals who wish to protect something that would otherwise be impacted by bankruptcy. This could be the prevention of a sale of an asset, like a property, the ability to do work or to avoid the stigma of bankruptcy.

A Debt Management Plan is generally only suitable for people with a lower level of debt, traditionally less than £15,000, where the costs of doing a formal IVA would be prohibitive.

An indication of the possible fees that can be earned on each type of appointment are as follows:

IVA - £500

Debt Management Plan - £500 (based on contributions of £200 per month for 5 years)

Creditor's Voluntary Liquidation - £875

CVA - £1,000

Administration - £1,000