Summary

The compensation of bankruptcy trustees in insolvent estates

A legal, empirical, and comparative study of the challenges in the compensation of trustees and the advantages and disadvantages of potential solutions

mr. dr. J.M.W. Pool
prof. mr. R.D. Vriesendorp
dr. P. van der Zwan
prof. mr. H. Koster
W. Elsenburg
W. Ourak

Universiteit Leiden

seo • economisch onderzoek

Summary

This report presents the findings of research that was jointly conducted by Leiden University and SEO Amsterdam Economics. It examines the challenges surrounding the financing of bankruptcy trustees in the Netherlands and explores potential solutions. The research was commissioned by the WODC at the request of the Dutch Ministry of Justice and Security.

I. Introduction

The research addresses a persistent issue faced by bankruptcy trustees: administering bankruptcies where insufficient resources are available to adequately compensate their work. Such cases result in 'empty' estates, i.e. a debtor entirely or partially devoid of assets. In these empty estates, trustees are still legally required to perform specific standard tasks, placing the financial burden of these bankruptcies on themselves or their law firms. Additionally, due to limited resources, trustees are often unable to investigate these issues thoroughly, increasing the likelihood that fraudsters escape sanctions. Not only does this funding issue force trustees to undertake unpaid work, it also causes damages as a result of unaddressed cases of fraud and perpetrators who are not held accountable.

Although this problem has existed for some decades and has been the subject of numerous publications and consultations involving various stakeholders – including trustees, lawyers, judges, financiers, the Tax Authorities, the Public Prosecutor and the Dutch government – a structural and satisfactory solution has still not been found. The situation worsened following the introduction of the Act Strengthening the Position of Bankruptcy Trustees in 2017, which legally required trustees to investigate irregularities in all bankruptcies, even if this did not yield any proceeds for the bankrupt estate. However, the precise scale and impact of the financing issue remain unclear. In response, the Ministry of Justice and Security commissioned the WODC to investigate this matter by formulating a two-part research request. On the one hand, the ministry wanted to gain clarity about the scope of the challenges faced by trustees administering empty estates (sub-study I). This part uses quantitative (chapter 2) and qualitative (chapter 3) analyses to identify the extent of the financing issue (chapter 4). On the other hand, the ministry also wanted to learn what solutions could eliminate these problems as much as possible (sub-study II). Given the previous proposals made over time, this section examines both the solutions proposed within the Netherlands (chapter 5) and the approaches adopted in the legal systems of 18 other countries (chapter 6). It also incorporates insights from focus group discussions involving professionals from various perspectives, including legal practice, the judiciary, the business community, financiers, and public stakeholders (chapter 7). Chapter 8 provides a comparative overview of the advantages and disadvantages of the various financing options.

The study concludes (chapter 9) by identifying the most promising solutions and the policy-related questions these options raise, requiring deliberation by lawmakers and policymakers. These questions are pivotal for deciding on a feasible and sustainable approach to resolving the empty estate issue and addressing the associated financing issues for trustees. The insights from this research can provide guidance to law- and policymakers in their search for a final solution to the challenges faced by bankruptcy trustees when administering empty estates.

II. Sub-study I

Sub-study I aims to provide clarity on the scope of the problem with financing that trustees face in empty estates on the basis of quantitative and qualitative analyses.

2. Quantitative analysis of terminated bankruptcies from July 2020 to March 2024

Chapter 2 deals with the quantitative analysis of sub-study I. This analysis is based on data that the judiciary registers in the electronic system KEI Toezicht (KEI Supervision) of IVO Rechtspraak (the judiciary's IT services provider) on, among other things, all terminated bankruptcies for which a digital final financial report was drawn up. The study covers the period from July 2020 to March 2024.

The dataset used for the study has several limitations when it comes to how representative it is. The number of bankruptcies in the dataset is less than the total number of terminated bankruptcies during the period studied. This can partly be explained by the fact that we only received final reports for companies and not for individuals. However, the main reason for the selectivity of our dataset is that the financial final reports of a limited number of terminated bankruptcies have been digitised in KEI Supervision, and we only received data for bankruptcies completed via a digital final financial report in KEI Supervision. Final reports submitted in other ways, such as on paper or as scanned PDF files, were not converted into numerical data in Excel format and could therefore not be used for our analysis. Across the entire dataset, the coverage rate is 47%. The coverage rate is lowest for bankruptcies with either a short duration (at most one year) or a long duration (at least five years). In other words, bankruptcies of very short and very long duration are relatively underrepresented in our sample. For this reason, we applied a weighting adjustment based on the relative frequency of durations in our dataset compared to their actual frequency. In other words, since very short and very long bankruptcies are less common in our dataset, though we know more of them exist, we adjusted the analysis to ensure those bankruptcies are properly represented in our dataset. This approach led to an approximate representativeness and the results we discuss are based on the weighted figures.

The dataset demonstrates that there is a significant problem when it comes to financing the work of trustees dealing with bankruptcies. The data shows that in approximately a quarter of the bankruptcies (within a bandwidth of 21-27% due to the

reweighting) the trustee's salary remains (partly) unpaid. If the trustee suspects fraud, there is even a greater chance that the salary is (partly) unpaid.

If the trustee is not paid in full, the median of the unpaid part of the salary is €7,561 per bankruptcy (95% confidence interval of €6,930-€8,191). Relatively speaking, 61% of the salary in these bankruptcies remains unpaid (median, 95% confidence interval 54-68%). In a substantial number of cases, less than 20 hours can be paid (namely 46% of the bankruptcies with an unpaid part of the salary and 8% of the total group of bankruptcies in which at least 20 hours were written).

The median hourly rate (paid salary divided by the number of hours) of trustees and their employee(s) in our dataset is €279 per hour (median, 95% confidence interval of €272-€286 per hour). For bankruptcies in which the salary (or part of it) remains unpaid, the median is €168 per hour; for bankruptcies in which the salary is paid in full, the median is €305 per hour.

The total amount of unpaid salaries in the period under investigation for bankruptcies of companies amounts to almost €30 million, approximately €8 million each year.

3. Qualitative analysis of the perspective of curators

The qualitative analysis of sub-study I in chapter 3 is based on ten semi-structured interviews with twelve trustees. These trustees were selected to represent variation in age, gender, district, the size of the firm, and level of experience. The interviews first discussed the time spent by trustees in bankruptcies they have administered. The results show that the time spent is highly variable and depends on a number of factors in each bankruptcy case. These include the nature and scope of the company's ongoing activities post-bankruptcy, communication with the debtor (board and other involved parties), the perceived complexity of the case, the size of the estate, the potential proceeds relative to the interests of creditors, and adherence to internal (firm) and external (court) guidelines.

Besides time management by the trustee, the interviews explored the division of tasks within the trustee's firm, outsourcing activities to third parties, the extent and causes of the financing issues, the consequences of these problems, and possible solutions. The trustees emphasised that when outsourcing tasks — either internally within their own firm or externally — they prioritise on the basis of efficiency: which person/party is able to provide its services with the best outcome. However, one significant limitation is that the estate's financial constraints often prevent outsourcing, even when it would be more cost-efficient and effective compared to the trustee performing those tasks personally.

The interviews also dealt with the size and impact of the problem with financing as experienced by trustees. All trustees who were interviewed reported challenging financing issues to varying degrees. The study highlights how these challenges influence trustees' behaviour and their approach to bankruptcies. Trustees strive to perform essential standard activities in every bankruptcy case, even when the estate lacks the resources to compensate them. Such activities typically include preparing an

inventory of assets and liabilities and maintaining communication with directors and staff. However, this means they frequently perform these tasks without payment. In cases of insufficient resources, trustees are compelled to limit their activities, which often affects tasks related to investigating irregularities or fraud. This limitation creates opportunities for fraudsters to escape accountability for bankruptcy fraud.

Nevertheless, it seems that the bankruptcy profession as a whole remains feasible for the trustees interviewed, because some firms can partly compensate unpaid hours in 'empty estate' bankruptcies through income generated from bankruptcy cases where there are sufficient assets. As shown in the quantitative analysis in Chapter 2, this cross-financing works only for law firms where the commercial hourly rate is below the official rate set by the courts. Additional factors that mitigate the impact of unpaid hours include the learning opportunities empty estates provide for junior trustees (associates), the value of experience gained from handling bankruptcies for other practice groups within the firm (such as litigation or mergers and acquisitions), and the use of salaried (bankruptcy) employees and associates who must be paid regardless. In these cases, the number of unpaid hours for individual trustees can be limited, or the proceeds from bankruptcies that have sufficient assets are profitable enough to earn a decent income. This does not imply that trustees allocate the hours they are not compensated for in cases with an empty estate to those with a more substantial estate. Rather, the point is that bankruptcies with an empty estate can only be resolved because they are balanced out by bankruptcies with a more substantial estate.

Still, the trustees remain concerned about the long-term viability of their bankruptcy practice. They are forced to accept unpaid work in order to continue to be appointed as bankruptcy trustees by the court. Nonetheless, there is a shared perception among trustees that, unfortunately, tackling this financing issue is not a priority for policymakers or the legislature.

4. Conclusion of sub-study I: Extent of the financing issue; preconditions for a solution

Based on the quantitative and qualitative analyses, chapter 4 outlines three key conditions that any proposed solution must meet to properly address the identified financing issue effectively.

The first condition is ensuring adequate financing for empty estates. The study shows that trustees are not always paid for the work they perform, or are expected to perform, in bankruptcy cases. This lack of resources requires trustees to make difficult decisions, often resulting in certain tasks not being performed and trustees and their law firm ultimately bearing the financial risk of their unpaid hours. This issue arises because trustees must perform specific standard activities in every bankruptcy case, including those devoid of assets. At the same time, the research also demonstrates that the bankruptcy profession is apparently profitable enough to encourage trustees to continue administering bankruptcies. This holds even for empty estates, because it turns out that law firms see a benefit for their law firm as a whole and consider the

proceeds from bankruptcies with a full estate as partial compensation for the losses incurred in bankruptcies with an empty estate. This cross-financing by trustees can lead to perverse incentives, where the buck is effectively passed on to other creditors who do have sufficient assets. The contribution to the trustee's fees is then passed on in the form of a higher hourly rate than is strictly necessary. Consequently, sufficient and guaranteed financing for empty estates could lead to an adjustment of the hourly rate. However, caution is advised here as the study also reveals that this cross-financing does not always lead to ultimate profitability in bankruptcy cases at all law firms.

The second condition is the need to guarantee the financing of standard activities. Trustees should be able to perform these essential tasks (if necessary, with the assistance of third-party involvement) without worries about payment. Trustees are personally responsible for completing these standard activities in each bankruptcy case, and guaranteed financing would provide much-needed certainty and ensure effective performance of their duties. Removing this uncertainty requires guaranteed financing, based on an adequate hourly rate, multiplied by the estimated number of hours required. The quantitative analysis points in the direction of the median of the unpaid salary per bankruptcy of a company being approximately €7,500, which amounts to just under 30 hours according to the official basic hourly rate for trustees of €252.89 (excluding VAT) in 2024. However, this basic rate rises depending on the legal experience of the trustee. For example, a trustee with an experience factor of 1.4 (for a trustee who has been a lawyer for at least 8 years but less than 11 years) is entitled to an hourly rate of €354.05 (excluding VAT) in 2024. According to the qualitative analysis, an average of 20 hours seems sufficient for the initial work. Based on this number of 20 hours, times the average hourly rate of €354.05 (with an experience factor of 1.4 for a trustee who has been a lawyer for at least 8 years but less than 11 years), this amounts to a required fee to be guaranteed of €7,080 for each bankruptcy case. Based on the outcome of the quantitative research that (within the bandwidth of 21-27%) roughly more or less a quarter of bankruptcies do not contain sufficient assets to pay part of this fee, this amounts to approximately 800 bankruptcies with insufficient assets each year, based on an annual average number of bankruptcies of 3,234 over the past five years (2019-2023). Assuming that roughly half of the hours for the standard work in these bankruptcies cannot be paid, this means that additional financing for trustees of approximately €2.8 million is required each year (with a rough bandwidth of at least €2.5 million and a maximum of €3.25 million). This excludes the funding needed for the settlement of bankruptcies of natural persons. For the settlement of bankruptcies of natural persons, the median number of hours spent is half the median number of hours spent on corporate bankruptcies. However, it remains unclear how many of the natural person bankruptcies lack sufficient funds to pay the salary of the trustee. The research therefore does not provide clarity on the amount required for the settlement of bankruptcies of natural persons.

The third condition is guaranteed financing for investigating irregularities, abuse and fraud, regardless of whether these activities generate direct income for the estate. The

research shows that trustees do not always have sufficient resources to investigate and tackle irregularities, which means that fraudsters go unpunished. In a similar way to guaranteed financing of the initial activities, financing must be available (if the current duty for the trustee pursuant to Article 68 paragraph 2 of the Bankruptcy Act is maintained) for investigating and tackling irregularities in bankruptcies, regardless of the presence or absence of any return on these activities in the form of income for the estate. However, the research does not provide any clear outcome on how many hours on average will be required, nor the amount needed.

Finally, the qualitative study emphasises that any solution must produce tangible results to prevent trustees from losing confidence in resolving the financing issue. A lack of trust in effective solutions could lead to diminished investment in quality control and the overall improvement of bankruptcy practices. To restore and maintain trustee confidence, it is essential that proposed solutions meet the three conditions outlined above. Doing so would not only address the immediate financing issue but also ensure the sustainability and integrity of the bankruptcy system in the long run.

III. Sub-study II

5. Exploratory literature study on solutions to the financing issue

In the second part of the study, we explore alternative approaches to ensure financing for trustees in cases where the estate lacks sufficient resources and highlight the advantages and disadvantages of each option. This involves identifying both possible forms of financing and potential funding sources to address the issues identified in Part I.

Chapter 5 reviews the existing Dutch literature (publications, reports, etc.) to analyse previously proposed solutions to the financing issue. The resulting options can be broadly categorised according to two main approaches: i) a basic fee to a private trustee for certain activities; or ii) a trustee who administers (part of) all bankruptcies in the service of the government.

The first approach involves providing private trustees with a basic fee to compensate them for specific activities. Key considerations include determining which activities should qualify for such compensation and deciding whether this compensation should apply universally to all bankruptcies or only to those in which the estate lacks sufficient resources. Another variation of this option would be to limit the compensation to activities specifically related to addressing irregularities or fraud. The second approach entails the introduction of a government-employed trustee. In this model, trustees could handle all bankruptcies as government employees or manage specific cases based on criteria such as the size or complexity of the bankruptcy. This approach could also apply to bankruptcies where there are suspicions of irregularities or fraud.

Since the estate typically serves as the primary source of financing, empty estates require alternative funding sources. The literature identifies three potential sources: i) public financing from general resources; ii) financing from a payment obligation for

secured creditors of a part of the proceeds they received when enforcing their security rights; or iii) pre-financing by debtors/entrepreneurs in general or by other stakeholders who benefit from an orderly bankruptcy process.

In addition to these proposals, the literature highlights other ideas, often without detailed elaboration, that could potentially address the financing issue: i) adjusting the scope of trustees' responsibilities, particularly in relation to investigating fraud and irregularities, to reduce the burden on resources; ii) improving the efficiency of bankruptcy proceedings to optimise the use of available funds; iii) an alternative more administrative procedure by avoiding bankruptcy declarations for empty estates; and iv) encouraging entrepreneurs to take earlier and more proactive measures to address financial difficulties, potentially reducing the number of bankruptcies.

6. Looking beyond the borders; comparative law as an inspiration for solutions

The problem of empty estates and the associated financing issues for trustees is not unique to the Netherlands and is a global concern. Chapter 6, therefore, presents a comparative legal analysis of 18 other legal systems in the following countries: Australia, Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Iceland, Lithuania, Norway, Poland, Singapore, Spain, Sweden, Switzerland, United Kingdom and United States. The general conclusion drawn from this comparison is that in most countries, the trustee (or its foreign equivalent) is primarily paid from the estate, provided the estate has enough funds. However, when the estate lacks sufficient resources, various solutions are applied, depending on when it becomes apparent that the estate will be insufficient to cover the trustee's costs.

In some jurisdictions, if it is clear in advance that the estate will not have enough resources to pay the trustee's costs, the applicant is required to provide payment security upfront, or for a government agency to initially intervene in the winding-up process. These measures are found in countries such as Australia, Austria, Denmark, Estonia, France, Germany, Iceland, Lithuania, Norway, Spain, the United Kingdom and the United States. In cases where there is uncertainty about whether the trustee will be paid, some countries (including Austria, Germany, Lithuania and Poland) may avoid declaring bankruptcy altogether, leaving the debtor open to creditor enforcement actions. In these cases, the relevant authorities are often informed. Where no formal procedure is initiated, legal entities may undergo judicial dissolution, which is administratively processed through commercial registers in countries such as Belgium, Estonia, Lithuania and Poland. Additional investigations may be conducted when fraud or irregularities are suspected. This is sometimes done by the trustee, but often with external funding, or at the trustee's own risk. In some jurisdictions, these investigations are carried out by a dedicated government agency, as seen in Finland, Switzerland and the United Kingdom.

If it becomes apparent during the administration of a bankruptcy that the estate is empty, some legal systems, such as Denmark, Estonia, Finland, Germany, Switzerland and the United Kingdom, allow the trustee to request the premature termination of the bankruptcy. The legal comparison reveals varied responses to such requests. In

most cases, granting the request leads to the cessation of activities by the trustee. The handling of the unpaid portion of the trustee's costs differs across legal systems, with some requiring the applicant or the trustee to cover these expenses. In some legal systems, government organisations may assume these costs, either in whole or in part, as seen in Australia, Finland, France, Singapore, Spain and Sweden. In some cases, the bankruptcy is not terminated, and the court may require the continuation of the winding-up process, particularly in cases of public interest. In such instances, a government agency may reimburse the costs or take over the proceedings, as in Australia, Denmark, Finland and the United Kingdom. Alternatively, the trustee might bear the financial risk themselves, factoring it into their business operations, as in Germany and Lithuania. In these cases, trustees may be eligible for a fixed compensation from the government or may receive partial financing from specialised guarantee funds, as seen in countries like Australia, Finland, France, Singapore, Spain and Sweden. These funds may be provided by either the government or the professional group, as is the case in France and the envisaged model for Spain.

The comparative analysis in this chapter has also highlighted several solutions that have not been mentioned in the Dutch debate, such as the concept of the 'provisional trustee' in Estonia and Germany, who conducts its preliminary investigation as a court-appointed (and court-paid) expert. Another example is the Insolvency Service in the United Kingdom, which fulfils the role of trustee when no private trustee has been appointed.

7. Alternatives viewed from different stakeholder perspectives

Chapter 7 focuses on testing the preliminary results of sub-study II against practice. The advantages and disadvantages of different financing options for trustees are discussed, based on the insights from both the literature review and the legal comparison from the perspective of important stakeholders from Dutch bankruptcy practice. These perspectives are explored through discussions with key stakeholders in Dutch bankruptcy practice, including insolvency practitioners, judiciary representatives, the business community, financiers, and public sector stakeholders.

To gain a comprehensive understanding of these perspectives, a meeting was held that involved both a plenary session to identify possible financing options, followed by separate focus group discussions where different stakeholder groups examined the pros and cons of each alternative financing model. Afterwards, the groups reconvened to share their findings and respond to each other's viewpoints.

For the focus group with insolvency practitioners, the primary concern is that the proposed financing solution adequately compensates legal tasks and activities or, if necessary, adjusts them to ensure fairness. It has become too commonplace for trustees to perform their duties without proper compensation, a development that undermines the quality of their work. To maintain high standards and retain skilled trustees, it is essential that they are supported with the resources necessary to conduct their work in an efficient, predictable and transparent manner. Additionally, the

financing solution should create the right personal incentives for trustees to manage bankruptcies effectively.

The focus group of the judiciary emphasised the restraints and the capacity within the justice system itself to be also a critical issue. The financing options must be designed with consideration for the available resources and capacity of the courts. Without this alignment, the pressure on the system could increase further, exacerbating an already strained framework.

For the focus group of the business community, financiers, and public stakeholders, predictability and clarity about bankruptcy procedures are paramount. These groups need assurance about the rules and processes that will be followed in the event of bankruptcy, as it helps them plan and manage their interests accordingly.

Ultimately, all focus groups emphasised that any proposed financing option must address these core issues – fair compensation for trustees, judicial system capacity, and predictability for all parties involved. However, each financing model comes with its own set of advantages and disadvantages, so that the final decision will primarily be shaped by political considerations. The chapter suggests that while the financing options may be effective and workable, choosing between the options will require balancing these competing interests and needs and will rest on decisions made by law- and policymakers.

8. Conclusion of sub-study II: Alternative forms and sources of financing

Sub-study II provided insights into various alternatives for financing the trustee, where a distinction was made between the form and the source of financing. Chapter 8 presents a synthesis of findings from the literature review, legal comparisons and the focus group meetings. The study identified several potential solutions to mitigate the risk that private trustees remain unpaid for their work in bankruptcy administrations: i) raising a (financial) bar before the court declares bankruptcy; ii) instituting a government trustee for certain types or all bankruptcies; iii) a guaranteed compensation for the first (or standard) work performed by a trustee; and iv) a guaranteed compensation for addressing irregularities and fraud.

The next step in the study was to explore how these alternatives could be financed. In addition to the existing cross-financing model currently used by trustees within their own practices, several potential sources of funding were identified: i) financing from general public sources; ii) financing from a payment obligation for secured creditors of a part of the proceeds they received when enforcing their security rights; and iii) pre-financing by the debtor (entrepreneur) and/or other stakeholders.

The focus group discussions revealed that stakeholders view the advantages and disadvantages of these financing options differently. The choice of which source of financing to adopt ultimately depends on policy decisions. Specifically, the decision hinges on whose interests the trustee is serving – whether it is primarily the creditors, the debtor, or society at large – and, therefore, who should bear the cost of financing the trustee's work. In the last, concluding chapter, we therefore discuss these policy

choices on the basis of a synthesis of the results of sub-study I (chapter 4) and sub-study II (chapter 8) and we show which policy choices, according to the research results from sub-study I, could be the most effective in solving the problem.

IV. Conclusion: roadmap for policy choices

Chapter 9 outlines a roadmap for the policy decisions that need to be made based on the findings from sub-studies I and II, addressing the financing issues faced by bankruptcy trustees. The roadmap is based on a test of the solutions identified in sub-study II against the three conditions set out in sub-study I that must be met in order to solve the problems with financing. In general terms, based on the research, we arrive at the following proposals:

i) The creation of a qualitative threshold for a bankruptcy application, whereby an efficient standardised quick scan is carried out to determine the presence of sufficient means and the existence of other factors that might justify a bankruptcy declaration, such as irregularities. This assessment would not solely rely on financial criteria but should also consider other material reasons for declaring bankruptcy. A dedicated official or a private entity could perform this assessment, potentially funded separately from the bankruptcy process. If a bankruptcy application does not meet these criteria, the debtor may be referred to a different process, such as an expedited ('turbo') liquidation for legal entities, or the debt rescheduling process for individuals (known in Dutch as: Wsnp).
ii) A guaranteed contribution to the trustee for their standard activities amounting to a certain number of hours. Based on research findings, it is estimated that on average, approximately 20 hours of work would be needed to complete these initial activities. To support this, an estimated €2.8 million (with a bandwidth between €2.5 million and €3.25 million) in additional funding would be necessary annually to ensure that trustees can complete their initial work in empty estates. Once these activities are completed and no serious irregularities are identified, the bankruptcy can be closed quickly; or
iii) If indications have been found of the presence of irregularities or worse, a guaranteed contribution to the trustee in the costs, or part of the costs, of an investigation into those irregularities and any subsequent steps by expanding the scope of the Trustee Guarantee scheme (in Dutch: *Garantstellingsregeling curatoren*, GSR).

The following changes are necessary for the introduction of these proposals:

i) Recording the content of the qualitative threshold and the associated check by the court as to whether there is a reason to declare bankruptcy in the Recofa guidelines.
ii) Designing financing for the trustee's initial work (approximately 20 hours, €2.8 million a year). Based on the research, it emerges that this financing can best be designed through a fund that would draw contributions from various sources such as:

- levying a – limited – contribution by starting entrepreneurs upon their first registration in the trade register at the Chamber of Commerce;
- a mandatory – preferably to be laid down in law in terms of size – payment of estate contributions by secured creditors and the Tax Authorities from the proceeds of extracted securities;
- an annual contribution to be paid by the trustee to be placed on the court's trustees' list and
- an annual contribution paid by the government from general resources, because it has an interest in the orderly administration of bankruptcies, even if they themselves do not have sufficient resources for this.

The exact contribution levels would require a political decision but should be distributed fairly among all involved parties.

iii) Strengthening supervision by the supervisory judge in bankruptcy (particularly initial activities and decisions on irregularities).

iv) Strengthening the capacity of the government Fraud Reporting Centre for tackling irregularities and shaping the financing thereof. The study does not provide any clarity on the amount of financing required.

v) Relaxation of the conditions of the Trustee Guarantee scheme (GSR). The research shows that it is justified to charge the costs of investigating and tackling irregularities to the estate for situations in which recovery is expected. The government, however, must contribute if it wants irregularities for which no recovery is possible to be tackled. In order for trustees to receive compensation for their work in these types of situations, the request thereto should be covered by the GSR. This is a tried and tested scheme with extensive experience in this area. However, an extension of the scope of the current GSR is necessary, in the sense that the condition that the trustee must demonstrate that recourse is available must be abandoned. In order to guarantee that trustees carry out this investigation as efficiently as possible, the supervision of this task must be strengthened.