

Insolvency practitioner David Mond is not afraid to take on the might of the banking sector on behalf of the indebted he feels are being badly treated. Heather Greig-Smith meets him

# Taking a stand

**A** crusader and entrepreneur in the personal insolvency world, David Mond is highly critical of creditors, debt buyers and collection agencies for the way they seek repayments from debtors. In fact, the chief executive of Cleardebt and chairman of the Debt Resolution Forum (DRF) has his own personal 'fighting fund' – money he made from buying up Manchester United shares in the early 1970s – that he uses to take on those who he believes are treating people in debt unfairly.

The IVA Council, a profit-making bankruptcy company that copied and pasted the Insolvency Service's website to lure debtors out of individual voluntary arrangements, felt the power of Mond's fund in 2008 when he secured an injunction against it, costs and an apology for approaching his customers. It's something he feels shouldn't have been his responsibility to do, saying the government should have taken action. "What is the Insolvency Service doing? It has lost its way."

The latest to feel his displeasure is MBNA, who he is taking to the High Court over its refusal to approve an IVA for a debtor – something Mond says is not unusual for the bank and which he claims is counter to the principle of treating customers fairly. The case is now in the stage of document disclosure with a hearing anticipated for May or June. Mond says the bank has suggested mediation. "What do we want? We want them to accept the protocol. They say they do. We have evidence that they don't," he says. "Unless they agree and pay costs and apologise we'll let a judge decide."

An MBNA spokesman said the bank supports the protocol. "However, there is no industry agreement to automatically approve IVA proposals that are protocol compliant and there never has been. This is something that is

generally accepted by all creditors and nearly all IVA practitioners, with the exception of a small minority."

## Accountancy origins

Mond has come a long way from setting up his own accountancy business because the firm he worked for said he had to wait to become partner after he qualified. That business gave him his first taste of insolvency and he eventually sold off the audit and tax side of his work to partners, allowing his existing company Hodgsons to focus purely on personal and corporate insolvency and turnaround.

Cleardebt, the individual voluntary arrangement (IVA) provider he set up in 2004, was born out of a conversation with registrars for bankruptcy who suggested there must be a "cheap and cheerful" way of doing IVAs and challenged him to find it. He had to pause his plans when handling the retail administration of DIY chain FADS, but returned to the idea, launched the business and floated on the alternative investment market (AIM) in 2006.

That the company has survived the IVA industry Armageddon that followed the banks' decision to get tough on IVAs in 2007 is not something to be sniffed at. Mond still owns 60 per cent of the business with his family.

He then last year personally bought the debt of Cleardebt rival Relax Group from Barclays, which had approached BDO Stoy Hayward to investigate the accounts of the business. They then put it up for sale. "Subject to contract and exclusivity we offered up to £4m but they wouldn't give us exclusivity," he says. "We had two days to do the due diligence and had to put in a final offer."

In a move that can only have piqued BDO, Mond went direct to Barclays – fortuitously his

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own bank – and offered to buy the debenture. It gave him 24 hours to get the cash together. “I used my own money and that of friends.” Mond then appointed administrators of his own, who contacted interested parties and started negotiations to sell the business. “The offers were less than Cleardebt was prepared to pay so we made an offer and the administrator accepted it,” says Mond. “If they’d been able to sell it to a third party for £4m I’d have taken the gain but that didn’t happen. I will make a small profit in settlement of my security.”

The deal was followed by harsh criticism in the national press that he had only bought the debt to fold a rival, something he vehemently denies and attributes to briefings against him by other parties. Both Cleardebt and Relax staff are now in consultation over redundancies though Mond intends to keep both offices open.

It’s not the first time Mond’s career path has taken him down an unconventional route. When appointed administrator of FADS in 2002 he whittled the company down to 50 stores and recommended that the creditors accept 25 pence in the pound over five years in a company voluntary arrangement. They were receptive but didn’t want to wait for five years and asked Mond to be involved. He became a 10 per cent shareholder in a company that launched on AIM to raise the necessary funds. FADS continued for a further five years before market conditions forced it to close. “It was a one-off,” he says of his investment. “I wouldn’t do that again, I think it’s very difficult. They were exceptional circumstances.”

### Debt solutions regulation

As chairman of the Debt Resolution Forum, Mond is passionate about its credentials and the effort going into standards. The DRF has an accredited certificate in debt resolution and is on the verge of agreeing a deal with the Insolvency Practitioners Association for the IPA to regulate its members. In addition, it has appointed an independent disciplinary committee, chaired by Advice UK’s David Hawkes with the Institute of Credit Management’s Philip King and academic Keith Pond.

Since rival trade body the Debt Management Standards Association (DEMSA) was set up in 2000 commentators have suggested there is no room for two bodies and many in the industry are calling for the two to unite. Speaking to *Credit Today* this month, the chairman of DEMSA rejected the suggestion (see p47).

“The reality is we should have one trade body. I’m happy to sit down and talk about it,” says Mond. “The problem is politics. We represent 70 per cent of the industry and have attempted to get them to join us; have meetings with us, but they have their own agenda. I’m quite happy and the OFT is happy to mediate a meeting between us.”

DEMSA has code two approval from the Office of Fair Trading, something it claims sets

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it apart. Mond disagrees that its standards are higher. "Our standards are higher than code two. We don't think code two is sufficient in this environment. It's not enough."

### Regulation looming

The DRF has responded to the recent Ministry of Justice consultation on debt management, which offers three options for the sector: improving the status quo, creating a DMP protocol or introducing statutory regulated debt management schemes. The consultation is an attempt to improve the unmeasured and unregulated sector. "The creditors won't buy into a protocol. In reality it's going to be regulated," predicts Mond. He is happy for this option but says it shouldn't be too restrictive and is against a cap on fees.

He was also involved in the drafting terms and conditions of the IVA protocol as a member of the IVA Standing Committee. The agreement between creditors and insolvency practitioners attempts to standardise processes for simple IVAs but, like many others in the sector, Mond says it has had "limited success". However, he is optimistic that future changes can help further. "The protocol hasn't failed, it is working but I'd like to see it work a bit better." At the time of writing a new version of the protocol was due to be published.

But isn't the question of reform a moot point with the general election likely to get in the way of planned legislation? Not according to Mond who says both Labour and the Conservatives know about the plans. "We will benefit whichever party comes into power. This is good for the consumer – it's a vote winner," he says.

### Commercial concerns

There is no love lost between IVA providers and the free advice sector, which often accuses paid for providers of taking advantage of debtors. Mond argues that the commercial sec-

tor is entirely necessary. "The Money Advice Trust (MAT) believes there shouldn't be a commercial sector, which is rubbish. Citizens Advice get six million calls a year and can only handle three million," he says.

He is also scathing about the viability of 'self help', a government-funded MAT project to allow people in debt to do their own negotiations with creditors. "If you had an MA or a PhD you might be able to understand the documents on the MAT website for self-help."

When it comes to debt collectors and debt buyers Mond doesn't mince his words, branding them "the worst thing since sliced bread". He adds: "Debt buyers are meant to treat the consumer in the same way banks do. They don't. They harass, bully, threaten to take them to court, threaten charging orders, send people round. They need to get their act together. They are buying debt at a substantial discount and these aren't people who won't pay – they can't pay but are willing to go into a DMP or IVA."

Mond complains that debt collectors call at antisocial hours, call workplaces and neighbours and often ignore the statutory IVA process.

Neither do credit reference agencies escape censure. "They have created an artificial market for people in debt. Your credit rating is gone for six years – who the hell decided six years?" Mond says debtors who suffer divorce, illness or redundancy and who enter an IVA for five years and submit to guidelines on spending in all areas of their lives are actually excellent credit prospects. "At the end of five years they've learnt to budget and have a surplus income to spend. That's who the banks should look to lend money to."

Affected by his own father's bankruptcy, Mond's passion for the sector is a personal issue. It's an issue he takes very seriously and is prepared to put his money where his mouth is. "We've come a long way since Newgate debtor's prison," he says. **CT**

## David Mond: the CV

**1971:** Qualifies as a chartered accountant and launches accountancy practice Monds

**1988:** Sells audit side of Monds

**1993-2003:** Serves on the council of the Association of Business Recovery Professionals

**2003:** Involved in administration of FADS

**2004:** Founds Cleardebt, which then floats on AIM in 2006

**July 2007:** Acquires Abacus

**October 2008:** Becomes chairman of the Debt Resolution Forum (DRF)

## Vital Statistics

### Is it true you invested in football?

I used to own five per cent of Manchester United. I love the club and bought shares in the early 1970s. When I sold them I made a lot of money and I use it for my 'good cause fund' to fight injustice. I got an injunction against the IVA Council, froze their accounts, got an apology and they paid all the costs.

### Where do you spend your time?

Manchester is home but I spend October to April in the desert in the US near Palm Springs. I come back every four or five weeks for a couple of weeks. In May and September I live in Spain but work Monday to Wednesday in Manchester. I use Skype to keep in touch the rest of the time.

### What do you do to relax?

Golf; football; sex.

### Who has had the biggest influence on your career?

My father. He went bankrupt and seeing the angst on his face, the problems of losing a home and going to live with my grandmother, losing that home and going into rented accommodation – he never really recovered from that. That's why I'm a firm believer in non-bankruptcy, though it may be a solution in certain cases.

### What are you reading?

Paul Johnson's fascinating biography of Churchill. He was one of the best statesmen in living memory. He had great foresight. He made mistakes but admitted them.