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Newman & Partners

Licensed Insolvency Practitioners

FOCUS ON INSOLVENCY BULLETIN

Welcome to the latest issue of our Focus on Insolvency Bulletin, designed to keep you up-to-date on insolvency matters that may be of interest to you. If you have any feedback on this bulletin, or would like to know more about our services or how we can help you, please contact us on **020 8357 2727** or at **insolvency@newmanandpartners.co.uk**

Personal Debt increases 10 per cent in a year putting many at risk

A new report from trade body, the Finance & Leasing Association (FLA), has revealed that the level of personal debt in the UK has increased by £72.7 billion during the last year – a 10 per cent rise on the year before.

The report reveals that there was a £556 million splurge on second home loans, a 20 per cent increase in car finance deals to £24.5 billion and a nine per cent increase in store cards and online hire purchases to £6.4 billion.

The report also showed that credit card and personal loan borrowing leapt by 5 per cent to £37.6 billion in the 12 months to November 2014. These figures follow on from the latest credit trends forecast, which showed that Britain could be on a borrowing spree that could last for up to five years; adding millions to the £360 billion pool of unsecured lending currently recorded in the UK.

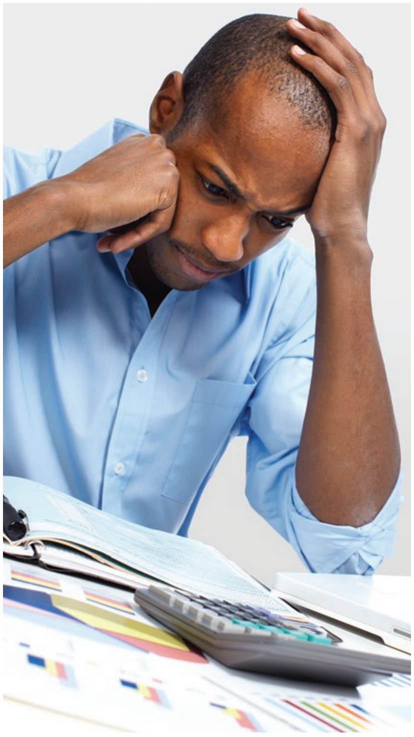
The biggest concern for the FLA is that this latest credit binge is being exacerbated by banks providing credit cards to increasingly risky customers and an increase in consumer spending driven by low inflation. This has been reiterated in the Bank of England's latest credit conditions report, which said that banks were lending more due to a 'changing appetite for risk' and were increasingly prepared to take on less creditworthy customers.

Geraldine Kilkelly, head of research and chief economist at the Finance and Leasing Association, said: "The banks are getting stronger and more willing to lend and low interest rates are attractive to new customers."

However, this dramatic increase in spending on credit has raised concerns about the potential for increases in personal insolvency when interest rates do finally begin to rise. When this will happen is not yet clear and the date by which interest rates will rise has already been set back several times. With the price of commodities continuing to fall and inflation at some of its lowest levels in the past decade it is possible that interest rates will remain unchanged until late 2015 or early 2016.

The Bank of England has promised that when a rate change does take place it will do so in increments, with the first rise likely to be around 0.25 per cent, followed by gradual increases of around the same amount during the following months. Although gradual, this increase could lead some people to become heavily indebted and should this happen getting the right advice will be the difference between staying afloat and becoming insolvent.

If you would like advice on debt or the risk of insolvency through debt, then Newman and Partners could be the right firm for you. Our team of insolvency practitioners have years of experience working with indebted individuals and businesses and can help them find the right solution. For more information, please contact us.



Changes to DRO's that make them more accessible to financially vulnerable individuals

New plans to help financially vulnerable individuals have been announced by the government. Under the new proposals around 3,600 more indebted individuals will be able to enter a Debt Relief Order (DRO) each year; preventing them from declaring bankruptcy.

DROs were introduced as a low cost alternative to bankruptcy for those with very low assets and income with debt which they are unable to pay. Under the proposed changes, the maximum amount of debt that can be covered by these plans will increase from £15,000 to £20,000 helping thousands of individuals.

DRO asset limits will also increase to £1,000, plus a vehicle (worth not more than £1,000), but the maximum surplus income a person can have to qualify for a DRO will remain at £50 per month.

The proposals, announced at the start of the month by Business Minister Jo Swinson, also include an increase to the minimum level of debt for which someone owed money can force a person into bankruptcy from £750 to £5,000 – a limit last revised in 1986.

Those owed money have been told that they will not be disadvantaged because eligibility for a DRO will continue to be restricted to those with very low realisable assets and therefore no realistic ability to repay their debts.

The changes come after a survey of DRO users showed 96 per cent would have been unable to deal with their debts without DROs, and 79 per cent said the process had a positive impact on their mental health. Since their introduction in 2009 there have been 140,861 DROs issued and in 2013/14 alone 26,876 orders were made. During this period the numbers of bankruptcies have continued to plummet as more and lower asset debtors choose to use DROs. If you would like advice about DROs or any other aspect of insolvency please contact us for more information.

Personal Insolvencies hit record 10-year low

According to the latest figures the number of people being declared insolvent in England and Wales has fallen to its lowest level in ten years. The data shows that during 2014 99,200 people were declared insolvent, either through bankruptcies, debt relief orders or individual voluntary arrangements – a 2 per cent fall from 2013 and the fourth consecutive annual drop.

During the same period the number of companies going into administration fell to just 1,790 its lowest figure since 2004 and a significant 24 per cent fall from the previous year's figures. This decline in corporate insolvencies could also be seen in the number of receiverships, which fell by 21 per cent last year to 724; the smallest number since 2007.

The reduction in the number of both personal and corporate insolvencies is a reflection of the improving state of the British economy and a gradual decline in the cost of commodities, which over the last few years have remained particularly high. The Insolvency Service, which has published the figures, said: "In total, individual insolvencies have generally been on a decreasing trend since 2010."

However, despite the improvement in the figures, Joanna Elson, chief executive of the Money Advice Trust, said many people were still suffering financial strain. "While it is really welcome to see insolvencies reach their lowest level in nearly a decade, on the debt advice front line we know that more and more people are falling into difficulty with smaller debts from everyday household bills," she said.

If you would like advice on personal or corporate insolvency, please contact us.

Newman & Partners Insolvency
Lynwood House
373/375 Station Road
Harrow
Middlesex HA1 2AW

T: 020 8357 2727
F: 020 8357 2027

E: insolvency@newmanandpartners.co.uk
W: www.newmanandpartners.co.uk

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