

Newman & Partners

Licensed Insolvency Practitioners

RECOVERY & REVIVAL BULLETIN

Welcome to the latest issue of our Recovery and Revival 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

Increasing number of UK charities struggling with insolvency

Media reports have emerged of late charting the financial difficulties of many of the nation's struggling charities. Towards the end of 2017, embattled youth charity Base 33 entered into insolvency after 15 long years of providing much-needed support to vulnerable youngsters across the UK. But the Oxford-based charity, which was forced out of businesses due to mounting financial difficulties, is not the only children's charity to have suffered this fate.

In late December, the Insolvency Service entered into talks with the former trustees of now-defunct children's charity Kids Company, while financial woes appear to be growing more and more commonplace all across the not-for-profit sector. For example, mental health charity Mencap recently warned that several care operators in the charity sector are "on the brink of collapse", as cash-strapped charities are now being forced to back pay the National Minimum Wage (NMW) to 'sleep-in' shift workers following recent legislative changes.

Meanwhile, sector news site Charity Digital News has noted that struggling charities all across the sector face a number of potentially costly hurdles going into 2018. For example, the sector regulator, the Charity Commission, is currently in talks with the Government regarding its options for future funding, which could see charities themselves asked to provide it with financial support.

The regulator's annual Budget has halved in real terms since 2007, yet will remain frozen at £20.3 million



until the year 2020. It is thought that one option to bolster the Commission would be to get the UK's largest 2,000 charities to cover the shortfall – requiring such organisations to contribute approximately £7 million to the Commission's budget each year. With debates raging on, coupled with uncertainty surrounding the cost impact

of the upcoming General Data Protection Regulation (GDPR) on the sector, 2018 is shaping up to be a potentially very costly year for the sector.

Our team at Newman and Partners can provide help to you if your client is struggling with debt issues. To find out more, please contact us.

Bank of England and OECD voice concerns over mounting household debt

Think tanks and financial institutions are consistently warning that household debt is spiralling out of control. Most recently, a worrying report published by the Bank of England revealed that the health of household finances had deteriorated substantially in the second half of 2017.

The report, which was published just ahead of the New Year, found a substantial increase in the number of people struggling with high mortgage debt in comparison with their annual income. In fact, the research noted that the percentage of households with mortgage debts four times higher than their earnings had reached its highest since the year 2013.

The statistics come at a time when separate figures suggest that households are rapidly racking-up debts on credit cards and personal loans – which many Britons are relying on as a short-term solution to plug gaps in their finances. According to the Bank of England, personal debts have, overall, risen to a new high of more than £200 billion –

the highest figure on record since the financial crisis.

The worrying outlook has sparked warnings from think tanks such as the Organisation for Economic Cooperation and Development (OECD), which has said that financial regulators need to urgently intervene. The group said in late November that ‘debt-to-income’ caps needed to be introduced on how much households are able to borrow – amid concerns that consumer credit is growing increasingly popular at a time when wages are stagnating, the future of interest rates is uncertain and many Britons are already struggling to make ends meet.

Our team at Newman and Partners can provide help to you if your client



is struggling with debt issues or facing insolvency. Such concerns are always best explored at the earliest possible opportunity. To find out more about our debt management services, please contact us.

Increasing number of individuals turned down for jobs due to ‘bad debt’

The latest data from the National Recruitment Agency has revealed that the number of potential candidates turned down for jobs due to ‘bad debt’ levels rose by seven per cent year-on-year in 2017. According to the figures, almost 2,000 applicants were turned down in total, up from just 1,788 recorded the previous year.

The worrying news comes at a time when household debt is quickly rising to record highs – suggesting that the problem will only intensify as 2018 takes its course. Up-to-date figures suggest that, in the year to September 2017, overall household debt grew by almost 10 per cent.

According to the National Recruitment Agency, so-called ‘vetting tests’ are growing increasingly commonplace across various industries as part of the job application process. Previously, such tests – which assess the financial backgrounds of applicants – were only considered to be ‘the norm’ in the financial services industry. More recently, however, those applying

for jobs as teachers, doctors, nurses, occupational therapists and more have been subjected to these kinds of tests, on top of more traditional credit checks.

Overall, the organisation says that ‘bad debt’ is the top reason job applicants will fail a vetting test, noted in approximately 80 per cent of all rejection cases throughout 2017. Commentators have been keen to note that this effectively means that bad debt is now the number one reason Britons are likely to be turned down for a job.

A spokesperson on behalf of the agency said that the problem was ‘dangerous’,

due to the fact that many of those who are rejected by one employer could find themselves in a ‘catch 22’ situation when pursuing career opportunities elsewhere. This is because applicants who are rejected one or more times run the risk of being classified as ‘bad debtors’ for the purposes of future vetting tests.

Providing the right advice to your clients during a period of financial difficulty is crucial, and any concerns regarding insolvency are always best explored sooner rather than later. To find out more about our proactive services, please contact us.

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