March 2018

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**

Expected interest rate increases will prove damaging for many households, OBR report claims

The Bank of England (BoE) recently indicated that it would increase interest rates "sooner and faster" than previously expected from May onwards if the UK economy continues to perform well over the coming months. The news has put the frighteners on a number of economic forecasters, including the Office of Budget Responsibility (OBR), which has warned that many UK households will struggle to cope with their day-to-day costs if interest rates rise as predicted.

Following a recent freedom of information (FOI) request, the OBR estimated that household debt services costs were likely to increase by as much as 29 per cent between now and 2023 – which is sure to put considerable strain on many already-struggling families. Meanwhile, think tank the Resolution Foundation has warned that, if the BoE goes ahead with its plans to increase interest rates from as early as May, millions of low-income families who are reliant on cheap credit will find themselves teetering on the brink of financial distress.

Despite these fears, BoE Deputy Governor Ben Broadbent has said he does not believe the prospect of at least two interest rate increases in 2018 should come as a "great shock" to Britons. In a recent interview with the BBC, Mr Broadbent was asked whether he agreed with media reports suggesting that interest rates are likely to double from 0.5 per cent to one per cent by the end of the year, to which he replied: "I don't know."

"We do not fix the path of interest rates in advance. What is fixed is our remit and rates change with the economy," he said.

According to a recent report in The Independent, financial markets are now pricing in an almost 70 per cent chance of an initial base rate hike being announced as early as the spring – with a further hike likely to follow soon afterwards.

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.

Are landlords teetering on the brink of financial distress?

A recent report published by UK Finance has revealed that the number of British landlords struggling with serious mortgage arrears increased by a shocking 20 per cent year-on-year in the final quarter (Q4) of 2017. The data suggests that there were as many as 1,200 buy-to-let mortgages in 'significant arrears' in Q4, which, for the purposes of the study, is defined as being in arrears of 10 per cent or more of a loan's total balance.

On top of this, the number of mortgages in arrears of 2.5 per cent or more of the balance was up by two per cent, while the number of buy-to-let properties repossessed rose to 600 in total. On a regional basis, London and South East England suffered the highest number of repossessions of mortgaged buy-to-let properties, the report found.

Commentators have suggested that an increase in the Bank of England's (BoE) base rate last November has been one of the key contributing factors to the increase in arrears and repossessions, as has the three per cent Stamp Duty Land Tax (SDLT) introduced by former Chancellor George Osborne the previous year, and a general increase in landlords' compliance costs. Media reports continue to suggest that landlords are struggling with ever-increasing costs and compliance responsibilities, while UK Finance's report reveals that while significant mortgage arrears are on the rise among buy-to-let investors, serious arrears among live-in homeowners are becoming less common.

Commenting on the data, Mark Pilling, Managing Director of real estate group Spicehaart, said that his organisation had definitely noted "a growing trend of increasing repossessions" in the South East. He added: "It is not just lower cost houses, we have also seen an increase in repossessions of properties worth multi-millions."

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.

Fashion retailers increasingly exhibiting 'early warnings signs' of insolvency

An ever-increasing number of UK fashion retailers are edging towards insolvency, a new study reveals. A survey of 35,708 high street fashion retailers carried out in mid-February found that as many as 6,580 were facing 'financial distress' – indicating that 19 per cent were at risk of insolvency.

Following the publication of the report, commentators have suggested that recent falls in consumer spending have dealt a significant blow to high street fashion stores in recent months. In fact, separate research carried out by retail group Springboard earlier this year found that footfall at high street stores was down by 1.6 per cent in January.

Springboard's report also found that customer numbers at high street stores were down by 1.9 per cent during the same month, while consumer spending at such locations fell by a worrying four per cent – making the month the first January in five years to see a fall in spending during the peak post-Christmas sale season.

The strain has been felt not just by fashion retailers, but by other high street outlets, too. Earlier this year, furniture retailer Warren Evans fell into administration, while this month, Italian restaurant chain Prezzo has announced that it will be closing as many as 94 high street restaurant in coming weeks – making as many as 1,000 of its workers redundant in the process.

With rumours of a succession of interest rate hikes to be announced by the Bank of England (BoE) later this year, the chances are that consumer spending will continue to fall as households begin to feel the squeeze of higher borrowing costs. This, in turn, is likely to lead to further financial troubles for high street retailers and restaurants, it has been warned.

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.

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

Newman & Partners
Licensed Insolvency Practitioners