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**

Insolvencies increase in third quarter of 2016

New data from the Insolvency Service (IS) has revealed a significant rise in the number of personal and corporate insolvencies in the third quarter (Q3) of 2016.

The IS has reported that the number of personal insolvencies across England and Wales has risen by a fifth year-on-year in the third quarter (Q3) of 2016. Their data reveals that there were as many as 24,251 personal insolvencies between the months of July and September – representative of a 19.3 per cent year-on-year rise and accounting for a six per cent rise on Q2 of this year.

In terms of corporate insolvencies, the IS said that 2.2 per cent more companies entered insolvency in Q3 than in Q2. They added that in Q3, personal bankruptcies were up on Q2 by 7 per cent, with 3,844 new cases recorded. The number of companies subject to compulsory liquidation (632) rose 2.4 per cent over figures recorded in Q3 of 2015.

It has been suggested that rising numbers of personal insolvencies could be linked to an increase in individual voluntary agreements (IVAs) – which rose by 10.9 per cent in Q3 over figures recorded in the previous quarter. Such agreements, which allow money to be distributed between two or more creditors, have evidently gained significant popularity over the course of 2016.

The rise in corporate insolvencies, meanwhile, has in part been attributed to a fall in the value of sterling, which is likely to have dealt a blow to companies reliant on imports. However, at current, the rise in corporate insolvencies should not be taken as an indicator of Referendum-related financial problems for Britain's

business world – as the UK's vote to leave the European Union (EU) has so far left the economy relatively unscathed outside of its impact on exchange rates.

If your client is concerned about the prospect of personal or corporate insolvency, bankruptcy or compulsory liquidation, and you would like advice on the options available to them, our team at Newman and Partners can help.

If you would like to know more about our insolvency services, please contact us.

The impact of inflation on insolvencies: The future of the UK

Revisions to the Bank of England's 2017 forecasts suggest that the rate of inflation will hit 2.7 per cent next year, up from the current rate of one per cent. The dramatic rise in the Bank's forecasts, announced on 3 November, was accompanied by predictions that economic growth would rise by 1.4 per cent, as opposed to the previously envisaged 0.8 per cent.

However, it is of crucial importance to note that such a steep rise in inflation would almost certainly have a knock-on effect on insolvency levels across the UK. In terms of personal insolvencies, a rise in the price of consumer goods coupled with a fall in the purchasing value of money could lead to an increasing number of Britons turning towards credit cards to purchase consumables – in a bid to bridge the narrowing gap between earnings and disposable income.

This would in turn add to the already frightening £66bn that UK households currently owe on credit cards – which has so far been attributed to a 'borrowing binge' fuelled by an historic – yet probably short-lived – reduction in interest rates.

Furthermore, should the rate of inflation rise in line with the Bank of England's predictions, corporate insolvencies would also be likely to increase, as consumers begin to shy away from spending which, in turn, will deal a blow to business revenues. This will have a particularly strong impact for businesses which provide non-essential or luxury products and/or services.

Currently, it is yet to be seen what the future of inflation will hold. In the wake of the European Union (EU) Referendum, surprise interest rates cuts and a fall in the value of sterling, the only thing certain about the UK's future is that uncertain times are ahead.

Providing the right advice to your clients at this time is critical, which is why it is important to seek advice early on if they are concerned about insolvency. At Newman and Partners we are carefully assessing the situation to ensure that we can act quickly when changes occur. To find out more about our proactive services, please contact us.

Credit card debt grows at fastest rate since the financial crash

The latest research from the Bank of England suggests that British families are falling foul of credit card debt at the fastest rate since the financial crash. According to the Bank's data, the amount owed by UK families now averages out at more than £2,400 per household.

The total amount owed on credit cards has risen by 8.4 per cent over the past year. Figures suggest that Britons owe a collective total of almost £66bn, and that £500m was spent on UK credit cards in October alone. The £66bn total has been described as the highest level of credit card debt recorded since November 2008, during the financial crisis.

Some have suggested that the figures can be taken as sound evidence that UK households are more certain than ever that they are fully capable of repaying any money that they owe – but perhaps a more realistic suggestion is that Britons have embarked upon a 'borrowing binge' following August's landmark interest rate cut.

However, it is worth noting that UK interest rates, which currently sit at an historic low of 0.25 per cent, are highly unlikely to be further reduced, despite the fact that the Bank of England has loosely suggested future moves could go "in either direction".

A number of debt charities have voiced concern at the rising total of credit card debt. Stuart Carmichael, of the Debt Support Trust, dubbed the ever-increasing total "frightening". He said that "there are people out there in serious financial difficulty who should never have been given the credit in the first place".

Peter Tutton, of StepChange Debt Charity, echoed these concerns. He said: "Credit cards are already the most common type of debt we see and we are concerned that increased lending could see even more people fall into problem debt.

"The worry is that we return to the bad old days we saw prior to the credit crunch, where too many households were able to build up unsustainable balances. The sad reality is that increased consumer borrowing will, for some people, turn into the nightmare of problem debt," he added.

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

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