

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

Personal insolvencies at 10-year low

Last year saw the lowest number of individuals being declared insolvent for more than a decade, according to official figures from the Insolvency Service. In total 79,965 people were left with unmanageable debts last year, down 19 per cent on 2014 and the fifth successive decrease in the annual debt total.

However, despite the annual fall, the final three months of 2015 showed a rise in personal insolvencies, according to the Service's data. During this quarter the total grew to 20,404, a 3.6 per cent increase on the previous quarter, and the second quarter-on-quarter rise in a row. However, in comparison to the same quarter in 2014 the figure was still 10.5 per cent lower.

During 2015 an estimated 14,629 companies entered into insolvency, which was 10 per cent lower than the total in 2014 and the lowest annual total since 1989. Also due to changes to the regulations regarding winding up the number of companies that faced a compulsory winding up order in 2015 was at its lowest level for 34 years.

Andrew Tate, vice-president of insolvency trade body R3, said: "There has been a general trend of companies looking to turn things around before reaching a position where they need to enter a formal insolvency process. Creditor forbearance is playing a part too: banks, in particular, are much more willing to work with companies in financial trouble than they were in the early 90s.

"Compulsory liquidation is often seen as a less dynamic process, which is less likely to lead to a rescue of the business than other insolvency procedures. It is generally used by creditors as a last resort when a company doesn't pay.



"Finally, the 'zombie business' phenomenon could play a role. 'Zombie businesses' are those that can service the interest on their debts but not the debt itself; they can keep going but have little short-term prospect of turning things around. Numbers of companies in this position have fallen recently, but they have acted as a drag on insolvency numbers since the recession."

While this news is positive there are still many more people and business out there who are experiencing or who are fearful of insolvency. If you have a client with a large amount of unsecured debt and you are concerned about their solvency then our team at Newman and Partners may be able to help you, help them. To find out more, please contact us.

Credit Card users could face unexpected debt surprise

New research by uSwitch has revealed that around 19 million credit card holders have had their credit card limit increased automatically, and 24 per cent of these say they have seen their spending rise as a result.

Providers are increasing credit limits by an average of £1,300, but some asked by uSwitch have seen rises of more than £2,500. For some people, a credit limit increase will be welcome as it allows them to purchase more expensive items on credit, but for some it could lead to debt issues further down the line.

The study showed that of those who have seen their credit limits increase, 42 per cent have no plan for paying back the extra money or for the higher monthly payments they would need to make.

By law credit card providers are allowed to increase credit limits and consumers can stop them from going ahead by contacting the provider within 30 days. However the research showed that around two thirds are unaware that it is up to them to cancel the rise within the 30-day limit.

Of the 2,003 people surveyed, 24 per cent thought it was too much hassle to contact the provider to cancel an increase, while 13 per cent weren't aware their limit had changed.

According to The Money Charity borrowing on credit is currently above the level seen before the financial crisis of 2007/08 and the total credit card debt last October was £62.8 billion, which is around £2,324 per household. The Financial Conduct Authority (FCA) is currently looking into the credit card market and uSwitch believes it should ban the automatic increase of credit.

"Millions of credit card holders are running the risk of taking on more debt by providers increasing their credit limits – essentially offering them 'free' money. With these increased limits often unrequested, unwanted and a surprise, spending beyond their means

without considering the repayments could be an easy trap to fall into', says Tashema Jackson, money expert at uSwitch.

"Too many are in the dark about how they need to opt out of increases, or fail to do so because of the effort it will take them to contact their provider. We urge the FCA to introduce a consumer opt-in requirement for credit limit increases, which could greatly help consumers avoid unnecessary debt by ensuring that they are in better control of their borrowing."

Credit card debt is again becoming a significant issue for many people in the UK and is now exceeding the levels seen before the recession. If your client is dealing with significant credit card debt and you would like advice on managing their credit, please speak to our team today.

Businesses face £500 billion of late payments

The UK's small to medium-sized enterprises (SMEs) are owed around £500 billion in outstanding payments, according to the latest Lloyds Bank Commercial Banking Business in Britain research. This is an increase of more than 70 per cent in two years and Lloyds Bank has said this problem is only likely to get worse during 2016, with almost a third (30 per cent) of small businesses expecting more of their customers to demand deferred payment terms in the next six months.

Stephen Everett, head of product and propositions for Lloyds Bank, Global Transaction Banking, said: "Nearly a third of businesses (31 per cent) told us that late payments were affecting their cashflow, and with the amount of money owed to them in unpaid invoices, it's not surprising.

"Yet having this volume of unpaid invoices – just like having thousands tied up in physical assets – needn't prevent firms from having working capital to invest in growth. Different types of funding such as invoice finance or asset-based lending can help unlock the working capital that they need, allowing businesses to grasp more of the opportunities that exist at the moment.

"Failing to take advantage of these types of funding, on the other hand, could be seriously holding them back, affecting not only their growth, but for many firms, potentially stunting the growth of the entire supply chain beneath them."

Sussex, Surrey, Hampshire and Dorset were the areas most affected by late payments last year with businesses in this region being owed £109,000 on average, while those in Scotland were owed the least at around £79,000.

If your client's business is struggling with late payments and would like help minimising the number of invoices outstanding, then our team can help. To find out more, 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