

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

More young women become insolvent than men

The gender pay gap is currently in the spotlight as the government seeks to introduce new rules that will require large businesses to reveal the difference in pay between women and men in the interest of equality. However, what may prove more shocking is the gender-related insolvency gap, which is just as pronounced.

According to figures published last year by the National Insolvency Service, while the number of bankruptcies overall is down in England and Wales, young women are now more likely to fall into personal insolvency or bankruptcy than men.

The gender gap is also more noticeable when it comes to young adults, with 22.2 of every 10,000 women aged between 25 and 34 applying for bankruptcy or another insolvency status, compared with 21.2 of men the same age; marking the first time that the number of women applying for debt relief has overtaken men.

R3, the insolvency trade body, has subsequently found that a key factor in female applications for bankruptcy is consumer debt (by this they mean credit cards). Generally younger people are incurring more debt as living costs, such as rent, increase faster than the pace of their wages.

The Financial Times recently reported that millennials (those between the ages of 20 and 30) should be saving £800 a month towards their pensions if they wish to have the same living standards as today's pensioners. However, according to the most recent government statistics the average salary for a 25-year-old in full time work is only £19,300, which is why 20 per cent of so-called millennials have used debt to pay for living costs.

Citizens Advice has found that young people today are crippled by debt.



They said people aged 17 to 24 asked them for advice on 102,296 debt issues in the last financial year; up by around 21 per cent from the previous year. The figures also show that young people have an average debt to income ratio of nearly 70 per cent, compared to 11 per cent when it comes to 60-64 year olds.

Gillian Guy, Chief Executive of Citizens Advice, said: "A new generation of young people are starting out with stifling levels of debt. Many young people already face

challenges getting on the career and housing ladders, doing this while saddled with huge unsecured debts makes it an uphill struggle."

If you have a client, whether young or old, who is struggling with unsecured debts that need help then our team at Newman and Partners can help. We have years of experience advising accountants and advisers and can help you find the best solution for your client. To find out more please contact us.

Colossal rise in consumer credit and mortgage approvals, says Bank of England

Recent figures from the Bank of England have revealed that British consumers borrowed a colossal £1.6 billion in January 2016; the second-highest level on record in more than a decade.

The Bank of England's research found that consumer credit had risen by 9.1 per cent year-on-year at the start of this year and the figures released came close to the record numbers reported back in November 2015; which were the largest on record since June 2005.

The rise in borrowing coincided with the January sales period, which saw Britons "rediscover their zeal for borrowing", according to Samuel Tombs, chief UK economist at Pantheon Macroeconomics.

The trend mirrored consumer borrowing in November 2015, when the heavily publicised 'Black Friday' sales encouraged spending, and unsecured lending climbed to its highest level in more than a decade.

High street clearance sales clearly had a heavy influence on borrowing hikes, but the Bank of England also reported that the number of people taking out mortgages hit a two-year high in January of this year – with a total of almost 75,000 mortgages approved.



The Royal Institution of Chartered Surveyors (RICS) and the Council of Mortgage Lenders (CML) have predicted that buy-to-let landlords are rushing to buy property ahead of 3 per cent second-home stamp duty changes due to take effect from April 2016.

Consumers in the UK are taking on debt at an alarming rate while the Bank of

England's base rate remains historically low. However, at some point in the future, this rate is likely to rise and many borrowers will find themselves unable to repay their debts, leading to possible insolvency. At Newman & Partners, we have years of experience advising people in such situations. If you would like to know more about the advice we can offer, please contact us.

R3 welcomes 7 per cent reduction in cost of entering bankruptcy

From next month the government fees for an individual applying to be made bankrupt are to fall from £705 to £655, a move which has been welcomed by Stuart Frith, chairman of the Personal Insolvency Committee of insolvency trade body R3.

He said: "The fall in the cost of bankruptcy petitions is good news. The government fees for entering bankruptcy can be a real obstacle to people trying to deal with problem debt and lower fees mean a lower barrier to debt relief.

"While it's a step in the right direction that fees will be able to be paid in instalments, R3 would much rather see the fees paid over the course of the bankruptcy rather than up-front. People should have to wait to exit bankruptcy until the fees are paid in full rather than wait to enter it. It would be better for everyone if people with unsustainable debts could access the

protections offered by bankruptcy when they need it, not when they can afford it. £655 is a sizeable sum for someone to have to find whether they have debt problems or not.

"The sooner insolvent individuals enter an insolvency procedure, the sooner they can rebuild their finances and the sooner creditors can start to be paid back."

The fees laid out by the government are made up of a £525 deposit and a £180 application fee. From April the application fee is falling to £130 as part of the switch from debtor petitioned

bankruptcy orders being made by the courts to an online adjudication system.

Creditors must still petition the court should they wish a bankruptcy order to be made against a debtor. However, following changes to the bankruptcy rules last year, a debtor must also owe at least £5,000 to a creditor before that creditor can petition for their bankruptcy. Prior to October 2015, only £750 had to be owed.

If you would like to know more about Newman and Partners insolvency service, please contact us.

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