June 2017

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**

Unsecured household debt estimated to surpass pre-crisis levels

Concerns have been raised that unsecured household debt is spiralling out of control, and is on track to surpass pre-crisis levels by the end of 2017. The warning comes from the Trade Union Congress (TUC), which estimates that unsecured debt in the UK will hit a record figure of £13,900 per household this year, topping the 2008 high of £13,300 per household.

The TUC adds that the UK's economic health is at risk from a 'dangerous mix' of low wages and low investment. Its report points out that average wages today are almost £20 per week lower than they were nine years ago – and adds that an increasing number of households are now reliant on credit cards and payday loans in order to "prop up" their spending habits, which have been exacerbated by increasingly attractive low interest rates.

These concerns have been echoed of late by figures published by the Bank of England at the beginning of the month. Citing the Bank's data, a report in *The Daily Mail* remarks that "Britain's debt bubble is on the brink of bursting," with consumers embarking on a seemingly continuous "borrowing binge" throughout the year.

The Bank of England's data suggests that spenders racked up unsecured debts of up to £198.4bn on the likes of credit card, car finance, loans and overdrafts last month. Its figures reveal that credit card spending alone surged to a new record high in May, hitting £68.1bn – representative of a 9.7 per cent rise over figures recorded during the same month one year earlier.

Amidst ongoing calls for City regulators such as the Financial Conduct Authority (FCA) to intervene, politician and former City Minister Lord Myners has warned that "the quality of lending is declining, and the capacity of people to meet their [repayment] commitments is declining," while other commentators have said that "alarm bells should be ringing" for the Bank of England.

Our team at Newman and Partners can provide help to you if your client is struggling with debt issues or facing insolvency. We can also offer proactive advice on personal bankruptcy and corporate insolvency. To find out more about our debt management services, please contact us.

Rising prices pushing food and logistics firms into financial distress

Tens of thousands of UK businesses working in the supply chain – including logistics and wholesale firms – are on the brink of insolvency thanks to recent falls in the value of sterling coupled with the rising costs associated with fuel and food, a new report has warned.

According to the research, as many as 22,000 businesses have been pushed into "significant financial distress" since the pound first began to fall in value this time last year. Since the European Union (EU) Referendum, it is estimated that sterling has fallen by around 16 per cent against the US dollar.

Meanwhile, the latest RAC Fuel Watch report has revealed that UK petrol and diesel prices rose significantly in April, while elsewhere in Europe, separate research from Post Office Travel Money suggests that fuel prices have risen by as much as 40 per cent for unleaded petrol and 51 per cent for diesel over the past 12 months. This poses a particular problem for UK-based logistics organisations that rely on cross-border driving and deliveries – and comes against a sustained backdrop of political and Brexit-related uncertainties.

Further reports suggest that British businesses operating in sectors of all shapes and sizes are all feeling the pinch of inflation – the rate of which rose to a record-breaking 2.7 per cent in April. This is representative of the highest level on record since September 2013, commentators have been keen to point out.

More recent studies have revealed that the UK's services sector slowed significantly last month against a backdrop of inflation woes and General Election uncertainties, while a report published by insolvency trade body R3, towards the end of May, found that as many as nine of the 11 industry sectors monitored in its monthly business stability rankings in North East England experienced an increased insolvency risk last month.

Providing the right advice to your clients

during a period of economic uncertainty is crucial, and concerns regarding bankruptcy or insolvency are always best explored sooner rather than later. To find out more about our proactive services, please contact us.

Number of CCJ debt judgements up by 35 per cent

Troubling research into County Court Judgements (CCJ) has revealed that the number of debt judgments made against consumers spiralled to a ten-year high during the first quarter of 2017 – representative of a 35 per cent year-on-year rise. The research, which was published by the Registry Trust in recent days, highlights the growing problem of consumer debt, which is pushing more and more individuals towards bankruptcy.

CCJ debt judgments are handed out to individuals and businesses who are unable to pay debt. In the first quarter of 2017, the Registry Trust's figures suggest that some 30,000 business and individuals received such orders. This figure bucks previous trends that suggested a decline in CCJs – and potentially represents an 83 per cent rise in the number of judgments registered against UK companies.

Commentators have pointed out that the rise in CCJ figures contradicts the common notion that the cost of court fees are deterring individuals and small and medium-sized enterprises (SMEs) from suing in a bid to chase their debtors. However, the Registry Trust's data sadly does not reveal the identities of claimants in the cases recorded.

A number of debt charities have raised concerns following the research. Joanna Elson, chief executive of the Money Advice Trust (MAT), has said: "It is worrying that the number of CCJs issued has been increasing so dramatically.

"The sharp spike in the first quarter follows a general increase we've seen in recent years and is likely due to a number of factors including an overhang from the financial crash with debts coming to the end of the period in which creditors can take action, more people now struggling to balance household budgets, and a change in approach by some collection agencies."

She warned: "There's a strong chance that this trend will continue as people feel rising inflation levels eating into their wages."

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

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