Insolvency Market Trends

The latest insolvency market trends, data and insight brought to you by TDX Group

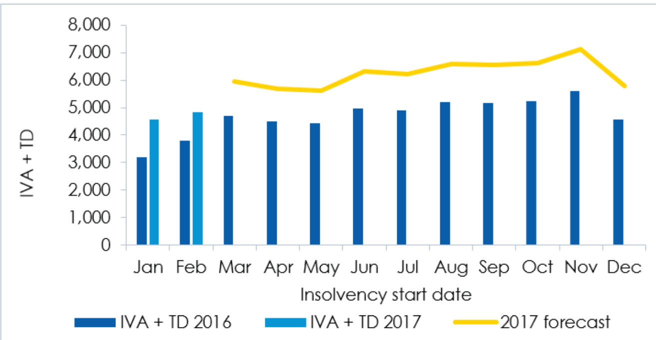
February update

Predicted ~30% rise in personal insolvencies in 2017

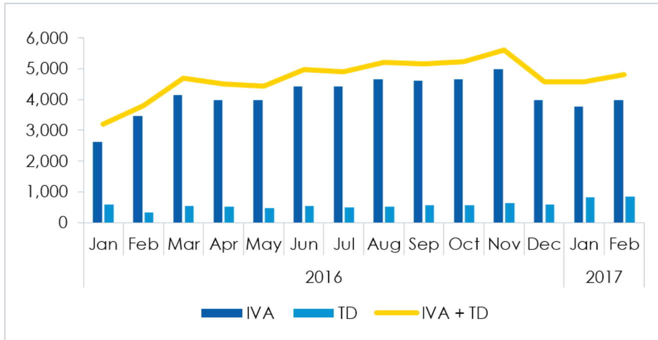
As reported in last months' Insolvency Market Trends update, we continue to see rising volumes of new Individual Voluntary Arrangements (IVAs) and Trust Deeds (TDs). In February 2017, provisional numbers*, show that 4,554 new IVAs and TDs were recorded, an increase of almost 20% on the same month in 2016. This is a slight fall on January 2017 with 4,661 new IVAs and TDs recorded, an increase of 45% on January 2016 which is likely to be as a result of a lower number of working days compared to January and the data lag referenced earlier in this piece.

It is still early in the year but current trends suggest that volumes are likely to rise significantly this year. If you take average growth figure at the bottom of the range it isn't impossible to project out a 30% annual growth rate for 2017 which could take new IVA and TD numbers for the year to over 70,000. With an average number of unsecured debts per case of 6.5 this would see over 450,000 credit accounts with a face value of over £11 billion enter an insolvent state during the year.

2017/2016 volumes comparison (fig. 1)



Monthly view (fig. 2)



In February we have seen a number of Debt Management firms with associated Personal Insolvency business receive full FCA authorisation. Now that these firms have stable, fully regulated, business models it is expected that they will once again start to invest in marketing, increasing the number of people they provide debt advice to, which in turn is likely to drive personal insolvency volumes higher. Inflation, particularly on unavoidable household bills such as fuel, utilities and groceries remains the most significant influencer which will tip consumers into financial difficulties. For consumers on lower incomes their ability to service their debts will become harder.

As volumes rise and the profile of consumers accessing personal insolvency solutions continues to change, creditors who previously had little exposure to IVAs, TDs, Bankruptcy, Sequestration, etc. will need to adapt so that they can effectively support their customers through the process and make sure they are maximising their returns. With a complex personal insolvency industry made up of over 800 IPs, managing significant levels of correspondence, proving debts, voting, modifications, variations, managing annual reports, tracking payments, etc. will be challenging for smaller creditors with limited knowledge and experience in dealing with personal insolvency.

Richard Haymes
Head of
Financial Difficulties

*New IVA cases may take up to eight weeks from start date to show in Insolvency Service data

Contact us today for more information: richard.haymes@tdxgroup.com