August update

Insolvency Market Trends

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

Regulation needs to be enhanced to FCA standards

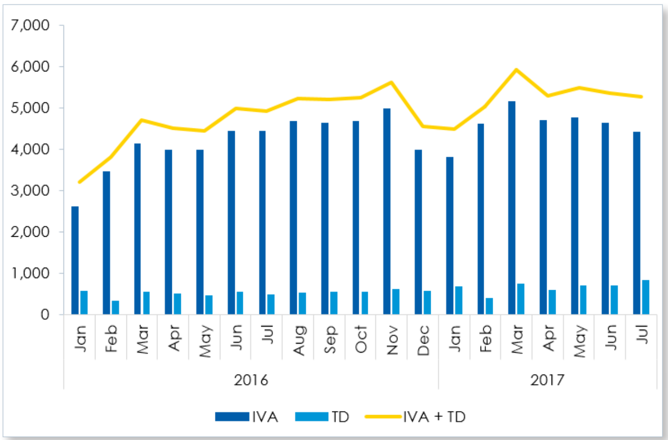
During the summer period we have seen a slowdown in the growth of both Individual Voluntary Arrangements (IVAs) and Trust Deeds (TDs). Volumes are expected to rise again through September and October, reflecting normal seasonal patterns.

New IVAs and TDs confirmed for the first half of 2017 were 31,706, an increase of over 6,000 on the same period in 2016, a growth rate of c24% which is in line with our forecast and commentaries in previous Insolvency Market Trend updates. We believe that drivers for this growth continue to be:

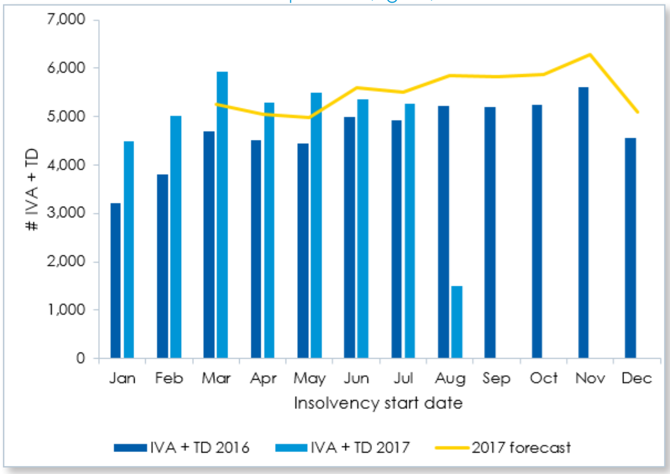
- Increased consumer demand driven by uncertain economic conditions, low wage growth, rising inflation and the roll through from increased consumer lending in recent years.
- Ongoing focus from personal insolvency providers on consumer marketing.
- Continued fallout from the FCA authorisation of Debt Management Plan (DMP) providers as consumers historically serviced through DMPs are more likely to now be directed to personal insolvency providers.

There is an ongoing consultation on Statement of Insolvency Practice 11 (SIP 11) which closes on 12 September 2017, which covers the 'handling of funds in formal insolvency appointments' which was last updated in 2007. This consultation will enable the personal insolvency industry, creditors, consumer groups and other interested stakeholders to input into future standards. It is a key consultation following Varden Nuttall entering administration in 2016 and the recent administration of FairPoint. When a consumer starts working with a personal insolvency provider they place a huge amount of trust in that firm in terms of the advice they are provided, the set up and administration of the insolvency and the handling of the assets subject to the insolvency (including the handling of regular payments made by the consumer for the five or more years of the insolvency). There is a two tier regulatory environment for debt solutions with Debt Management Plans (DMPs) covered by the Financial Conduct Authority (FCA) and IVAs regulated by Recognised Professional Bodies (RPBs) assigned by the Insolvency Service (IS). DMP providers are subject to FCA CASS requirements which provide consumers with significant protection and risk mitigants including the requirement on DMP providers to distribute consumer monies to creditors within five working days of receipt. We continue to call on the RPBs and the IS to enhance their levels of regulation to FCA standards. Consumers and creditors need to have trust in the personal insolvency market for it to remain an effective and safe tool for those living with unmanageable debt to resolve their debt problems.

Monthly view (fig. 1)



2017 / 2016 volumes comparison (fig. 2)



Richard Haymes
Head of
Financial Difficulties

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

TDX Group Limited
Registered in England with company no. 05059906 and VAT no: 877 7226 75
Registered address at 1 Angel Court, London, EC2R 7HJ
Authorised and regulated by the Financial Conduct Authority

TDXGROUP
An Equifax company