# Postcode hotspots

## When it comes to levels of IVAs, how do different postcodes compare?

When it comes to levels of IVAs, how do different postcodes compare, what's driving the trends and are they set to change?

Analysis of personal insolvencies in 2017 reveals that East Anglia, Brighton and Newcastle residents most likely to be insolvent, with one in 239 people in Peterborough and one in 273 people in Norwich entering an Individual Voluntary Agreement (IVA). Other insolvency hot spots included Brighton (one in 323), Portsmouth (one in 333) and Newcastle (one in 358). People living in the major metropolitan areas of Liverpool (one in 814) , Glasgow (one in 842), Birmingham (one in 1020) and London (one in 3478) are much less likely to enter into personal insolvency.

Consumers entering an Individual Voluntary Arrangement (IVA) or Trust Deed (TD) in 2017 as proportion of region population (fig. 4)

| UK region | One person entering insolvency in every | UK region | One person entering insolvency in every |
|---|---|---|---|
| Peterborough | 239 | Plymouth | 553 |
| Norwich | 273 | Manchester | 596 |
| Brighton | 323 | Coventry | 632 |
| Portsmouth | 333 | Sheffield | 654 |
| Newcastle-upon-Tyne | 358 | Bristol | 739 |
| Nottingham | 383 | Liverpool | 814 |
| Swansea | 489 | Glasgow | 842 |
| Leicester | 515 | Birmingham | 1020 |
| Cardiff | 544 | London | 3478 |

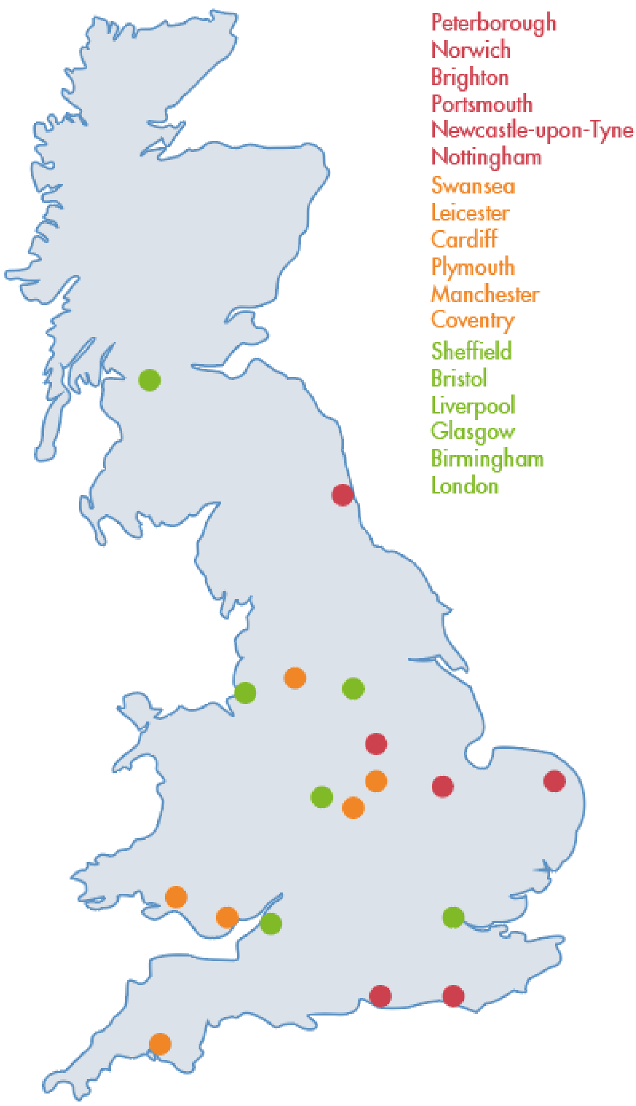
The data highlights that in terms of problem debt, we are seeing the development of a two-tier economy, with those benefiting from low interest rates, cheap mortgages and reasonably low inflation able to manage their debts, while those in rental properties experiencing higher living costs becoming more likely to see credit transition into problem debt.

However, with the recent increase in interest rates, we should look out for changes in this dynamic.

While an interest rate rise is positive news for people living on their savings income, or holding pensions and investments, it may prove to be the tipping point for those in financial difficulty or struggling with debt. Holders of a £250,000 mortgage will have to absorb a monthly repayment increase of £31* as a result of this 0.25% hike. Over a fifth of those in an IVA hold a mortgage** and, although this rise may appear modest to many, for those in structured debt management plans or IVAs this could have a very significant impact, even resulting in their debt solution becoming defunct or in need of renegotiation. Furthermore, due to these people's unfavourable credit circumstances, it's likely that majority of mortgage holders in insolvency are tied to variable mortgage products, leaving them particularly vulnerable to a higher interest environment.

Additionally those who are just managing to make ends meet because of the favourable condition for cheaper mortgages must take this as a warning sign. The trend we've seen to date of those in rented accommodation being the most likely to find themselves struggling financially may well be rebalanced by those with mortgages starting to feel the pinch.

*source: Bank of England
**source: Creditfix

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