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For further information, please contact:  
Oliver Betts, T: 0115 953 1253

## **Bankruptcy: new report answers the £50 million question**

### **Creditors face mounting bankruptcy costs and risk breaching compliance, warns TDX Group**

13 May 2010 — A new report by TDX Group, the UK's leading provider of analytics-based debt management products and solutions reveals that creditors are spending over £50 million a year on administering bankrupt accounts, an 35% increase in the past two years as volumes soar and returns plummet.

With the number of personal insolvencies expected to reach 150,000 by the end of the year<sup>1</sup>, the company warns that overrun creditors could lose an additional £40 million by failing to close bankrupt accounts allowing debt balances to expand.

In a new report, 'Have bankruptcy assets become a liability for creditors?', TDX Group reveals that creditors are ill equipped to deal with the exponential rise in bankruptcies, from which they are likely to receive ever smaller returns as home equity levels continue to be squeezed.

According to TDX Group, creditors are also in danger of failing to meet compliance requirements, for example breaching the principles of Treating Customers Fairly (TCF). Indeed many creditors are failing to maintain adequate records and often continue to chase payments from the bankrupt debtor. The company estimates that 2-3% of accounts with external debt collection agencies are in fact already subject to bankruptcy proceedings.

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Reflecting a failure to engage properly in the insolvency process, TDX Group's research suggests that two thirds of creditors fail to exercise their right to vote at Meetings of Creditors and fail to submit a valid Proof of Debt documentation, required to qualify for any prospective dividends.

As conditions become worse, TDX Group's research shows that creditors are increasingly seeking to capture early returns by disposing of their bankruptcy assets to specialist purchasers and servicers, thereby locking-in protection against future uncertainty and risk.

Carlos Osorio, Head of TDX Group's Bankruptcy Exchange, said, "Creditors are rightly concerned about bankruptcies, which are set to continue rising in the coming years. What's clear is that the problem can no longer be ignored. Creditors appear to have little to gain and much to lose by administering their bankrupt accounts. With no ongoing client relationship to maintain, creditors are increasingly considering disposing of their bankruptcy assets as a means of extracting some immediate value, removing cost and mitigating risk."

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