Insolvency Market Trends

July update

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

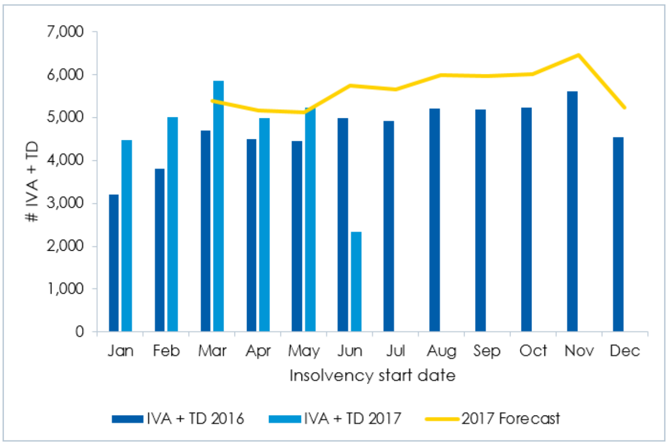
The volume of new personal insolvencies continues to rise.

An early cut of data from the first half of the year suggests that overall growth in new Individual Voluntary Arrangements (IVAs) and Trust Deeds (TDs) is ~20% against the same period in 2016 (25,651 new IVAs and TDs in the first half of 2016 vs. 31,025 in the first half of 2017).

The key growth drivers continue to be:

- The natural roll through from increased consumer lending particularly in the near/subprime space over the last 36 months. With the Bank of England and FCA both raising concerns around the growth in consumer credit with the Financial Policy Committee of the BoE warning that UK households indebtedness remains high by historical standards and is rising relative to income.
- Affordability pressures on consumers. With inflation exceeding wage growth real household disposable incomes are falling at their fastest rate since 2011 according to the Office of National Statistics (ONS). The amount families have to spend after tax and benefits are taken into account fell by 2% in the first quarter of 2017, compared to 2016*.
- Increased marketing by commercial debt advice and personal insolvency drivers is significantly raising consumer awareness of personal insolvency solutions like IVAs and TDs.

2017 / 2016 volumes comparison (fig. 1)



During the second half of the year we expect a number of key industry themes to continue to emerge:

- In 2016 the debt solution sector experienced significant levels of consolidation. We expect to see this trend continue through the rest of 2017 with both consolidation across Insolvency Practitioners and Debt Management Companies. These larger, well-funded, entities will continue to invest significantly in consumer marketing.
- We will see changes in the regulation of large personal insolvency providers to keep track with provider innovation and new ways of servicing consumers.
- The demand for debt solutions by consumers will continue to increase. Cliff events such as controls on lending, interest rate rises or further inflationary pressure will push consumers to seek help with their potentially unmanageable debt.

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*Source: http://www.bbc.co.uk/news/business-40518579

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