January update

Insolvency Market Trends

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

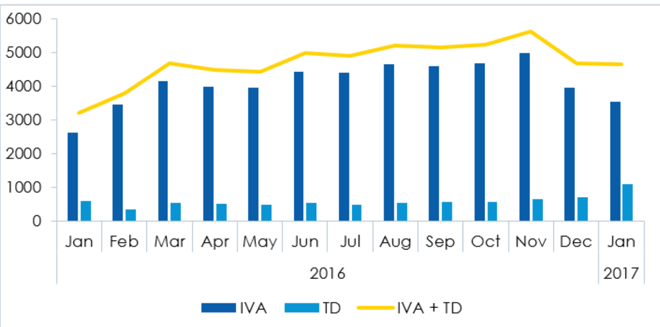
Volumes likely to reach record levels in 2017.

We reported in the last Insolvency Market Trends update that 'personal insolvencies could edge higher in 2017' – the start to the year suggests that volumes are likely to reach record levels in 2017. 3,554 new Individual Voluntary Arrangements (IVAs) were recorded in January, 932 more than in the same month in 2016, an increase of 35%. New Trust Deeds (TDs) in January grew even faster with 1,089 new TDs recorded – an increase of 87% on January 2016.

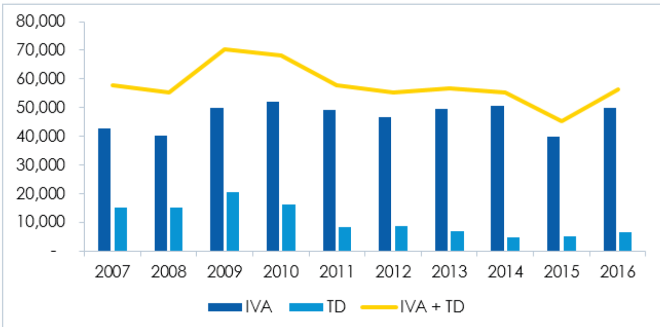
Historically IVA volumes tend to follow a seasonal pattern with increased volumes seen from March onward, a result of consumers tackling their debt problems post-Christmas. Growth right at the start of the year evidences strong marketing pipelines developed by Insolvency Providers (IPs) in Q4 2016. Several external factors, some of which we have talked about previously, continue to drive the increase in volumes:

- IVA providers are investing significantly in marketing with IPs once again advertising on TV.
- The annual rate of Consumer Prices Index (CIP) inflation, as reported by the Office for National Statistics, rose to 1.6% last month, up from 1.2% in November[1].
- For consumers on the cusp of financial difficulties inflation of household bills, those monthly costs that can't be avoided, are even more significant. Research in January from Barclaycard, which represents nearly half of the nation's credit and debit card transactions, showed how expenditure was changing with petrol forecourt spending growth of 15.3% and supermarkets 2.9% as price rises filtered through to consumers[2]. Overall Barclaycard reported that consumer spending grew 4.4% in January, boosted by big increases in the amount households spent on essentials (5.8%).
- Data from the British Bankers Association (BBA) shows that re-mortgages were 30% higher in December 2016 vs. the previous December which may reflect consumers desire to 'lock in' lower interest rates ahead of potential rate rises later this year. Their data also shows continued growth in personal loans which also may potentially be driven by the appeal of favourable rates. However, credit card outstanding balances are falling indicating that consumers may be reducing their credit card exposure by transferring debt on to personal loans or mortgage balances[3].

2017 monthly view (fig. 1)



IVA and trust deed volumes (fig. 2)



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.

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Sources:
1: http://www.bbc.co.uk/news/business-38649676
2: http://www.Barclaycard.com/media-centre
3: https://www.bba.org.uk/news/statistics/high-street-banking/december-2016-figures-for-the-high-street-banks/

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