Q1 review

Insolvency Market Trends

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

Round-up of news from quarter one about insolvency solutions, along with our view on volumes and the outlook for those struggling financially.

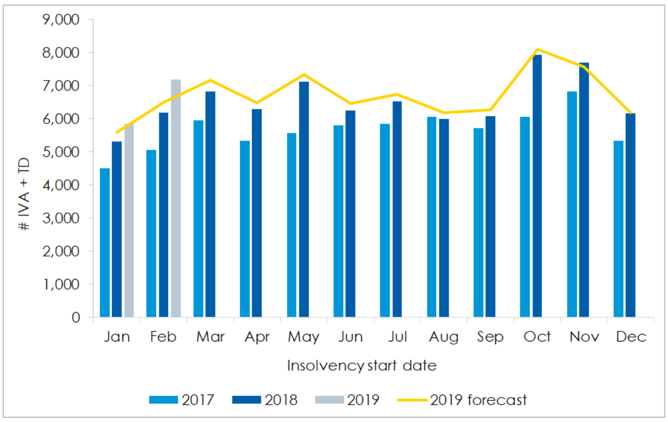
The UK has seen a year-on-year growth of almost 9% in new IVAs and Trust Deeds during Q1 of 2019, a potential sign of further problems ahead.

According to The Money Charity Stats*, the average consumer credit debt per household now stands at £7,863, around only £1,000 less than people believed they would find unmanageable in our recent research**.

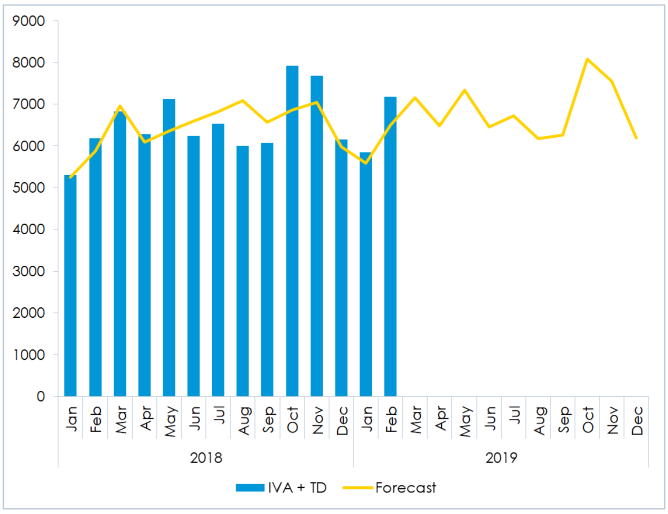
The Spring statement lacked any new provisions to address immediate problem debt and while plans are in place to bring in 'Breathing Space' and the Statutory Debt Repayment Plan, these won't take effect until at least the end of this year, offering little help to the immediate pressures on those already in vulnerable financial positions.

Facing potential headwinds from Brexit and wider economic conditions, the financial situation for many individuals and families is likely to worsen, and demand for access to high quality debt advice and solutions will only rise. It's vital that current plans are accelerated, or the government must instead find another solution to provide some short-term relief.

2019 / 2018 / 2017 volumes comparison



Monthly IVA + TD volumes and forecast



Debt Management market: FCA's thematic review findings

On 15 March 2019 the FCA published the outcome of their most recent thematic review into the Debt Management market. The Debt Management market was first investigated by the FCA in thematic review (TR/15) which published its outcomes back in the middle of 2015. At the time the FCA evidenced significant consumer detriment in this sector and quickly acted to improve standards. Through higher regulatory requirements than the Office of Fair Trading, who were responsible for Debt Management prior to April 2014, and more active enforcement/oversight, many of the +200 Debt Management providers exited the market or were subject to regulatory activity. The transformation of this market following the FCA's intervention has been significant but ongoing focus is still required.

Their key findings were:

- The business culture in most commercial providers was now better focused on customer outcomes and managing customer risk.
- Overall quality of debt advice has improved significantly but ongoing focus is required to make sure that debt solutions consistently deliver good outcomes.
- Providers are devoting more time and resource to making sure customers are supported through the life of their repayment plans, including the annual review process.
- Improvements areas are the treatment of vulnerable people making sure advice and debt solutions are appropriate and sustainable.

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Statutory Debt Repayment Plans: unlikely to be available until 2020

The recent HM Treasury consultation on 'Breathing Space' and Statutory Debt Repayment Plans (SDRP) detailed how the Insolvency Service will provide a register for this solution as they do today for insolvencies like IVAs and bankruptcies. They will also work with the debt advice sector as the SDRP administrators as they currently do for Debt Relief Orders (DROs). We wait on the outputs of the consultation but with Brexit delayed its unlikely these solutions will be available for people living with problem debt until 2020.

Debt Relief Orders: 10 years on

Back in November last year, the Insolvency Service approved the 250,000th DRO. It's a milestone year for DROs as the first one was issued on 08 April 2009 which means that a mere ten years later over a quarter of a million DROs have been approved and processed. DROs cost £90 with people applying through an authorised debt adviser like National Debt Line or Citizens Advice. In October 2015 the maximum debt level was increased to £20,000 and asset limit raised from £300 to £1000.

Bankruptcies: use of PPI claims in payments to creditors

The Official Receiver is seeking to claim outstanding PPI awards available in bankruptcy estates to ensure creditors receive assets owed before the final deadline for claims on 29 August 2019. In cases where PPI insurance was taken out before a person was made bankrupt compensation claims made by the Official Receiver will be used to make payments to creditors. Deloitte LLP has been appointed to assist the Official Receiver with the submission of PPI queries to providers to establish whether any mis-sold PPI redress is due to creditors of bankrupt estates.

If a bankruptcy order is subsequently annulled by the court, or if PPI insurance was taken out after the date of bankruptcy, the PPI is the property of the former bankrupt, who is entitled to keep any compensation awarded.***

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

Sources: The Insolvency Service, The Money Charity, TDX Group, FCA
*The Money Charity Stats - Average consumer credit debt per household in December 2018.
**Average amounts of debt people consider unmanageable (excluding a mortgage).
Figures from Opinium. The survey was conducted online. Total sample size was 2,003. Fieldwork was undertaken 27 – 29 November 2018.The figures are representative of all UK adults (aged 18+). Unmanageable debt was perceived to be at an average of £8,854 for households with women finding an average of £7,761 unmanageable compared with £9,996 for men.
***Direct quote from the Insolvency Service Winter 2019 update
https://www.fca.org.uk/publications/thematic-reviews/tr19-1-debt-management-sector-thematic-review
https://www.gov.uk/government/consultations/breathing-space-scheme-consultation-on-a-policy-proposal

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