



Press release

05 November 2010

Debt charity warns insolvencies could rocket 20 per cent

Although figures released today indicate a drop in personal insolvencies¹, a UK debt charity has warned that the debt crisis looks set to escalate again.

According to Debt Advice Foundation, the country is experiencing the 'calm before the storm' and predicts that the number of people facing insolvency could rocket by 20 per cent following the outcome of the Government's spending review².

With speculation that 500,000 public sector jobs could be lost by 2014, the charity believes that despite personal insolvency figures having now fallen for the second consecutive quarter, the country is still sitting on a financial time bomb.

David Rodger, Managing Director of Debt Advice Foundation, explains: "Although 2010 has seen a reduction in the number of people becoming insolvent, the prospect of half a million public sector jobs being cut with little hope of the private sector picking up the slack, unfortunately means that the worst could be yet to come."

Last year saw the highest number of personal insolvencies on record and despite the current reprieve; the potential job losses could push insolvency to an all-time high³.

Mr Rodger continues: "Although insolvency volumes are the product of a number of contributory factors, unemployment, particularly new unemployment, is a key determinant. If the predicted spending cuts go ahead we could see insolvencies rise to in excess of 40,000 per quarter, which is 20 per cent higher than present levels."

www.debtadvicefoundation.org

Ends

Photo Caption: 'The calm before the storm – consumers could face bigger debt woes'.

Further information:

Contact the press office on 0800 779 71 36 / 0788 973 60 44 or email
pressoffice@debtadvicefoundation.org

Editors Notes

¹ There were 33,935 individual insolvencies in England and Wales in the third quarter of 2010. This was a decrease of 3.7% on the same period a year ago. Source: The Insolvency Service, 5 November 2010.

<http://www.insolvency.gov.uk/otherinformation/statistics/201011/index.htm>

² Reports have suggested that 500,000 public sector jobs could be cut by 2014, following the Government's Spending Review – 19 October 2010:

http://www.pressassociation.com/component/pafeeds/2010/10/19/500000_public_sector_jobs_to_go?camefrom=photo

³ There were 134,142 individual insolvencies in England and Wales in 2009 – the highest annual figure on record. Source: The Insolvency Service, 5 February 2010.

<http://www.insolvency.gov.uk/otherinformation/statistics/201002/index.htm#tables>

Based on the correlation between unemployment and personal insolvency, this figure could rise by 20 per cent if the predicted public sector job cuts are enforced.

Debt Advice Foundation Analysis:

Chart 1: Time-series analysis of quarterly insolvency numbers and average unemployment.

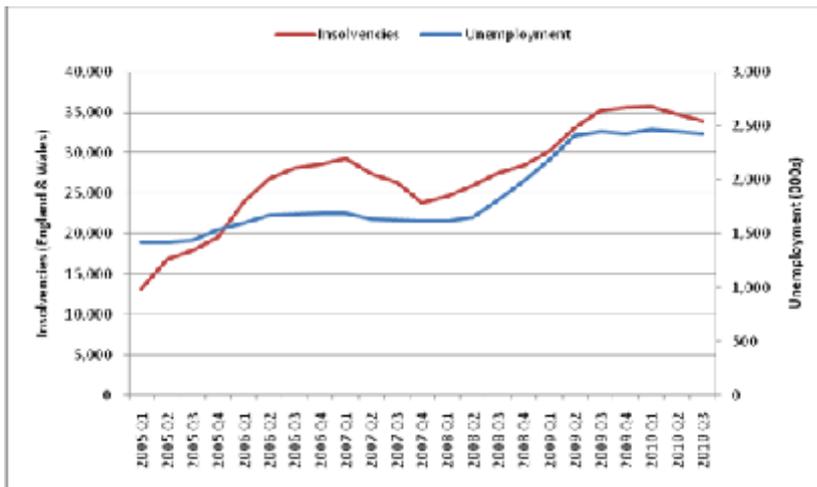
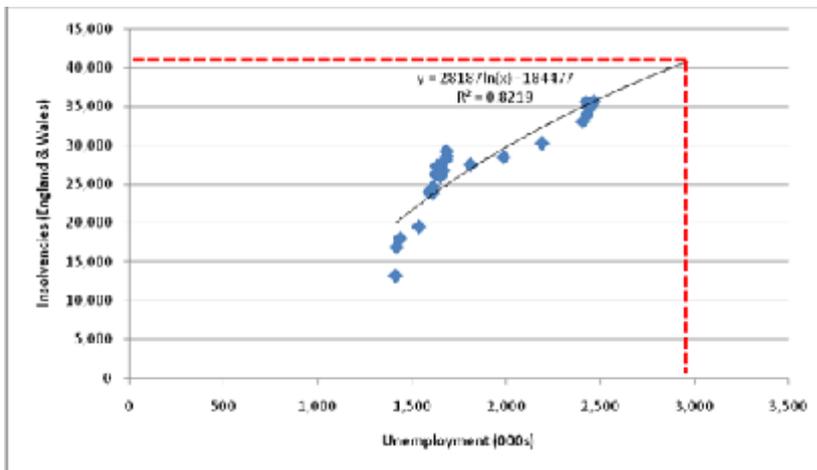


Chart 2: Correlation of average unemployment (independent variable) and quarterly insolvency numbers.



*Insolvency is defined as a situation where a person is not able to meet their credit commitments as they fall due.

** Unemployment is a key determinant of quarterly insolvency numbers (see correlation between the two variables in chart 2).

*** Quarterly insolvency numbers have been sourced from latest Insolvency statistics issued by the Insolvency Service. Unemployment figures have been sourced from www.statistics.gov.uk (All: Aged 16 – 64).

About Debt Advice Foundation

- Debt Advice Foundation's telephone helpline service is available six days a week on 0800 2922077, lines are open from 8am-8pm Mon-Fri and 9am – 5pm on Saturdays.
- Debt Advice Foundation is a registered charity, with the following objectives:
 - Provide free, impartial and appropriate advice to people with unaffordable debt.
 - Help people with debt problems to gain free access to solutions that will help them.
 - Promote the education of young people in money management so as to reduce the likelihood they will mis-use debt later in their lives.
 - Undertake or fund research to understand why problem debt happens and its effect on individuals, families and the wider UK economy.
 - To use this evidence to become a force for beneficial change within the credit and debt solutions industry and to work with government to bring about legislative change to benefit UK consumers.
- Debt Advice Foundation features on the FSA (Financial Services Authority) consumer website – Money Made Clear (www.moneymadeclear.org.uk) and Direct Gov (www.direct.gov.uk) as a source of free and impartial debt advice.