



## **Press Release**

10 January 2011

### **Debtors Prefer To Pay Back Debts Than Write Them Off**

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David Rodger, Managing Director of national debt charity Debt Advice Foundation said "These results are quantifiable evidence of what we've known for a long time, that the vast majority of people that call the charity's helpline are hard-working, honest people who have developed a debt problem due to income shock related to an unexpected life event such job loss, illness or pregnancy. They have no intention of walking away from their debts with many of them refusing to go down an insolvency route in favour of paying back their debts in full, over a much longer period."

"However, there's a balance to be struck between doing the right thing for creditors and society as a whole and for the client, who invariably isn't aware of the range of options that are available to them. A 20 year debt management plan isn't an appropriate length of time to be paying back an impaired debt, no matter how laudable the debtor's desire is to make good on their financial

commitments. Sometimes bad things happen to good people and they need to be able to make a fresh start."

The results have significant implications for Government's consumer debt policy, particularly the proposed introduction of a regulated debt management solution (the only managed solution that allows for the full debt to be repaid).

Whilst a regulated debt management solution might, on the face of it, seem like it fits the bill, it raises ethical questions about how long we, as an industry, should expect someone to make best endeavours to repay an impaired debt. There is an argument for repayments continuing as long as is necessary to satisfy the agreement. However, if that were the case, then interest rates must come down substantially given that lenders build bad debt provision, based on risk profiles, in to their rates of interest. We also need to take into account that many creditors often fail to recognise the plans and continue to add interest and charges, one of the principle reasons for the high breakage rates we see.

The scale of the disparity between those wanting to pay back their debts in full and those wanting to write off their debts after 12 months also raises questions about whether previous estimates of the number of people in debt management plans, which have no officially compiled statistics, may have been understated.

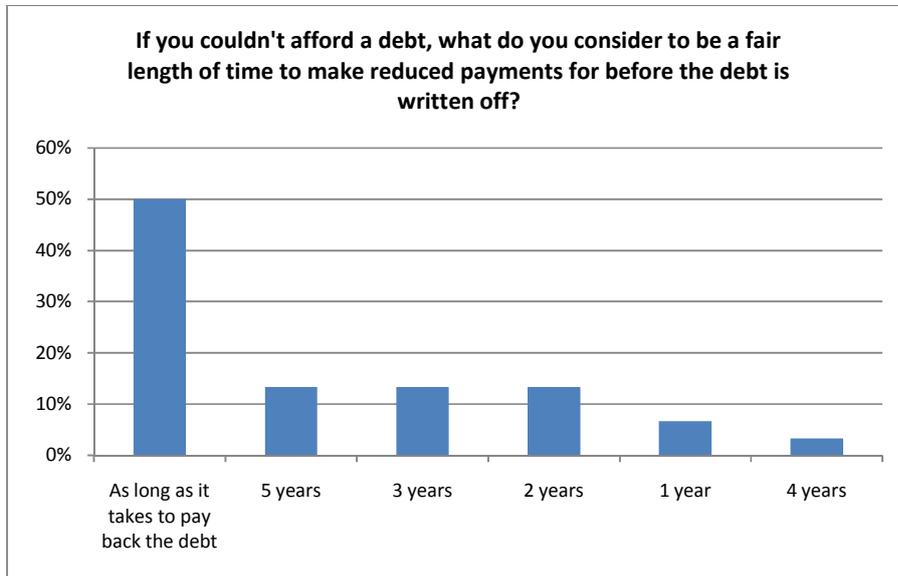
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For further information visit: <http://www.debtadvicefoundation.org>

**Further information:**

Further information: Contact the press office on 0800 779 71 36 / 0788 973 60 44 or email [pressoffice@debtadvicefoundation.org](mailto:pressoffice@debtadvicefoundation.org)

## Editor notes



## About Debt Advice Foundation

Debt Advice Foundation's telephone helpline service is available six days a week on 0800 043 40 50, 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 and Direct Gov as a source of free and impartial debt advice.

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Debt Advice Foundation is a registered national debt charity offering free, impartial support and advice to anyone that's worried about debt. The charity's telephone helpline is open Monday to Friday 8am to 8pm and Saturday 9am to 5pm.

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