

Wednesday 16 May 2012

Official figures ignore almost three out of every four insolvent households

Regional insolvency figures released today (Weds 16 May 2012) are missing the true scale of debt in households up and down the country according to national debt charity Debt Advice Foundation. An analysis of calls to the charity's helpline show that for every Debt Relief Order (DRO), Individual Voluntary Arrangement (IVA) and Bankruptcy in 2011, there were almost three more households with less coming in than going out.

The Insolvency Service reported that in 2011 there were just under 120,000 insolvencies (defined as DROs, IVAs and Bankruptcies) in England and Wales. There are no official figures for Debt Management Plans; however, the charity has estimated that at least 75,000 new plans will have been set up in England and Wales over the same period. Alarming, this means that almost a quarter of million households could be facing insolvency without the help of a recognised debt solution programme.

“Debt Advice Foundation managing director David Rodger said: “Today’s regional statistics highlight the drop in rates of bankruptcy – but we believe that the continued drop in bankruptcy orders is a direct result of the increasing cost of bankruptcy, which at £700 has risen by 40% in just two years. This is in stark contrast to the much more modest cost of a Debt Relief Order, which has remained the same at £90 over this period, and IVAs, which in many cases have no upfront cost.

“But these figures mask the fact that at up to three times the number of households are actually insolvent, with insufficient income to cover their essential household costs and credit repayments.

“The problem is that not all of the industry compiles official figures. Before we can look to tackle the problem effectively, we need to understand the scale of it, which means finding a way for the industry to demonstrate the true size of the problem in a meaningful way.

“All households are facing rising fuel, transport and food costs. However, large numbers of people simply do not have enough regular income to pay their essential living costs and loan repayments.

“Most people do not work out their household budget on a month to month basis, which means they are often unaware that they are actually insolvent.

“Today’s figures show that more men are going bankrupt than women – and our experience shows that men tend to wait longer before facing up to their debt situation than women, leaving themselves with fewer options.

“We are paying the price for a huge cultural shift that has made saving unfashionable and borrowing the norm.

“There are indications that increasing numbers of people are reducing their spending and paying off debts, but we are also seeing the march of high-interest, short-term lenders into the very centre of our high streets – ironically, in one place I know, one such lender has established an office in the very same town centre building that a traditional bank had abandoned.

“We need to encourage people to step back and take a long hard look at their finances so they can start to make more informed choices about their spending.”

People struggling with debt can access free advice and support from Debt Advice Foundation by visiting www.debtadvicefoundation.org or calling 0800 043 40 50.

- Ends –

Further information:

Press office: 0800 779 7136

Out of hours: 07889 736044

Email: pressoffice@debtadvicefoundation.org

Editors Notes

Debt Advice Foundation analysis is based on 11,000 helpline contacts in 2011.

The new Insolvency Service statistics can be found here:

<http://www.insolvencydirect.bis.gov.uk/otherinformation/statistics/regionalstatisticsmenu.htm>

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.

The charity is a member of AdviceUK, the UK's largest support network for free, independent advice centres and all of the charity's advisors are associate members of the Institute of Money Advisers, a charitable body that aims to promote free money advice and develop professional standards. It is also a registered supporter of the All-Party Parliamentary Group on Financial Education for Young People and the All-Party Parliamentary Group on Debt and Personal Finance.