

70% of personal insolvency practitioners have seen individuals unable to enter bankruptcy



Almost three quarters of insolvency practitioners (IPs) dealing with personal cases have seen individuals unable to enter bankruptcy in the last year as they cannot afford the debtor's petition according to R3, the insolvency trade body.

Currently an individual wishing to enter bankruptcy has to pay £175 in court fees and £525 in administration fees to the Insolvency Service, this is debtor's petition.

Of the personal insolvency practitioners questioned, 28% said that they had 'fairly' or 'very' frequently seen an individual who was unable to afford the debtor's petition.

Stuart Frith, chair of R3's personal insolvency committee, says: "The current rules severely limit the chances of financially struggling people resolving their situation. It is a matter of some concern that entering bankruptcy has become unaffordable for some."

"There are steps that could be taken to remedy this problem: the debtor's petition could be paid in instalments, for example. This would make the process accessible, whilst the need to eventually pay the full fee would also recognise that a cost should be incurred by someone looking to achieve protection from creditors. This fee also makes a contribution to the costs of the process itself."

Stuart Frith adds: "It is important that the system strikes a balance between making it easier for people to get back onto their own two feet financially, whilst at the same time enabling creditors to receive what is due to them."

59% of insolvency practitioners that had seen individuals unable to afford the fee said that these people subsequently did not go on to address their debt problems. Only 6% of IPs said they had seen individuals go on to enter an individual Voluntary Arrangement (IVA). 3% said individuals had arranged Debt Management Plans (DMP), and only 2% had managed to secure a Debt Relief Order (DRO).

Stuart Frith comments: "Whilst some of these processes are appropriate in the individual circumstances of each case, the cost of entry into bankruptcy is tending to remove it as a choice, even in those cases where it is the obvious solution. Unfortunately, those who can't enter bankruptcy are often ineligible for a DRO, while an IVA can be difficult to negotiate with creditors and neither may be the right solution in any event."

Stuart Frith adds: "Regardless of whether an individual got into debt through reckless spending or through no fault of their own, the insolvency regime needs to make all available options available according to the circumstances of each case."

UK economy expected to hit pre-recession levels by the summer

The British Chamber of Commerce (BCC) has stated that it thinks that the second quarter, starting in April, will see GDP exceed the levels seen at the start of 2008.

The BCC revised and increased their estimate on economic growth from 2.7% to 2.8% but also warned of an 'unacceptably high' level of youth unemployment.

"Our economic recovery is gaining momentum," said BCC director general John Longworth.

The Latest UK Personal Debt Statistics

- £54,476 was the average household debt (including mortgages) in January
- £162 million was the daily amount of interest paid on personal debt in January
- 7,015 debt problems were dealt with by the CAB each working day over the year to September
- 1,216 people were made redundant every day between October and December
- 845,000 people had been unemployed for over a year between October and December
- £10.6 million of loans are written-off daily by UK Banks and Building Societies
- Every 18 minutes 11 seconds a property is repossessed
- Every 5 minutes 25 seconds someone is declared insolvent or bankrupt
- £1.469 billion was the daily value of all purchases made using plastic cards in December

Stats from The Money Charity

"Businesses across the UK are expanding and creating jobs, and our increasingly sunny predictions for growth are a testament to their drive and ambition."

It was predicted in December's economic growth forecast that pre-recession levels would be reached by the autumn. The new revisions have also increased the growth forecast for 2015 from 2.4% to 2.5%.

The BBC state that these optimistic forecasts are mainly due to upward revisions to historic GDP data by the Office for National Statistics (ONS).

The BCC has also made some predictions relating to interest rate rises stating that it thinks the first rise will come the end of 2015 and will increase by 0.25% from its current historic low of 0.5%. It expects that further modest rise will see it increase to 1.5% by the second half of 2016.

Mr Longworth expressed some concern however and said that some "major issues remain such as the unacceptably high level of youth unemployment". He also called for more business investment and better access to finance for companies.

In a separate report the Federation of Small Businesses (FSB) said that one in seven smaller companies wanted to create jobs in the next three months. The FSB also stated that they found a growing number of companies were able to access finance.

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Contact Focus Insolvency Group

If any of your clients have been affected by the stories in our newsletter or need advice on any other matters, please feel free to contact us on 01257 257030 or email a.fisher@focusinsolvencygroup.co.uk

Focus Insolvency Group deals with corporate matters, whilst Debtfocus helps struggling businesses and consumers and Moneyfocus raises finance on the general market.

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