

Record numbers of people go bust

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News Story

The number of people who were declared insolvent in England and Wales rose to a new record of 107,000 last year.

That was a 59% increase on the year before, when 67,500 people went bust.

The rise was mainly due to a sharp increase in the number of people entering individual voluntary arrangements (IVAs). The number of individual insolvencies also rose in Scotland and Northern Ireland, though not as fast as in England and Wales.

It is widely expected that the rising trend of personal insolvencies will continue this year. But Pat Boyden, an insolvency specialist at the accountants PricewaterhouseCoopers, said he doubted that the increase would be as fast as in 2006.

"I wouldn't predict a huge increase this year - though the recent increases in interest rates may put the squeeze on unsecured borrowing," he said.

Bankruptcies, in which debtors typically lose all their assets, rose last year by 34% in England and Wales to 62,900.

But although these still outnumbered IVAs, the number of people choosing an IVA as a route out of insolvency more than doubled to 44,300.

Repossessions

Last year also saw a sharp rise in the number of repossession orders made against defaulting mortgage holders by county courts in England and Wales.

According to the Department for Constitutional Affairs, they went up to 91,200 - a rise of 29% from 2005.

Although roughly half of all orders end up being suspended, with no subsequent eviction, the sharp rise in repossession orders being made is another important indicator of financial stress.

They have now doubled in the past two years after being fairly constant in the earlier years of this decade.

Earlier this week it was revealed that 2006 saw a 65% rise in the number of homes actually being repossessed by lenders, albeit this is still at a historically very low level.

IVAs slow down?

Despite the extensive publicity given recently to IVAs, the rise in their number almost ground to a halt in the last three months of last year.

There were just 4% more of them than in the previous three months.

By contrast, the last quarter of 2006 saw a sharp rise in bankruptcies, which were up by nearly 10% over the three months.