

Record numbers of people go bust

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News Story

One possibility is that some debtors have been forced to choose bankruptcy recently because of a harder attitude being adopted by some lenders towards IVA agreements.

Banks such as HSBC and Northern Rock are now demanding a much higher level of prospective repayment before they will agree an IVA with a customer.

The industry standard is a repayment of 25p in the pound, but HSBC now asks for 40p in the pound.

"All creditors are worried about people dumping debt without them being in genuine financial hardship," said Mr Boyden.

Personal debt

The growing number of insolvencies is partly the inevitable fallout from the rising level of personal debt in the UK.

"Citizens Advice bureaux dealt with 1.4 million debt problems in the last financial year," said Sue Edwards, of Citizens Advice.

"There are thousands of people who have substantial debt and will never be able to pay it off," she added.

In the past eight years the amount of non-mortgage debt held by people in the UK has doubled to £212bn, stimulated by the growth of the economy and relatively low interest rates.

However the past couple of years has also seen a rapid rise in the number of "debt management" companies who specialise in organising IVAs for their customers.

They are widely credited - or blamed - for encouraging people to use IVAs as a way of resolving their debts.

Their activities are being closely monitored by the authorities, and the Office of Fair Trading recently wrote to 17 of them, warning them to stop publishing misleading advertising on TV and in newspapers.

According to the accountants KPMG, lenders such as High Street banks wrote off £1.4bn last year as a result of customers proposing IVAs.