

Trouble Totals

- the rise in bankruptcies and IVAs in perspective

MORE BAD NEWS TO COME...

Second quarter headlines:

- IVAs down 0.8 percent to 10,698
- Bankruptcies up eight percent to 16,258
- CCCS debt management plans down 13 percent to 7,838
- Total solutions down 0.2 percent

(all increases compared with Q2 2006)

Trouble Totals is a quarterly statistical release from the Consumer Credit Counselling Service (CCCS) putting the insolvency statistics (IVAs and bankruptcies) into a wider perspective. We have included the numbers of people on a CCCS debt management plan (DMP). Our "trouble totals" are the sum of people who have found an answer to their debt problems through insolvency or a CCCS plan.

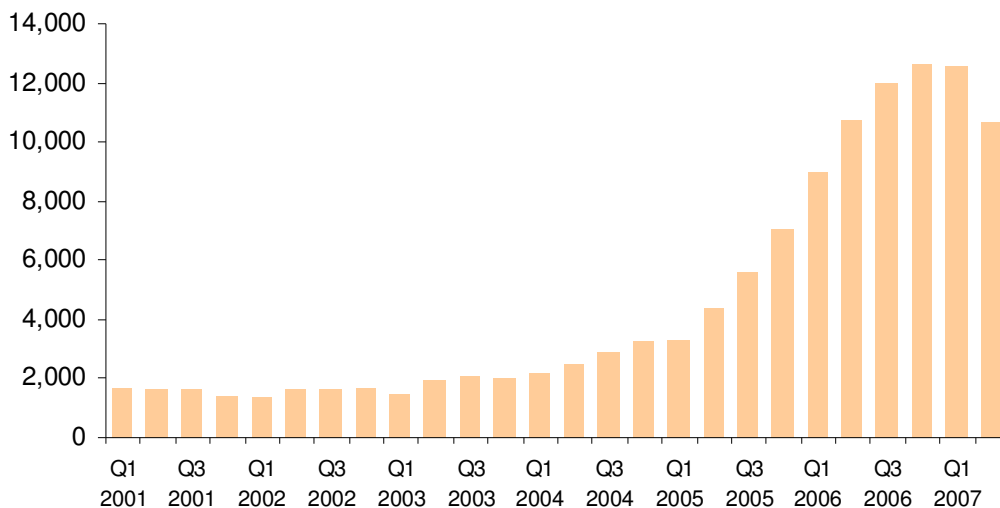
"The fall in IVAs reflects the increasing dissatisfaction of creditors with the for-profit IVA sector. As a result we have seen bankruptcies increase. Calls to the CCCS helpline are up which suggests that people are coming to us earlier when financial counselling can resolve their problems", said Malcolm Hurlston, Chairman of CCCS, commenting on the second quarter insolvency statistics. "Consequently there have been fewer clients for whom a debt management plan is best advice

"The biggest problem today for consumer borrowers is no longer the ubiquitous credit card; rather it will come from secured borrowing and the rising cost of mortgage debt", he added. "The Council of Mortgage Lenders has announced today that there has been a 30 percent year-on-year rise in

repossessions in the first six months of the year. There is more bad news to come.”

The number of IVAs has fallen for the first time in any quarter since 2002. There were 10,698 IVAs in Q2 2007, a one percent year-on-year decrease. The reasons behind this are that many of the major banking groups are imposing stricter criteria based on CCCS modelling and are rejecting more IVAs than in the past.

IVAs in England and Wales



CCCS set up the first charitably owned IVA provider in April 2007. CCCS Voluntary Arrangements (CCCSVA) will covenant all profits to the charity and is serving clients for whom an IVA is deemed the best solution by counsellors. CCCSVA aims to provide an efficient and compassionate service to people suited to an IVA; to improve transparency and returns to lenders; and to influence the controversial IVA marketplace for the good.

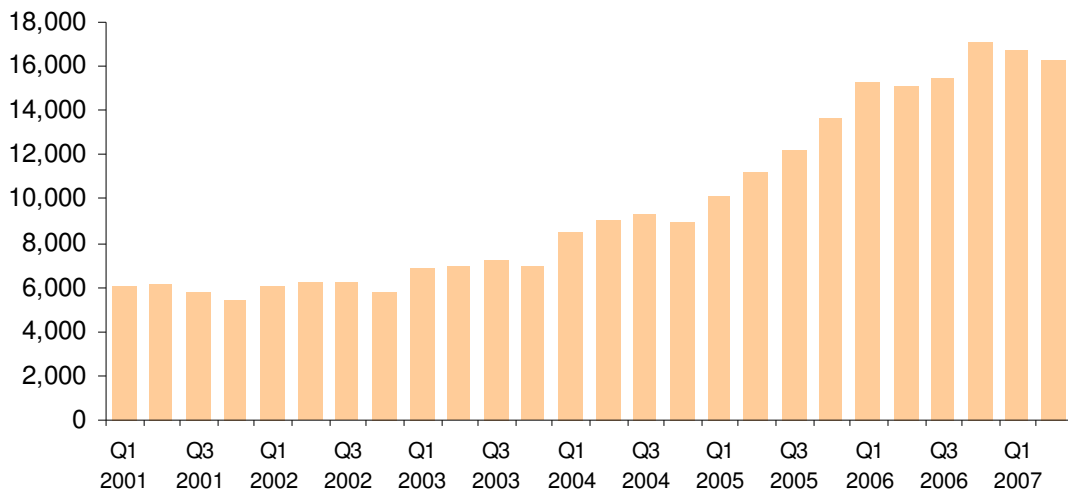
In Q2 2007, for the first time since 2002, CCCS saw a year-on-year drop in new DMPs. There were 7,838 DMPs started this quarter which is equal to a

13 percent year-on-year decrease. During the first six months of 2007 we saw a 19 percent increase in the numbers calling our helpline.

DMPs are informal agreements between clients and creditors, which are arranged and supported through their term by CCCS which can transmit as little as £5 per lender per month free of charge to the client. The average level of debt that a person on a CCCS DMP had in Q2 2007 was £28,711.

With increasing numbers of IVAs being rejected, many individuals are having to turn to bankruptcy to clear their debts. Bankruptcies increased by eight percent in Q2 2007 to 16,258. CCCS expects the growth rate in bankruptcies to remain positive going into the second half of 2007.

Bankruptcies in England and Wales



Scotland mirrors the trends in England and Wales with Trust Deeds (Scottish equivalents to IVAs) falling and sequestrations (Scottish equivalents to bankruptcies increasing). Overall, total Scottish insolvencies fell by just over one percent to 3,498, mainly due to a 16 percent drop in trust deeds.

Scottish insolvencies

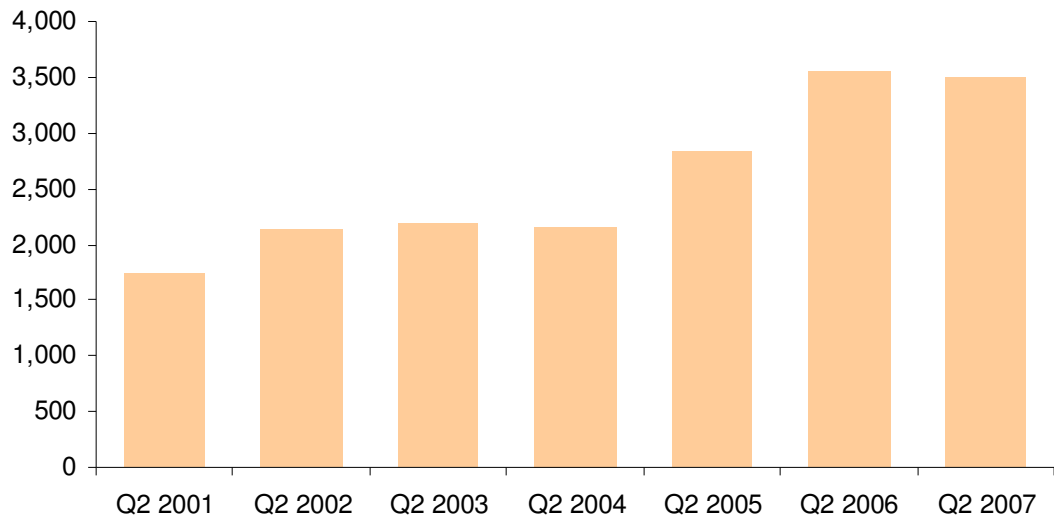


Table one: quarterly figures

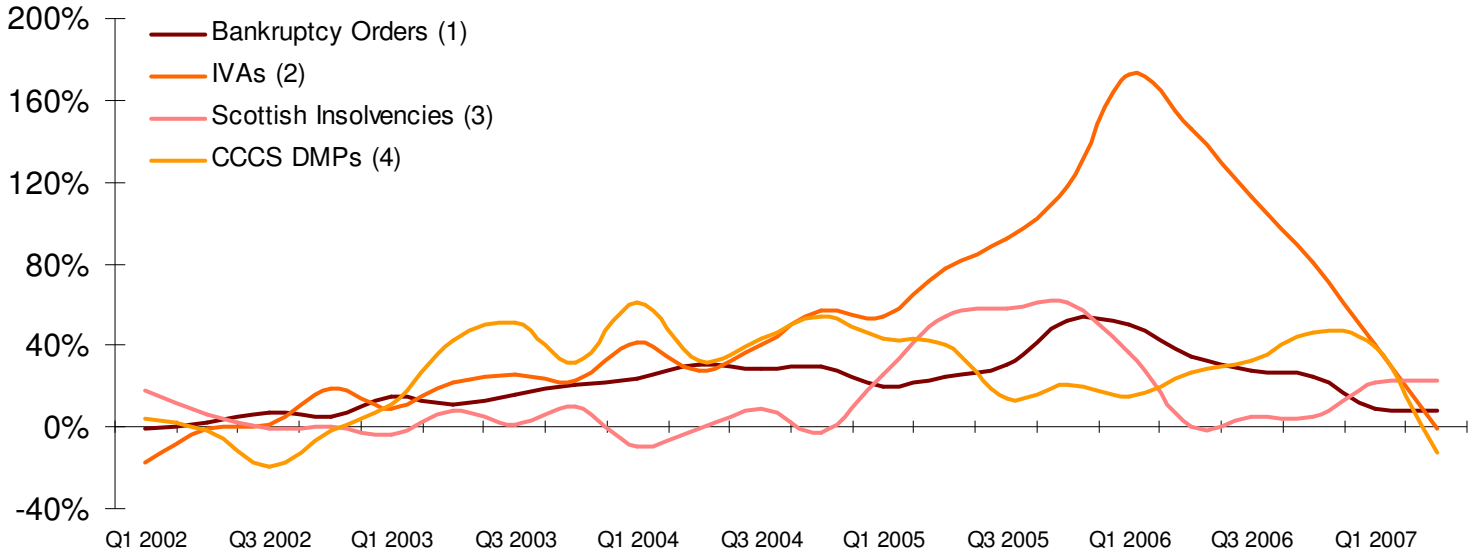
	CCCS DMP	Bankruptcy	IVA	Scottish insolvencies	Trouble Totals
Q2 2001	2,728	6,115	1,599	1,746	12,188
Q3 2001	3,256	5,817	1,617	1,881	12,571
Q4 2001	2,828	5,467	1,410	1,697	11,402
Q1 2002	2,621	6,027	1,384	1,858	11,890
Q2 2002	2,684	6,269	1,592	2,136	12,681
Q3 2002	2,614	6,249	1,643	2,247	12,753
Q4 2002	2,774	5,747	1,676	2,148	12,345
Q1 2003	2,908	6,912	1,514	2,015	13,349
Q2 2003	3,811	6,948	1,941	2,189	14,889
Q3 2003	3,962	7,221	2,070	2,367	15,620
Q4 2003	3,642	6,940	2,058	2,209	14,849
Q1 2004	4,674	8,524	2,141	2,154	17,493
Q2 2004	5,031	9,060	2,475	2,160	18,726
Q3 2004	5,686	9,315	2,912	2,441	20,354
Q4 2004	5,608	8,999	3,224	2,566	20,397
Q1 2005	6,700	10,175	3,292	2,462	22,629
Q2 2005	7,078	11,259	4,386	2,830	25,553
Q3 2005	6,459	12,182	5,611	3,593	27,845
Q4 2005	6,783	13,675	7,004	2,961	30,423
Q1 2006	7,672	15,310	8,964	3,111	34,162
Q2 2006	8,953	15,090	10,779	3,544	35,057
Q3 2006	8,589	15,486	11,944	3,601	38,366
Q4 2006	9,921	17,070	12,645	3,382	43,018
Q1 2007	10,662	16,842	13,233	3,471	44,208
Q2 2007	7,838	16,258	10,698	3,498	38,292

Table two: year-on year growth rates

	CCCS DMP	Bankruptcy	IVA	Scottish insolvencies	Trouble Totals
Q2 2002	-1.6%	2.5%	-0.4%	22.3%	4.0%
Q3 2002	-19.7%	7.4%	1.6%	19.5%	1.4%
Q4 2002	-1.9%	5.1%	18.9%	26.6%	8.3%
Q1 2003	11.0%	14.7%	9.4%	8.4%	12.3%
Q2 2003	42.0%	10.8%	21.9%	2.5%	17.4%
Q3 2003	51.6%	15.6%	26.0%	5.3%	22.5%
Q4 2003	31.3%	20.8%	22.8%	2.8%	20.3%
Q1 2004	60.7%	23.3%	41.4%	6.9%	31.0%
Q2 2004	32.0%	30.4%	27.5%	-1.3%	25.8%
Q3 2004	43.5%	29.0%	40.7%	3.1%	30.3%
Q4 2004	54.0%	29.7%	56.7%	16.2%	37.4%
Q1 2005	43.3%	19.4%	53.8%	14.3%	29.4%
Q2 2005	40.7%	24.3%	77.2%	31.0%	36.5%
Q3 2005	13.6%	30.8%	92.7%	47.2%	36.8%
Q4 2005	21.0%	52.0%	117.2%	15.4%	49.2%
Q1 2006	14.5%	50.5%	172.3%	26.4%	54.9%
Q2 2006	26.5%	34.0%	145.8%	25.2%	50.1%
Q3 2006	33.0%	27.1%	112.9%	0.2%	42.3%
Q4 2006	46.3%	24.8%	80.5%	14.2%	41.4%
Q1 2007	39.0%	10.0%	47.6%	11.6%	26.1%
Q2 2007	-12.5%	7.7%	-0.8%	-1.3%	-0.2%

Appendix and report notes

Year-on-year changes



- 1) Bankruptcy Orders, England and Wales, non-seasonally adjusted (includes Administration Orders)
- 2) Individual Voluntary Arrangement, England and Wales, non-seasonally adjusted

- 3) Scottish sequestrations
- 4) New clients on CCCS DMP (Source: CCCS)

Definitions

CCCS Debt Management Plans

The Debt Management Plan (DMP) is a repayment scheme administered by Consumer Credit Counselling Service for people unable to repay their creditors the full contractual payments. For more information on DMPs, please visit the CCCS website at www.cccs.co.uk

Bankruptcy

Bankruptcy proceedings:

- free people from overwhelming debts to allow for a fresh start, subject to some restrictions; and
- make sure assets are shared out fairly among creditors.

A court makes a bankruptcy order only after a bankruptcy petition has been presented. It is usually presented either:

- by an individual (debtor's petition); or
- by one or more creditors who are owed at least £750 and that amount is unsecured (creditor's petition).

For more information on bankruptcy please visit the Insolvency Service website at www.insolvency.gov.uk.

Individual Voluntary Assessment (IVAs)

An IVA has some of the attributes of bankruptcy, but it is not as severe and will generally allow debtors to keep their home and business, if they have one. After five years, the client is free from the debt regardless of what proportion of it has actually been paid. However, failure to repay can result in bankruptcy and a record of the arrangement stays on the credit record for a further six years.

To enter an IVA, a person needs to owe more than £15,000 to two or more lenders and have a surplus income each month of at least £250 after living expenses have been taken into account.

Scottish Insolvencies

Where Scottish insolvencies are referred to this is taken to mean sequestrations and Scottish Trust Deeds.

Owing to Scotland's different judicial system, the schemes in place are not the same as those in England and Wales. Scottish sequestrations are comparable to bankruptcies in England and Wales.

The first separate figures for Scottish Trust Deeds were issued this quarter. Scottish Trust Deeds work in a similar way to IVAs. Under certain conditions the Trust Deed can be registered as "protected", meaning that creditors cannot then seek sequestration to recover the debts. To prevent a trust deed from being protected either a majority of creditors, or creditors representing at least a third of the debt must register their objections within five weeks of being informed of the move to protect the Trust Deed.

Unlike IVAs there is no minimum debt threshold to meet before a person qualifies for a Trust Deed.

For more information on Scottish insolvencies and trust deeds, please see the Insolvency Service's website at www.insolvency.gov.uk.

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