

Trouble Totals

- the rise in bankruptcies and IVAs in perspective

Third quarter headlines:

IVA GROWTH RATE FALLS BUT...

- IVAs up 118 percent to 12,228
- Bankruptcies up 27 percent to 15,416
- CCCS Debt Management Plans up 33 percent to 8,589
- Total solutions up 43 percent

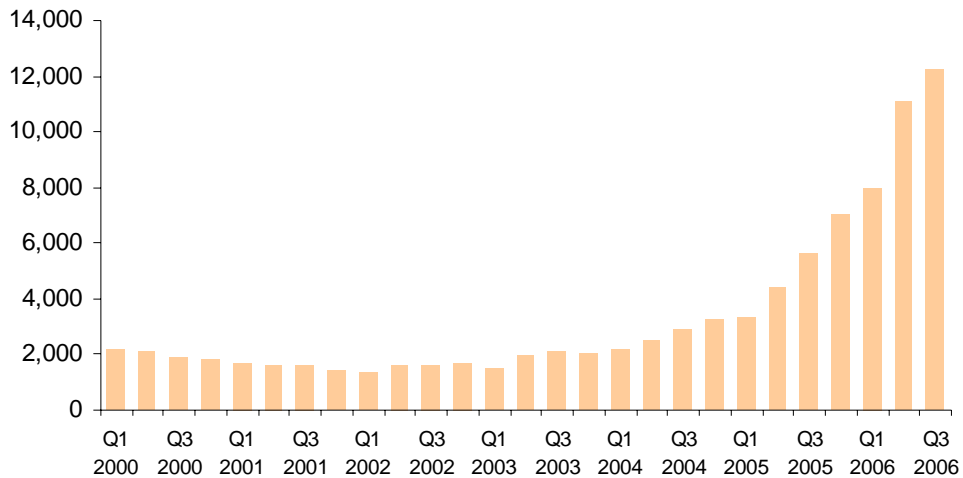
(all increases compared with Q3 2005)

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. Our "Trouble totals" are the sum of people who have found an answer to their debt problems through insolvency or a CCCS plan.

There has been phenomenal growth in the number of IVAs in recent quarters. Large-scale commercial providers backed by huge advertising budgets have led to IVAs being the fastest growing solution to people's debt problems. In Q3 2006, this trend continued with a 118 percent increase in IVAs to 12,228.

CCCS counsellors recommend bankruptcy as the best solution to around 15 percent of clients, as opposed to three percent for whom an IVA is the solution of preference. We are undertaking further research and will shortly release a report on clients recommended to bankruptcy. In Q3 2006, bankruptcies increased by 27 percent to 15,416, a far smaller percentage increase compared with IVAs.

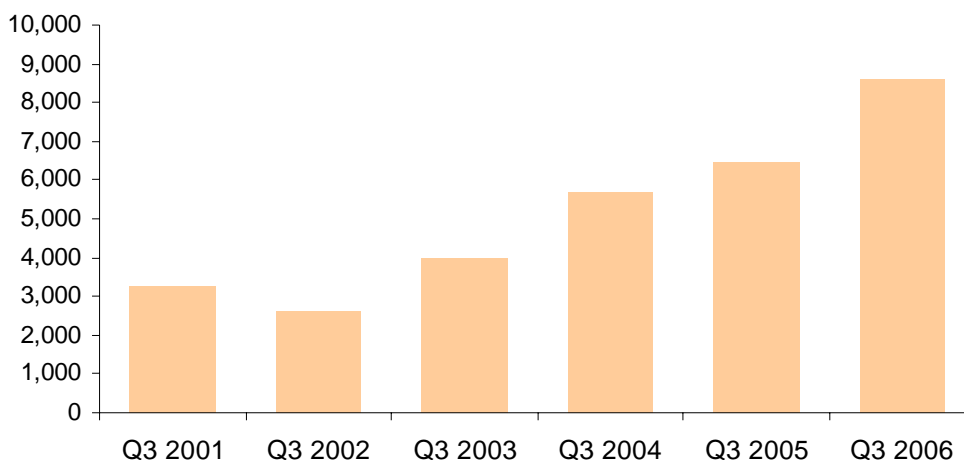
IVAs in England and Wales



It is a matter of concern that the number of IVAs will soon overhaul the number of bankruptcies if current trends continue, since – according to our counselling advice – bankruptcies are suitable for five times as many debt clients. There must be a supposition that the weight of advertising is leading many people to inappropriate answers.

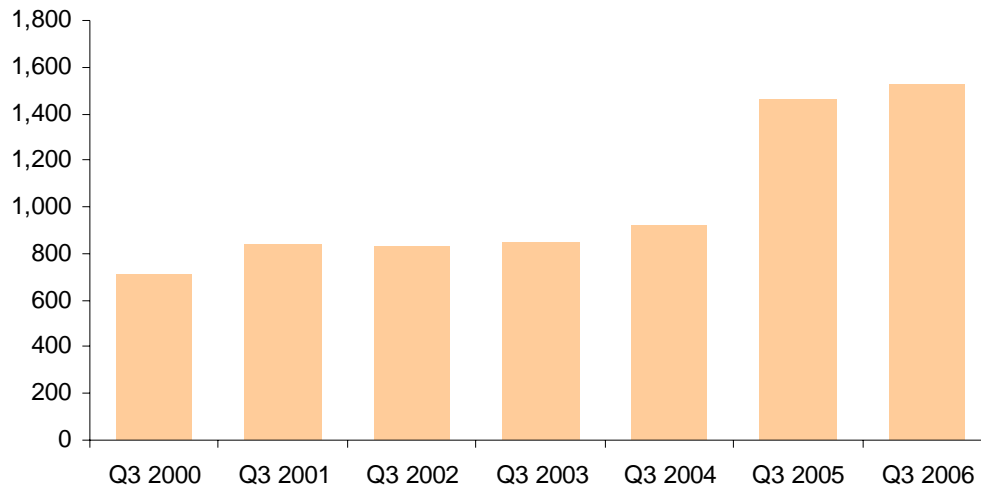
In Q3 2006, CCCS set up 8,589 debt management plans (DMPs). This is a year-on-year increase of some 33 percent. DMPs are informal agreements between clients and creditors, which are arranged and supported through their term by CCCS and can transmit as little as £5 per lender per month free of charge to the client. The average level of debt that a person on a CCCS DMP would have had in Q3 2006 was £31,000.

CCCS debt management plans



In Scotland both sequestrations and trust deeds increased in Q3 2006. Trust deeds effectively are a version of an IVA which applies in Scotland. Total Scottish insolvencies increased by 0.2 percent to 3,601.

Insolvencies in Scotland



The totals show that more people than ever are finding a solution to their debt problems. However it may not always be the best solution. The Foundation for Credit Counselling will be launching a charitable and non-profit IVA service for its clients early in 2007.

Table one: quarterly figures

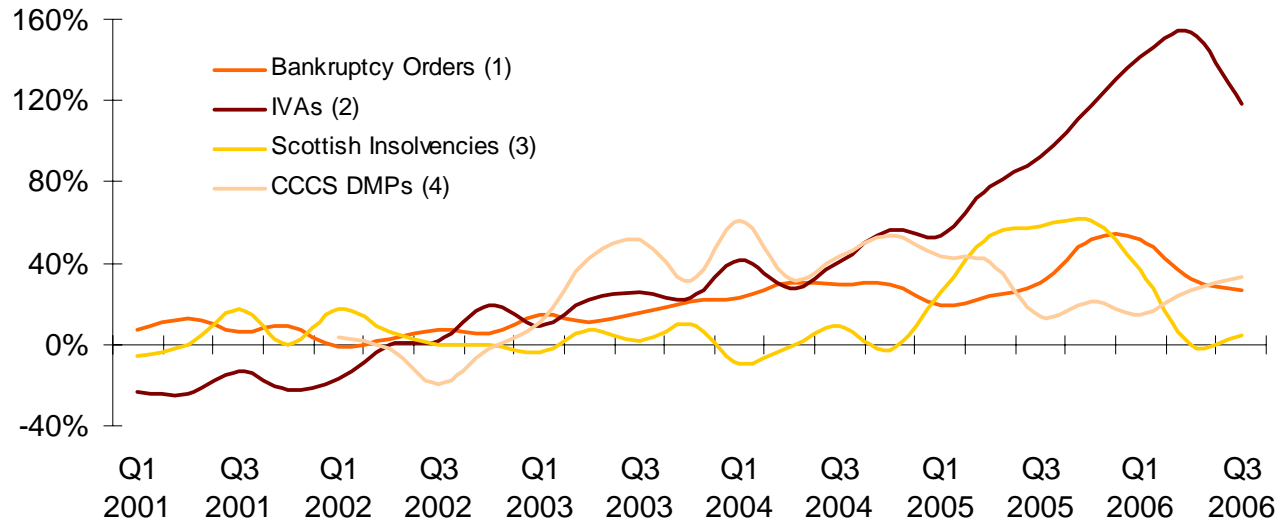
	CCCS DMP	Bankruptcy	IVA	Scottish insolvencies	Trouble Totals
Q1 2001	2,530	6,078	1,672	1,503	11,783
Q2 2001	2,728	6,115	1,599	1,746	12,188
Q3 2001	3,256	5,817	1,617	1,881	12,571
Q4 2001	2,828	5,467	1,410	1,697	11,402
Q1 2002	2,621	6,027	1,384	1,858	11,890
Q2 2002	2,684	6,269	1,592	2,136	12,681
Q3 2002	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	15,418	7,961	3,111	34,162
Q2 2006	8,953	14,915	11,105	3,544	38,517
Q3 2006	8,589	15,416	12,228	3,601	39,834

Table two: year-on year growth rates

	CCCS DMP	Bankruptcy	IVA	Scottish insolvencies	Trouble Totals
Q1 2002	3.6%	-0.8%	-17.2%	23.6%	0.9%
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%	51.5%	141.8%	26.4%	51.0%
Q2 2006	26.5%	32.5%	153.2%	25.2%	50.7%
Q3 2006	33.0%	26.5%	117.9%	0.2%	43.1%

Appendix and report notes

Year-on-year increases



The growth rate of IVAs is greater than that of other debt solutions

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| <p>1) Bankruptcy Orders, England and Wales, non-seasonally adjusted (includes Administration Orders)</p> <p>2) Individual Voluntary Arrangement, England and Wales, non-seasonally adjusted</p> | <p>3) Scottish sequestrations</p> <p>4) New clients on CCCS DMP (Source: CCCS)</p> |
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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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