



**Press Notice
4 August 2006**

Personal Insolvency Statistics – IPA Reaction

Leading Insolvency Body Welcomes Readiness of Consumer Debtors to Pay

DTI Insolvency Service statistics published today for the quarter ended 30 June 2006 show that bankruptcies fell by 3% on the previous quarter and individual voluntary arrangements (IVAs) increased by 35%.

Commenting on the latest personal insolvency statistics, IPA President, Finbarr O’Connell of KPMG, said: “I think that it is to be very much welcomed that consumer debtors are increasingly looking to use what has become a well established route to reaching some sort of orderly settlement with their creditors through an IVA, rather than simply throwing in their hand and going bankrupt or just putting their head in the sand and waiting for their creditors to take action.”

Asked whether the Enterprise Act, introduced in April 2004, had made things all too easy for debtors to get out of their debts, Mr O’Connell said: “Debtors who are unable to meet their financial commitments currently have two statutory avenues to obtain protection from individual creditor action and to bring order to what might otherwise become chaos – bankruptcy and IVAs.

“The Enterprise Act brought about three key changes:

- (i) Debtors generally would be discharged no later than twelve months
- (ii) Those found to be irresponsible, reckless or dishonest would be subject to a bankruptcy restrictions order for 2-15 years; and the courts have shown their readiness to impose some lengthy orders where the facts are there
- (iii) Those who can pay should pay, and for a period of three years (instead of generally coming to an end on discharge); and I understand that the number of income payments orders have almost doubled over the two years since 2004.

Other provisions remain substantially unchanged – more particularly, debtors still have to hand over their assets, including their interest in the family home. And their bankruptcy remains on their credit record. So I do not see that the bankruptcy regime is overall easier.

“IVAs were introduced by the Insolvency Act 1986 – that is, some twenty years ago – and remained unaffected by the Enterprise Act. The debtor is expected to bring in the value of any assets he/she has and to make payments from his/her income for, usually, five years. So again, I do not see an IVA as an easy option out of debt.”

Commenting on concerns about the “selling” of IVAs, Mr O’Connell said: “A constant theme in the 1990s was that debtors were unaware of how to go about dealing with their financial affairs when they had overcommitted themselves. The government has invested a considerable amount of time and money in promoting and funding debt advice provision, principally through Citizens Advice; and increasing numbers of references to insolvency practitioners are coming from its local Bureaux. And with increasing overindebtedness, insolvency practitioner firms have also been publicising the availability of the IVA avenue to, as I say, bring order out of potential chaos. The test of appropriateness is whether proposals are acceptable to the creditors who have to approve them with a 75% majority in value; and whether they are completed – and the rate of success of IVAs has continued to increase since 2001.”

[End]

Notes:

1. The IPA is the second largest of the seven bodies recognised by the Secretary of State for Trade & Industry for the purpose of licensing and regulating insolvency practitioners (IPs); and is the only body solely involved in insolvency. It has some 1,700 individual and firm members and students; and has been at the forefront in setting standards in the profession and encouraging those involved in insolvency case administration and insolvency-related work to acquire and maintain appropriate levels of competence and skills through study and its certificate of proficiency in insolvency examination.

2. Finbarr O'Connell heads the corporate recovery division of KPMG and has been involved for 20 years in corporate recovery work across a wide range of assignments from complex solvent and insolvent liquidations through large administrations and receiverships to stockbrokers and derivative trader insolvencies.

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