

Fresh fall in insolvency numbers

News Story

The number of people being declared insolvent fell again in the third quarter of the year.

The number of individual insolvencies in England and Wales fell by 3% to 26,072 from the previous three months and were 5% down on last year.

Bankruptcies fell by 2.1% to 15,833, while Individual Voluntary Arrangements (IVAs) went down by 4.3% to 10,239

The number of home repossession orders made by courts also fell by 1% in the third quarter, to 23,806.

This is the third quarter in a row that the number of people going bust has fallen.

Although bankruptcy levels are still 2.2% higher than a year ago, IVAs are now running 14% lower than at the same stage in 2006.

Lee Manning, an insolvency expert at accountancy firm KPMG, said that was because firms which specialise in setting up IVAs were having to become more circumspect.

"There has been considerable pressure on IVA specialists to be more fussy about the cases they take on," he said.

"There have been examples of proposed IVAs that were inappropriate and for which the fees were too high."

Repossessions

Despite the fall in the number of repossession applications that lenders have been making in the courts - the first stage in the repossession process - there have been warnings this week that actual repossessions will rise by about 50% next year.

The Council of Mortgage Lenders (CML) predicted that repossessions could rise to 50,000 by the end of 2008, with the number of mortgages more than three months in arrears also going up, by 17% to 170,000.

It said this would be due to homeowners finding it impossible to keep up with rising mortgage payments.

Mark Sands, also from KPMG, said this in turn would drive up the personal insolvency figures.

"They are both driven by the same factors; the ability to refinance and the pressures on household budgets," he said.

"We expect long term that they will go up hand-in-hand with repossessions next year."