

# Insolvency Market Trends

The latest insolvency market trends, data and insight brought to you by TDX Group

## Demographic shift

Over the last two years there has been a fundamental change in the Individual Voluntary Arrangement (IVA) and Trust Deed (TD) markets. Looking at the demographic data of those entering these solutions, we have found the profile of someone managing their debts via an IVA or TD is very similar to a consumer using a Debt Management Plan (DMP) to manage their debt in 2014, which I believe has been driven by the changes in the market which we've highlighted through the last 18 months:

- The FCA's authorisation of DMPs has reduced the size of this market.
- IVA and TD mono-line businesses (in other words, firms without the burden of DMP regulatory obligations), have invested significantly in marketing, acquisition and growth.
- The free to consumer debt advice sector has been less focused on increasing the number of people they help.
- Ongoing pressure on people who have increased borrowing in recent years but haven't seen wage growth and are impacted by inflation/limited wage growth.

Having spent a significant amount of time on-site at IVA and TD providers in the last month, listening to customer calls, a number of themes stood out, which bring to life the demographic shift we've seen in the data:

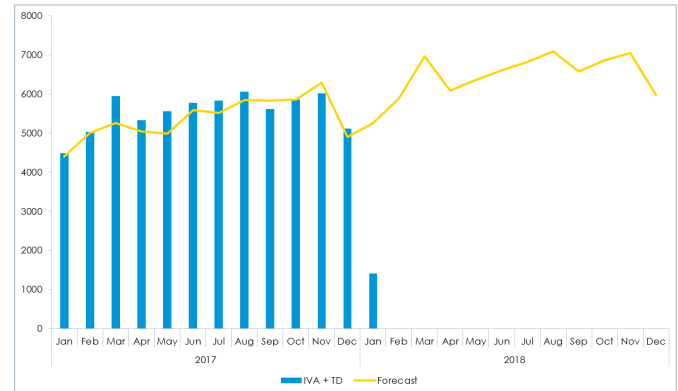
- The majority of people seeking help with their debts were on lower than average incomes, had a significant percentage of income made up of welfare benefits and were struggling to manage debts of all types including utility bill arrears, debts to government; they were already in the debt collection process.
- The amount of money these people had to pay towards their debts, after reasonable living costs based on the Common Financial Statement (CFS) or similar, was generally below £130.
- Many of those seeking help with their debts had done so via an FCA registered Debt Counselling firm known colloquially as 'lead generators'.
- In most situations the person seeking help owed money on an account that has been sold to a debt purchaser.

### Volume forecast:

In 2018 we expect growth in new IVAs and TD to slow from c30% in 2017 (the TDX Group 2017 forecast suggested 65,000 vs actuals of 66,000) to c17% in 2018. This is based on the following drivers:

- IVA and TD providers who have grown quickly in recent years will focus on stabilisation investing in back end processes to support the increased volumes which have flowed through to supervision.
- Marketing of firms will continue to be refined. This will include a gradual move away from the use of lead generators.
- The charitable free to consumer debt advice sector will increase their capacity.

Monthly IVA + TD volumes and forecast (fig. 1)



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