



RE-SET YOUR DEBT WITH TC DEBT SOLUTIONS

The rise of DAS as Personal Insolvencies fall!

The Scottish Government's latest figures on Statutory Debt Solutions provide information to help respond to the impact of the COVID-19 pandemic on our economy and society. These solutions relate to Bankruptcies, Trust Deeds and The Debt Arrangement Scheme (DAS).

Overall, the Accountant in Bankruptcy (AiB) stats show a drop in the use of personal debt solutions which is contrary to most people's thoughts. The general perception is that these should be at an all-time high as bad news hits the papers daily. However, the issue is being masked by the government support which is available and the legislative changes that have been made to protect employees and business owners.

At Thomson Cooper we have noted an increase in people utilising payment holidays, where available, whether that be for a break from DAS Contributions, Mortgage Payments or Credit Card payments, reducing their contributions to a nominal amount or agreeing an extended payment plan with creditors.

The furlough scheme has been widely used by companies in order to maintain their workforce, rather than make people redundant.

Whilst individual's household incomes may have reduced on furlough there is also currently less pressure from creditors as a result of emergency legislation restricting them from taking certain action.

While we have seen a rise in the number of DAS applications going through and a significant decline in Bankruptcies and Trust Deeds, our continued advice to debtors worried about creditor action is to access the help that is available.

We also continue to see an increase in the number of moratorium applications being granted under the new temporary legislation which currently allows for a six-month moratorium against creditor diligence. Demonstrating that debtors are accessing that help by pro-actively taking steps to prevent creditors from being able to take further action.

In Bankruptcy, the extension that saw the minimum debt level before which a creditor can petition for Bankruptcy increased from £3,000 to £10,000 is now in place until 31st March 2021. This is clearly making it harder for creditors to make individuals (sole traders/partnerships) bankrupt during this coronavirus pandemic.



Feedback from the money advice community has indicated that 'there were many clients who felt they would benefit from being in a DAS Debt Payment Plan (DPP) but could only afford to pay reduced instalments toward their DPP in the short-term, increasing their contribution within a specified time once their circumstances improve'.

To facilitate this the AiB have now introduced the 'Low and Grow approach'. This will only apply to clients who are in financial difficulty but where the money adviser believes this to be temporary and a DPP is still the best long-term financial solution for the client.

This effectively means that a client can start their DPP payments at a much lower level and increase this at a later date, by way of a Discretionary Condition once they are able to do so.

With these welcome measures we expect to see a further uptake in DAS applications.

While we are currently in a further state of lockdown due to the rise in COVID-19 cases, as the vaccine reaches the population we will hopefully begin to return to some sort of 'normality'.

The uncertainty around the job market is also expected to continue as cash strapped employers are forced to take the hard decision to implement redundancies in order for their businesses to survive.

Therefore, increases in all statutory debt solutions are expected going into the Spring and further into 2021, so the current fall in Bankruptcies and Trust Deeds could be short lived. When this happens, it will be interesting to see if the rise of DAS will continue as well.

Here are the main points from the Accountant in Bankruptcy.

- There were 9,070 personal insolvencies in the calendar year 2020, 4,542 (33.4%) fewer than in the same period the year before.
- Bankruptcies decreased by 40.3% in the calendar year 2020 when compared with the same period the year before.
- PTDs decreased by 29.5% over the same period.
- There were 3,454 approved DPPs under Debt Arrangement Scheme in the calendar year 2020 compared with 2,907 for the same period the year before, an increase of 18.8%.
- The introduction of new provisions on the statutory moratorium and the revised fee structures in place for accessing bankruptcy are part of emergency measures brought in by both the Coronavirus (Scotland) Act 2020 and the Coronavirus (Scotland) (No.2) Act 2020.
- As of 31 December 2020, 1,207 applications for moratoria had been granted under the new powers.



- In the period between 27 May and 31 December 2020, there were 1,435 new applications for bankruptcy which benefitted from the reduced application fee – 1,125 (78.4%) of which paid no application fee at all.

These figures are classed as Experimental Statistics though these were produced in accordance with the professional standards set out in the Code of Practice for Official Statistics.

A full statement of Scottish Statutory Debt Solutions Statistics for December 2020 is available: <https://www.aib.gov.uk/scottish-statutory-debt-solutions-statistics>

Summary of Emergency Legislation – <https://www.aib.gov.uk/>

For more information on DAS or if you need help with any problem debt please contact Ian Brown on 07519 124657 or email:

ibrown@thomsoncooper.com TC Debt Solutions is part of Thomson Cooper Accountants.



For free advice and information please contact.

Ian Brown ibrown@thomsoncooper.com (m) 07519 124657
Maureen Walls mwalls@thomsoncooper.com (m) 01383 628800
Richard Gardiner rgardiner@thomsoncooper.com (m) 07872376105

[UNSUBSCRIBE](#) | [GIVE FEEDBACK](#) | [CONTACT](#)



Disclaimer

This article is intended solely as a guide for individuals and business owners in considering a suitable debt solution. It is not a definitive guide to what is a complex area of law, the impact and application of which can vary widely based on the specific facts involved.

Thomson Cooper cannot be held responsible for any errors or inaccuracies in the information provided and independent professional advice should always be sought before acting. Thomson Cooper does not make any representations or warranties, express or implied as to the accuracy, completeness or reliability of any advice, opinion, statement, or other information forming any part of this presentation or its fitness or suitability for a particular purpose or use.