

Debt Management - UK - September 2010

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What is this report about?

This report looks in detail at the debt management industry, focusing mainly on commercial operators (ie debt management companies and insolvency firms). We explore the current issues and challenges in the market, as well as the factors that influence consumer demand for debt solutions products. The size of the market is assessed, drawing upon a number of different sources, including trade feedback. The major players are also discussed, including a comprehensive overview of their business, before moving on to a consumer-focused analysis of the debt management industry, in particular looking at people's use of, and attitudes towards, debt management firms.

What have we found out?

- There are signs that those most likely to need help managing their debts are slightly more positive about debt management firms. A fifth of those who owe at least £10,000 in unsecured borrowing think that you're able to negotiate a better deal with creditors if you have one of these companies on your side.
- This is a sizeable and fast-growing market. Mintel estimates that there are around 600,000 debt management plans (DMPs) in force, with around £9 billion of funds under management, and generating around £262 million in fees in 2010.
- Only a minority of consumers will ever be potential targets for debt management firms, but currently some 6% of all UK adults – around 3 million people in total – are seriously struggling with their finances. Even relatively minor financial shocks could tip them over the edge.
- People with money problems have a strong preference for informal support mechanisms. The majority of people (58%) say that if they were struggling with debt, they would turn to friends or family for debt advice, with just 2% saying they would go to a commercial debt management firm.
- The most common attitude towards debt management firms is that they are an absolute last resort (over half of all UK adults think this) – a quarter say that they just prey on desperate people.
- A lack of regulation means that the industry's image has been tainted by the behaviour of a number of unethical firms operating in the market. Reputable firms should do all they can in order to hasten introduction of stricter regulation if it means that rogue operators will be forced out of the market.

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