

**BANKRUPTCY LAW REFORM
in SCOTLAND**

executive summary by

Zero-credit

for

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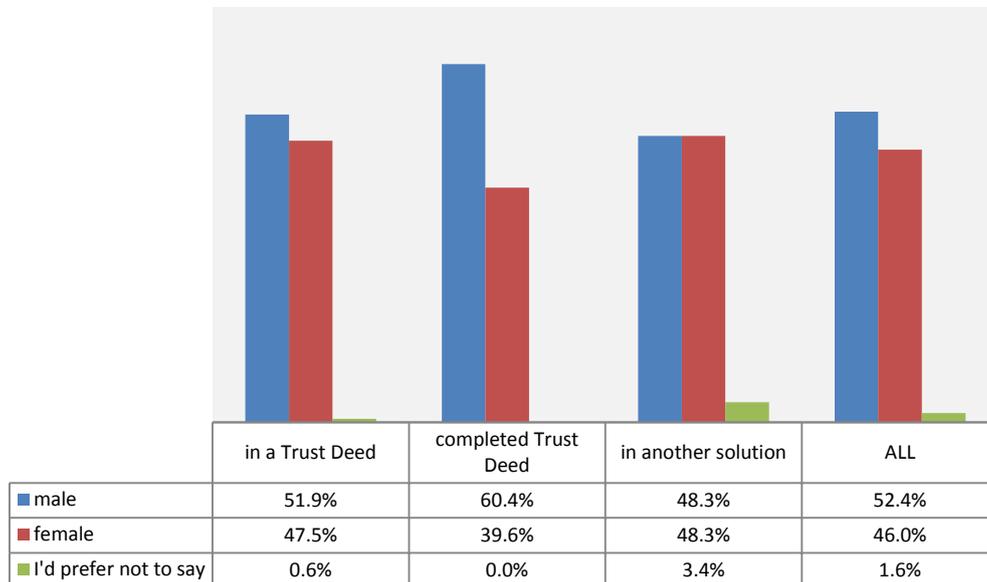
Introduction

In November 2012, trust-deed.co.uk approached Zero-credit to conduct an online survey to explore opinions of proposals for Bankruptcy Law reform in Scotland. 309 out of 1687 Trust Deed Forum users took part, giving a response rate of 18.3%. The survey ran from Monday 26th November to Sunday 2nd December.

Demographics

Between the large subsets of respondents, who were in a Trust Deed (162) and who had completed one (91), there was evidence that the demographic profile of people entering Trust Deeds has been changing to reflect a “squeezed middle”.

- Among respondents who had completed a Trust Deed, just under two fifths were women. Among respondents in Trust Deeds, this rose to almost half.



- By Tenure, Home Owners with a mortgage accounted for just over a third of respondents who had completed a Trust Deed, compared to more than half of respondents who were in one. There was a significantly higher proportion of Private Tenants among Trust Deed users than is present in the general population – around a quarter compared to fewer than one in ten (2001 Census).
- There also seemed to have been an increase in families using Trust Deeds, significantly more than half of those in Trust Deeds had dependent children, compared to just over two-fifths of those who had completed a Trust Deed.

Consultation

Fewer than 1% of respondents took part in the Government Consultation and almost half had only learned about reform proposals through trust-deed.co.uk. Among Social Tenants, currently in a Trust Deed, this rose to 70%.

Stigma

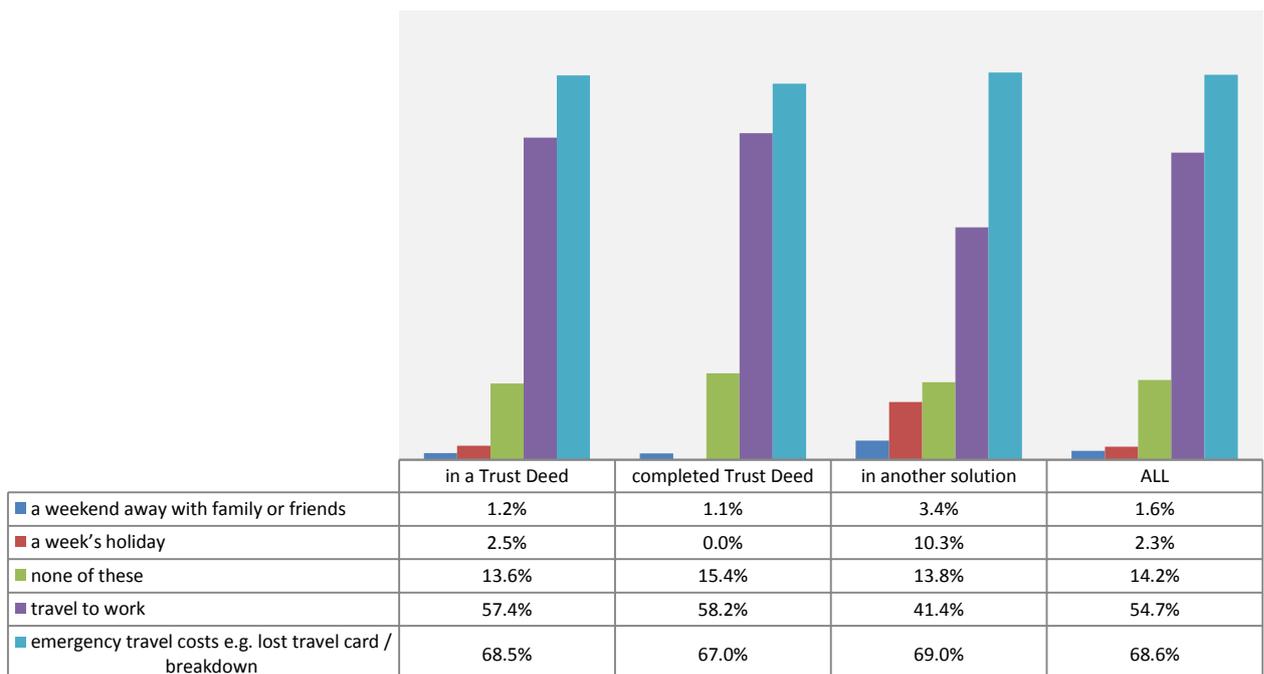
Debt solutions perceived as having a lot of stigma were:

- Bankruptcy 87.7%
- Trust Deeds 46.9%
- DAS 23.0%
- DMPs 19.4%
- Self-managed repayments 7.8%

Women tended to feel more stigma from all types of debt solution than men did. Just under three-quarters of respondents would hate other people to know they were bankrupt, rising to more than four out of every five among Home Owners with a mortgage. This compared to just over two-fifths of people who would hate others to know they were in a Trust Deed, rising to well over half among Home Owners with a mortgage.

Recent Debts

More than half of respondents rejected the proposal to exclude very recent debts from insolvency solutions and just under a third were unsure about it. Rejection rose to almost two-thirds amongst Private Tenants. In addition to this, the survey set a scenario, in which respondents could select circumstances when credit use prior to insolvency might be justified. Almost seven out of ten respondents felt that emergency travel costs could be justified spending on credit and more than half felt that travel to work could be justified also.



Minimum Term

Over a third of respondents accepted the proposal for a minimum four year term for Protected Trust Deed and Bankruptcy repayments, compared to just over two fifths who rejected it and a fifth who were unsure about it. When asked which solution they would choose if a minimum term and dividend applied to an average debt, almost half said they would opt for a Trust Deed. However, almost a fifth said they would declare bankrupt, compared to less than one sixth who would use the DAS.

Limited Trust Deed Alternatives

When presented with a scenario that denied access to a Trust Deed, more than a fifth of respondents said they would declare bankrupt immediately and just over a third said they would use the DAS. However, delays to decision making were a particular concern as these showed that between two- (stated) and three-fifths (inferred) of people would remain undecided about which option to choose.

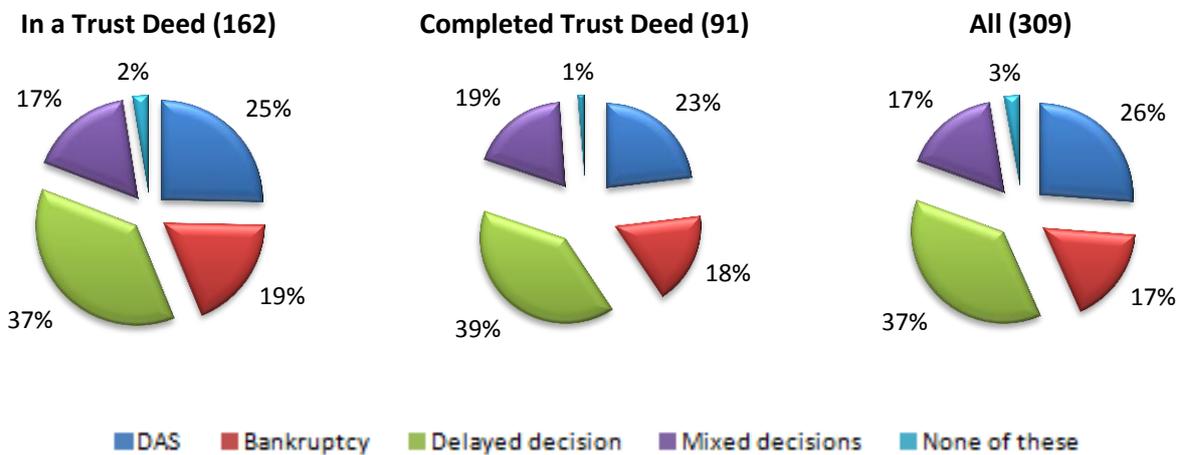


Chart 1: delays to decision-making – Best Case Scenario

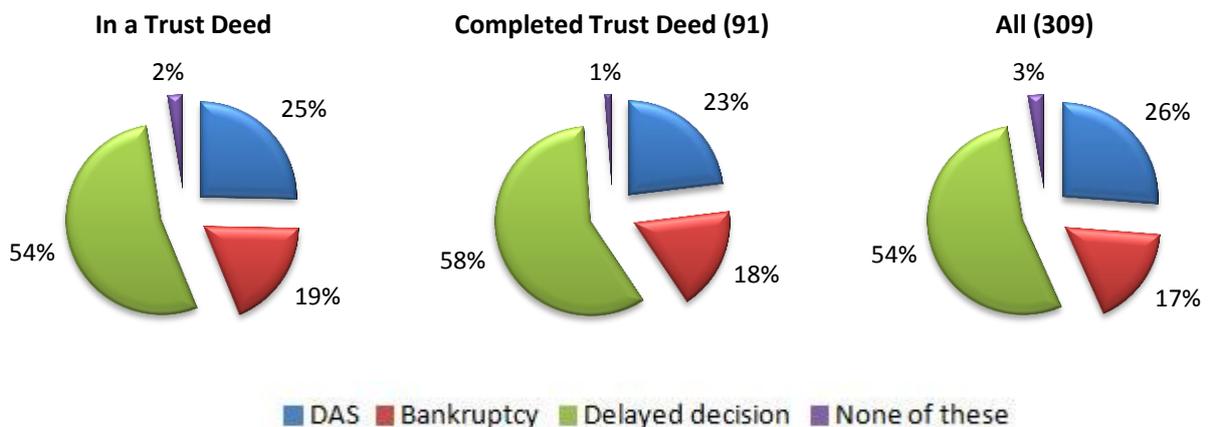


Chart 2: delays to decision-making - Worst Case Scenario

By tenure, Home Owners with mortgages were more likely to delay, and Private Tenants more likely to declare bankrupt, than others were. A quarter of respondents with children said they would declare bankrupt immediately, if a Trust Deed were not an option.

Limited Trust Deed Outcomes

We explored the impact of limiting access to Trust Deeds and found that more than three quarters of respondents felt that their mental health would suffer because of this. More than half said they would experience physical illness too and around two fifths answered that there would be difficulties at work and with friends and family. Home Owners with a mortgage were most likely to report mental health concerns.

Financial Education

More than half of the respondents to this survey supported the introduction of financial education to the successful completion of a debt solution, rising to around three fifths of those who had completed a Trust Deed, or who were women, or respondents with children. Respondents in a Trust Deed tended to want to improve every day and emergency budgeting skills, whereas those who had completed one tended to have more interest in finding reliable advice, products and services in the future than other groups. There was widespread evidence of appropriate self-evaluation and awareness of skills relevant to life stages.

Trust-Deed.co.uk Satisfaction

Overall, 96% of respondents were happy with trust-deed.co.uk and significantly more than half considered the site excellent.

Conclusions

Evidence from this survey mirrors wider discussion about the changing demographic profile of people experiencing unmanageable debt since the 2007/8 economic crash. Its reflection of increases in older, female and parent / carer debtors, together with the overrepresentation of Private Tenants compared to the population as a whole, is sufficient to suggest that experiences of indebtedness are shifting into the mainstream. This is cause for concern, because it makes it difficult to gauge the nature and extent of outcomes from the Bankruptcy Law reform proposals.

We conclude that the Scottish Government should be consulting people experiencing or at risk of indebtedness more widely before changing legislation. Historically, the Accountant in Bankruptcy has a considerable reputation for pioneering regulation that recognises social justice. For reform to be fit for 21st century, a key priority must be to support recovery from one of the worst economic failures in world history. The findings of this research provide a strong case that delayed decision-making could be an unwelcome outcome of the proposals under consideration, so it is imperative that the Scottish Government assess all of the implications of change before reform becomes law.

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