

Number of Scottish bankruptcies is falling



Bankruptcy and other insolvencies fell in second quarter

Official insolvency figures for Scotland show a sharp fall in the number of people entering bankruptcy and other formal insolvency solutions between July and September.

The data from the [Accountant in Bankruptcy](#) (AiB) – Scotland's insolvency service – showed that there were 4,063 personal insolvencies overall during the second quarter of 2012-2013. This marks a drop of 27.5% on the previous quarter, and a fall of 24.5% on the same period in 2011-12.

[Wilson Andrews](#), who commissioned this article, have taken a closer look at the figures and what they reveal.

Bankruptcy: why has it fallen?

According to the AiB, the fall in total insolvencies was largely due to a drop in the number of borrowers applying for bankruptcy. This is probably a result of fees for this form of bankruptcy being raised on 1 June 2012 – prompting many borrowers to apply for bankruptcy before this date.

There were 1,859 bankruptcies awarded in total in the second quarter, marking a 43.8% fall on the previous quarter (3,310) and a 34.9% fall on 2011/12's second quarter (2,857).

A look at Trust Deeds and the LILA route

The number of Protected Trust Deeds totalled 2,204. This marked a 3.8% drop on the previous quarter (2,291) and a 12.7% drop on the same time last year.

Protected Trust Deeds are a form of insolvency available only in Scotland. They are designed to help borrowers with a substantial amount of unsecured debt, who can't repay what they owe in a reasonable timeframe.

The LILA (Low Income, Low Assets) route into bankruptcy is another approach that is only available to borrowers north of the border. Although it is not a debt solution in itself, the LILA route can provide an alternative way into bankruptcy for borrowers on a low income whose lenders have not taken legal action yet.

Of the 1,443 bankruptcy applications made by borrowers in the second quarter, 653 of these were made through the LILA route. This shows a fall of almost 60% (58.2%) on the previous quarter, when 1,563 people went bankrupt through the LILA route.

DAS debt payment programmes on the rise

DAS – the common name for the Debt Arrangement Scheme – is a formal debt management solution backed by the Scottish Government.

Although DAS is not a form of insolvency, it has become an increasingly popular way for borrowers with unaffordable unsecured debt repayments to get back on top of their finances since its introduction in 2004.

During the second quarter of 2012-13, there were 1,110 Debt Payment Programmes (DPPs) approved under the scheme. This represents an increase of 29.7% on the same quarter last year. However, compared with previous quarter, the number of DPPs approved under DAS fell by 24.9%.

According to the AiB, the number of approved DAS cases was higher than during any quarter of the previous financial year, perhaps due to promotion of the Scheme to highlight its benefits for some borrowers.

