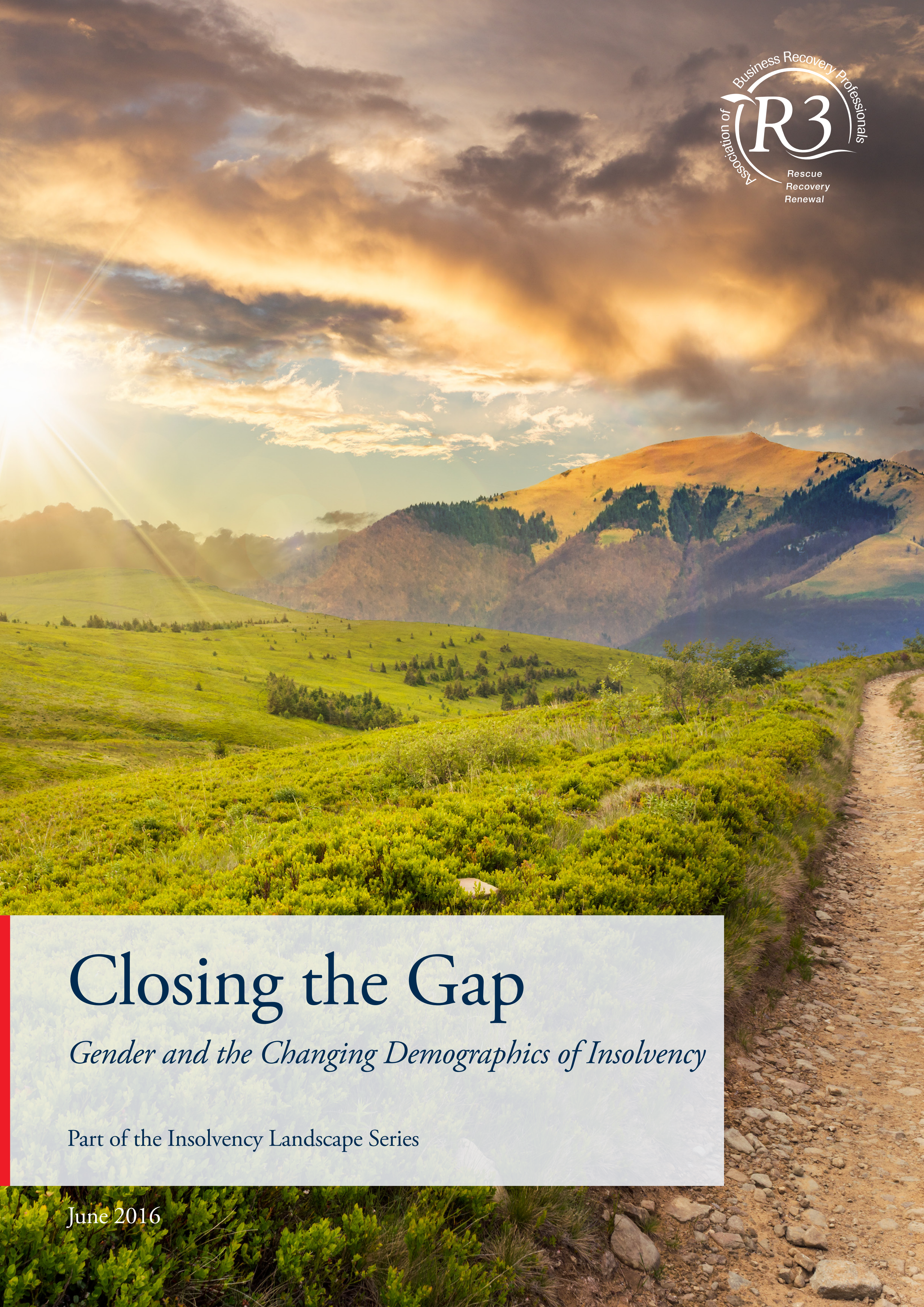

Association of Business Recovery Professionals
R3
Rescue
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Closing the Gap

Gender and the Changing Demographics of Insolvency

Part of the Insolvency Landscape Series

June 2016

Introduction

Between 2001 and 2010, insolvency numbers in England and Wales more than quadrupled. Even today, despite a fall in numbers from their peak, around three times more people enter an insolvency procedure than did so at the turn of the millennium. Personal insolvencies, however, are much more interesting than a simple rise and fall in numbers: the overall personal insolvency figures do not disclose key changes in the profile of those entering insolvency over the last decade, particularly in regards to the gender of those entering insolvency.

Part of this change is down to an expanding range of insolvency options. The addition of Debt Relief Orders and the reform of Individual Voluntary Arrangements have lowered barriers to statutory debt solutions, enabling more people, from different backgrounds and with different types of debt, to enter insolvency to resolve financial difficulties.

In the five years before access to Individual Voluntary Arrangements was made simpler in 2003, insolvency numbers averaged 7,200 a quarter; in the five years after, they averaged 18,200[1]. Since they were introduced in 2009, Debt Relief Orders have helped over 175,000 people[2], many of whom would have previously been unlikely to be able to access statutory debt relief without one.

Changing debts

As the number of insolvency solutions has increased, so have the size and type of the country's personal debts and the pressures on personal finances. Different types of debt affect different types of people; exactly who is affected by each type of debt and the most problematic types of debt have changed over time.

Alongside the growth in personal insolvencies, household debt has boomed. The UK's household debt to income ratio leapt from around 100% in the late '90s to 160% by 2008[3]; according to consultants PwC, it could hit over 172% by 2020[4]. In 1995, the country owed £12bn on its credit cards; by 2005 that had more than quadrupled to over £56bn, and by 2015, after a recession-induced wobble, it had climbed again to over £61bn[5]. Rising wages have meant that for many these debts have been affordable, but not everyone has been in the same boat.

At the same time, low interest rates and above-target inflation for much of the past five years have hurt those reliant on savings. The over-65s, for example, are the only age group to have seen the likelihood of insolvencies increase since interest rates fell to their record low in 2009[6].

1 Insolvency Service quarterly statistics
2 Insolvency Service quarterly statistics
3 Bank of England, Quarterly Bulletin 2014 Q3, Household Debt and Spending
4 PwC, How Britons fell in love with borrowing: Precious Plastic, March 2015
5 Bank of England (Year's first quarter figures given)
6 Insolvency Service statistics on gender, age, and insolvency

Changing employment

Unemployment has affected insolvency numbers too, as have changes in employment and business ownership trends. The UK's unemployment rate went from just over 5% in the twelve months before the 2008-9 recession to 8% by the time the insolvency rate peaked in 2009-10[7]. Meanwhile, the role of women in the economy has changed, exposing them to different insolvency risks: women are increasingly likely to own their own business or be in employment,

This report aims to highlight the **different types of people that enter different insolvency procedures**, and the **different reasons they have for doing so**. It is based on evidence from insolvency practitioners, who deal with the majority of the UK's personal insolvency procedures, as well as data provided by the Insolvency Service.

By understanding more about who needs to use insolvency procedures and why, it will be easier to ensure the UK's insolvency regime works for those who need it.

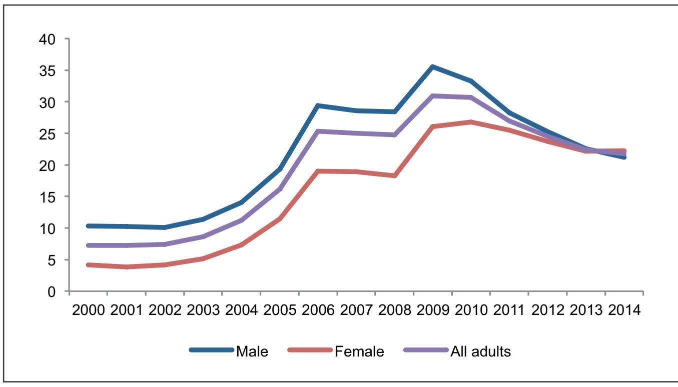

Figure 1 - Insolvencies per 10,000 adults, by gender

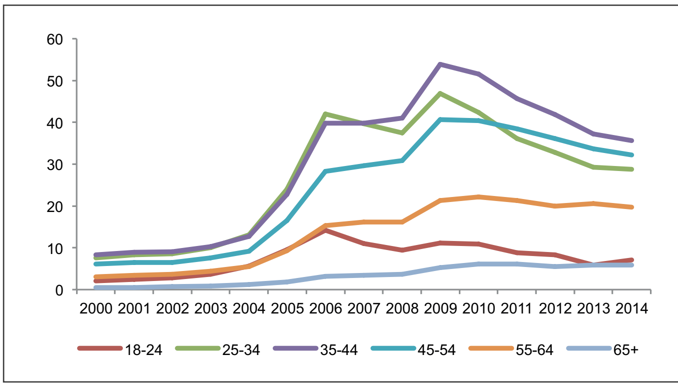

Figure 2 - Insolvencies per 10,000 adults, by age

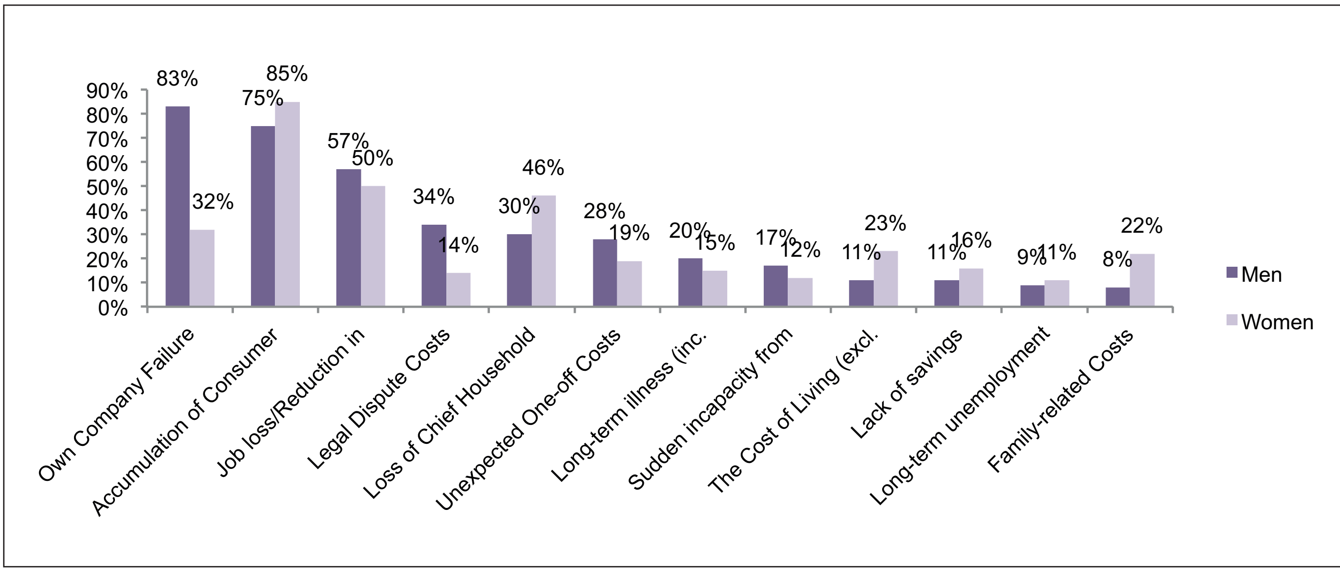

Figure 3 - Proportion of R3 members that say 'x' is a leading cause of insolvency, by gender, ranked by impact on men

[7] Office of National Statistics, Labour Force Survey

KEY FACTS

- According to Insolvency Service data and surveys of insolvency practitioners and the general public by R3, men and women tend to enter insolvency procedures or struggle financially for different reasons.
- Men are typically more likely than women to enter an insolvency procedure or struggle financially because:
  - A business they own has run into financial trouble;
  - Their own income has fallen;
  - They have taken out a loan that they cannot pay back.
- Women, on the other hand, are typically more likely than men to enter an insolvency procedure or struggle financially because:
  - They are struggling with the cost of living;
  - The income of a partner has fallen, or they no longer have access to their partner’s income.
- There is a similar likelihood for both men and women that insolvency is caused by over-spending.

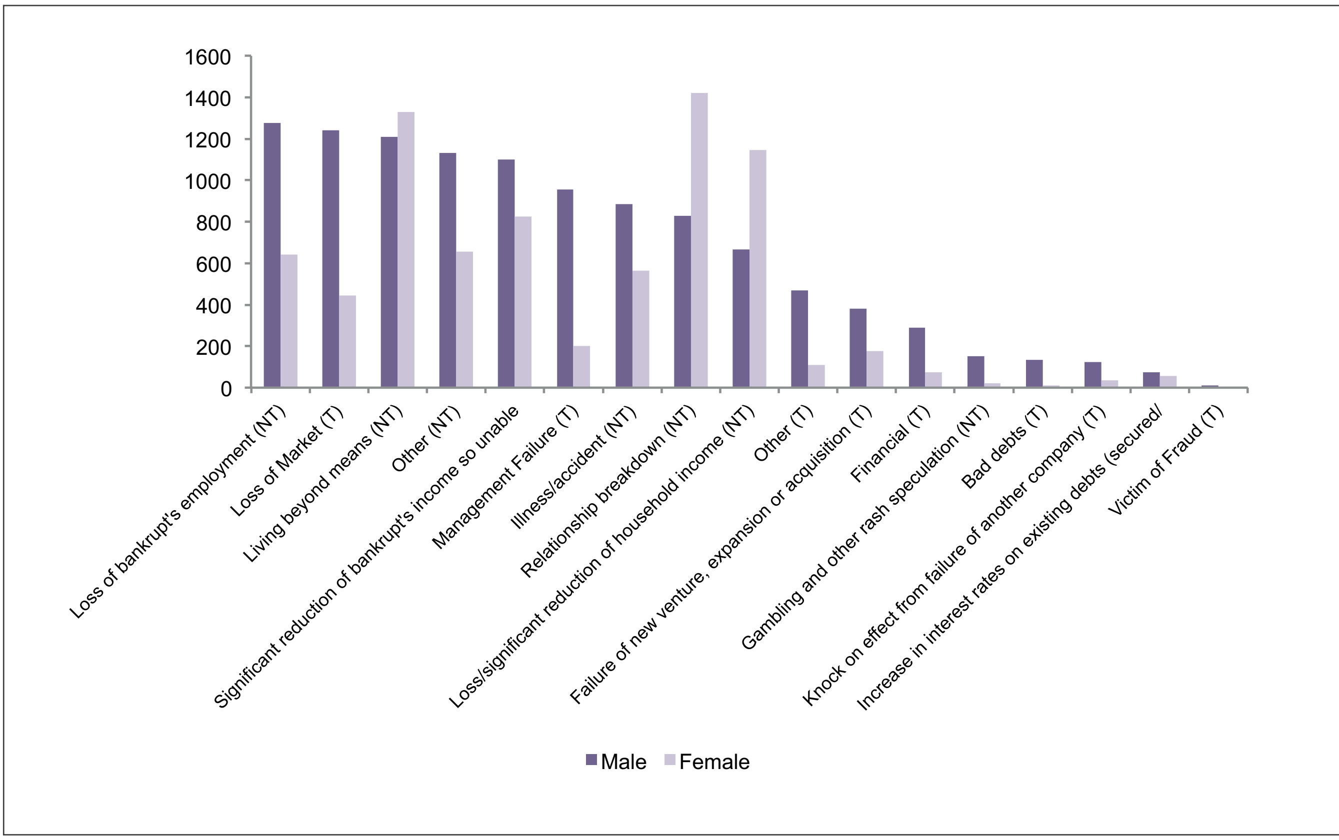

Figure 4 - Bankruptcies in 2014, by cause and gender, ranked by impact on men (NT= Non-Trading-related; T= Trading-related)

- There are several factors that contribute to men's and women's different experiences. Some of these include:
  - Men are more likely to own businesses than women;
  - Men are more likely to be employed than women;
  - Women are more likely to dependent on someone else's income than men;
  - Women are more likely to have very low disposable incomes than men.
- While some of these factors have remained consistent over time, others have changed. These changing factors may have contributed to the number of insolvencies involving women 'over-taking' the number of insolvencies involving men. For example, women are increasingly likely to own a business and the gap between the employment rates of men and women has grown smaller.

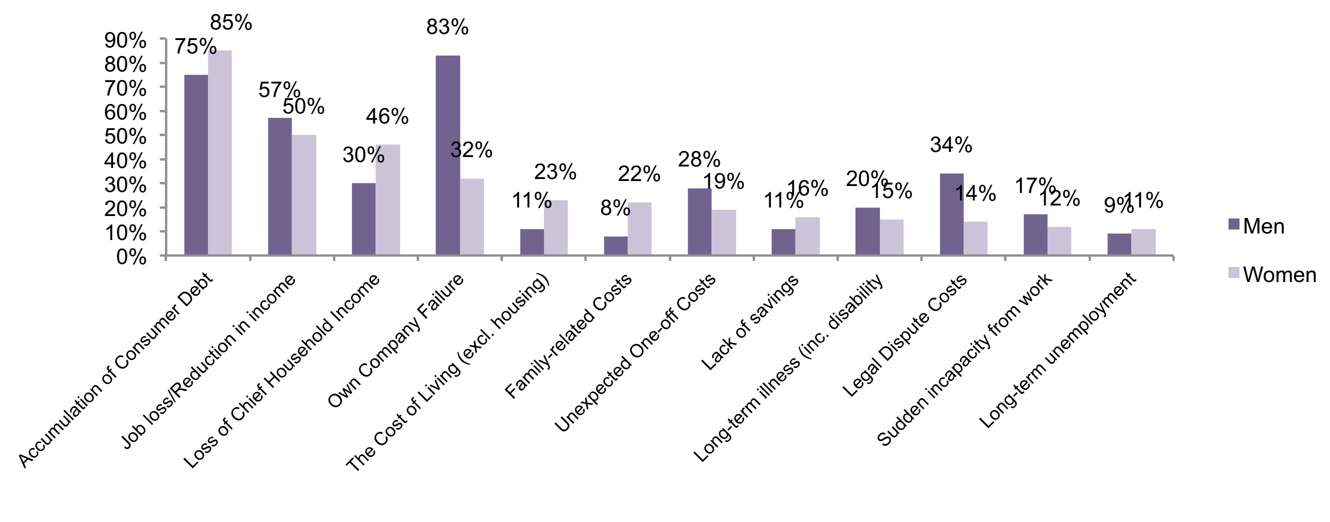

Figure 5 - Proportion of R3 members that say 'x' is a leading cause of insolvency, by gender, ranked by impact on women

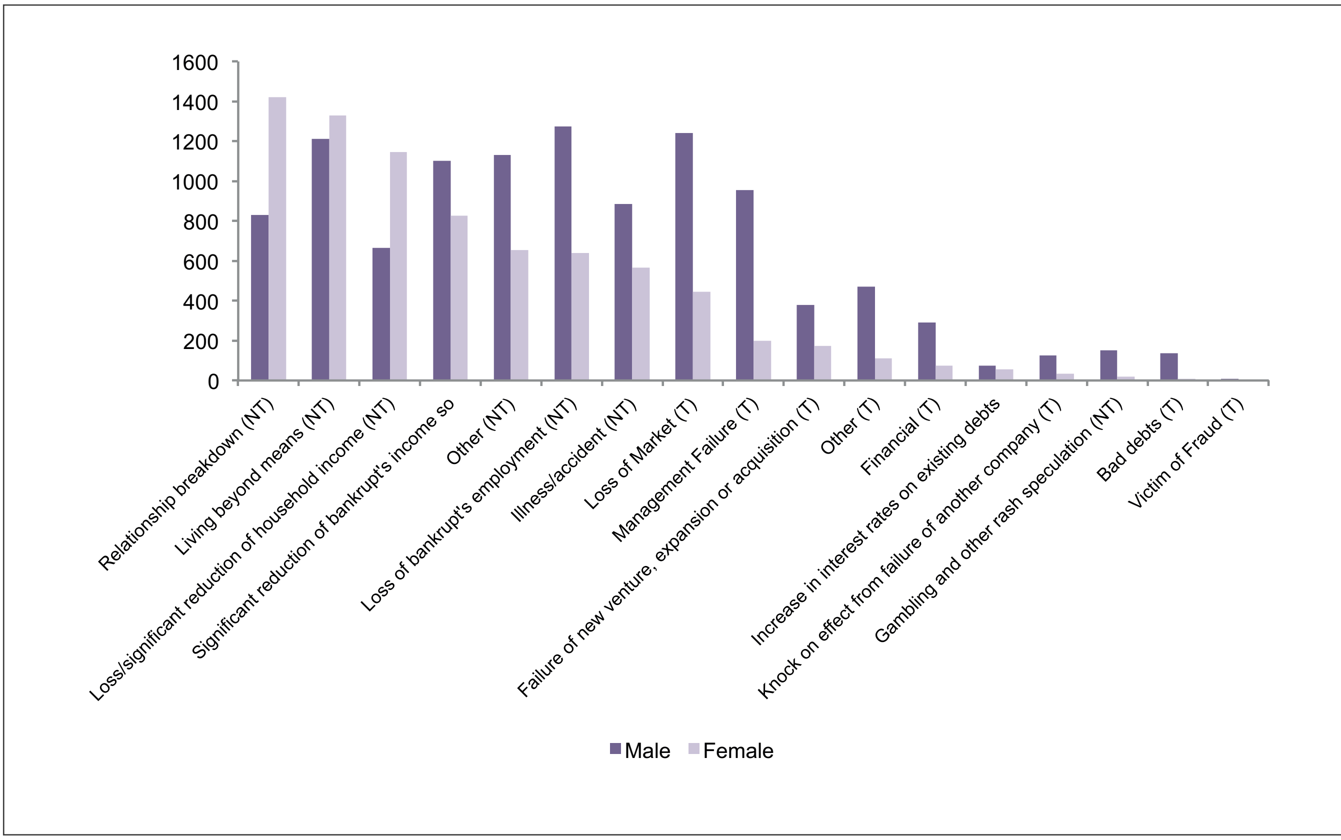

Figure 6 - Bankruptcies in 2014, by cause and gender, ranked by impact on women (NT= Non-Trading-related; T= Trading-related)

The different insolvency procedures

- **Bankruptcy** is often used by people with very high debts, or whose income has suddenly fallen, or who do not have a regular income.
- Men are much more likely than women to enter bankruptcy.
- Bankruptcy is the least common form of personal insolvency and the only one to affect significantly more men than women.
- A common cause of bankruptcy is the failure of an individual's business or the loss of their job. Evidence suggests that men are much more likely than women to a) own their own business, and b) have a job to lose.
- According to the available data, when women enter bankruptcy, it is more likely, compared to causes of men's bankruptcies, to be because of a factor outside of their control: relationship breakdown or the loss of their household income are two of the three factors leading to more women's bankruptcies than men's.
- The data show women are also more likely than men to enter bankruptcy because of over-spending.
- An improving economy means fewer job losses and business failures, and so fewer bankruptcies. Given the existing gender differences when it comes to employment and business ownership, this can result in disproportionately fewer insolvency cases involving men than women. The rate of women's bankruptcy has fallen slower than men's after the last recession.
- At the same time, there is a factor that might be keeping women's bankruptcy numbers from 'overtaking' men's: the introduction of Debt Relief Orders (DRO) in 2009. Women are more likely to be involved in 'low value' insolvencies, which are now more likely to be dealt with by a DRO than a bankruptcy.

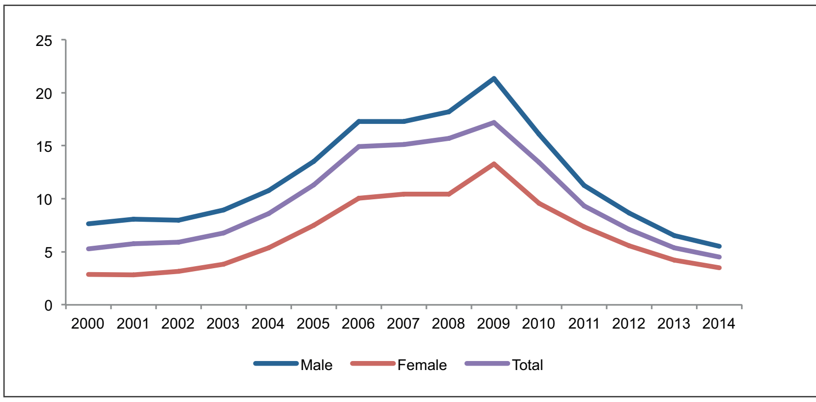

Figure 7 - Bankruptcies per 10,000 adults, by gender

- **Individual Voluntary Arrangements** are often used by people with high debts but who have a regular income with which they can afford to make regular debt repayments.
- IVAs are the most common personal insolvency procedure.
- IVAs are almost equally likely to be entered by men and women. There are more IVAs among younger women than men; and more among older men than women.
- In 2014, the rate of IVAs among women caught up to the rate of IVAs among men.
- A common cause of someone needing to enter an IVA is an unsustainable level of consumer debt. According to the data, this is a factor that equally affects men and women.
- Women have been closing the gap to men on pay and employment rates in recent years. This means women have been able to both take on more consumer debt – and with it more risks – and have a regular income required to make an IVA viable.

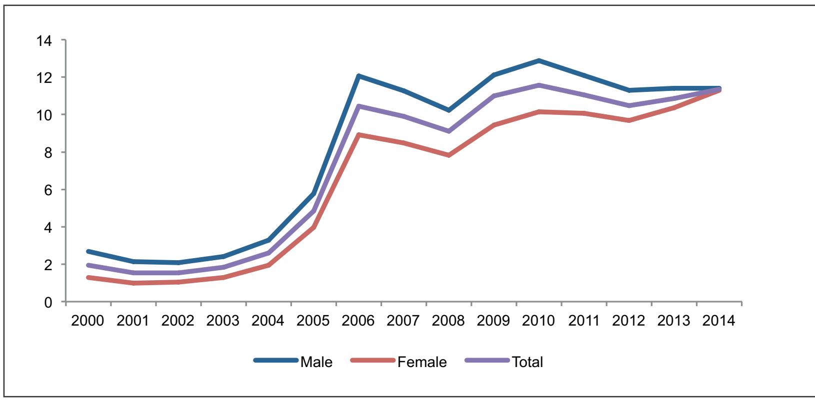

Figure 8 - IVAs per 10,000 adults, by gender

- **Debt Relief Orders** are used by those with very low debts and very low assets, and no repayments to creditors are made (in this way DROs and bankruptcies are different to an IVA: neither procedure requires a repayment to creditors).
- DROs cost only £90 to enter compared to £705 (£655 for online applications from April 2016) for bankruptcy. There are limits to the amount of debts and assets someone can have before they enter a DRO.
- DROs are the second most common form of personal insolvency.
- DROs are significantly more likely to involve a woman than a man.
- DROs are used by people with low debts and low assets; women typically have fewer debts and assets than men.
- DROs are more likely to involve those who are out of work or employed part-time. Evidence shows that women are more likely than men to be employed part-time or be out of work.

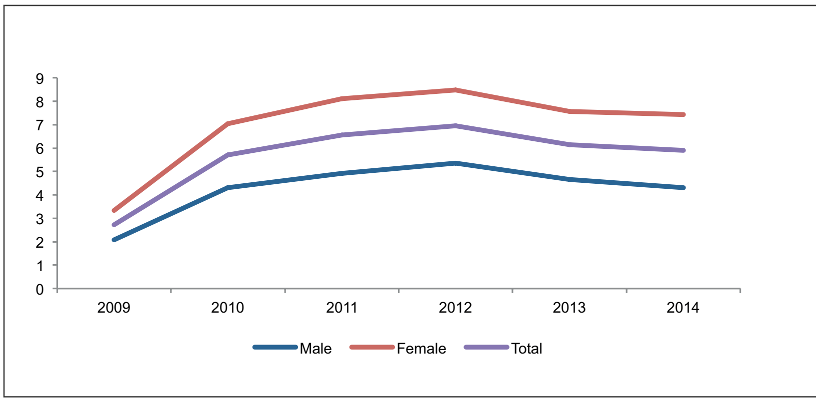

Figure 9 - DROs per 10,000 adults, by gender

A changing regime

At the turn of the millennium in 2000, insolvency was very much a male preserve: only three-in-ten insolvencies involved a woman. Men were over twice as likely to enter insolvency, with over ten insolvencies for every 10,000 men and just over four for every 10,000 women.

Fast forward, and the picture is much changed. In 2013, for the first time, more insolvencies involved women than men[8]. By 2014, not only did the gap between men and women increase[9], but women became more likely to enter insolvency than men, again for the first time.

In 2014, there were 22.2 insolvencies for every 10,000 women and just 21.2 for every 10,000 men. In fact, the female insolvency rate increased (slightly) between 2013 and 2014, while the rates for men fell.

The age profile of insolvencies has changed too, although not to the same extent. As the population grows older, not only are older people making up a larger share of insolvencies (as one would expect), but older people are becoming more likely to enter insolvency – even though the insolvency rate for everyone else is falling.

In 2009, as all insolvencies peaked, there were 5.3 insolvencies for every person over 65; in 2014, there were 5.8. By comparison, the insolvency rate for those in the 35-44 years old age group (the age group most affected by insolvency) fell from 53.9 to 35.7. Today, 6% of insolvencies involve someone over 65, up from 3.5% in 2009.

Extra insolvency options means extra insolvencies

One of the principal reasons for the change in the gender profile of insolvencies has been the evolution of personal insolvency options over the past decade and a half. Simply put, the insolvency regime has become more sensitive to different kinds of problem debts and circumstances; and this has helped women much more than men.

Male and female rates of insolvency depend very much on the insolvency route in question, with different options suitable for different levels and circumstances of debt.

Bankruptcy, the entry requirements of which have relatively least changed in the last decade, tends to be the most common route for dealing with high value debts, sudden drops in income that could be caused by job loss, business failure, or unexpected or large liabilities.

In contrast to the overall numbers for insolvency, bankruptcy remains male-dominated. In 2000, 28% of bankruptcies involved women, and by 2014, this had 'only' risen to 40%. There were 5.5 bankruptcies for every 10,000 men in 2014 and 3.5 for every 10,000 women. Notably, men remain more likely than women to be bankrupt at all ages (which is not true of alternative options).

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[8] Women make up 51% of the population, so, all things being equal, there should be slightly more insolvencies involving women than men.

[9] Women accounted for 52.3% of insolvencies in 2014, up from 50.7% the year before

Individual Voluntary Arrangements on the other hand, much changed from 2003 onwards, are now split almost equally among men and women overall. Young women are much more likely to be in an IVA than young men; older men are more likely to be in an IVA than older women. IVAs are an effective option for those with regular incomes to repay a proportion of debts that are unmanageable, but usually include relatively lower debts than those found in bankruptcies.

In line with the population as a whole, 51% of IVAs involve women, although men are still slightly more likely to enter one: in 2014, there were 11.4 IVAs for every 10,000 men and 11.3 for every 10,000 women. Following their reform in 2003, IVAs increased far more rapidly among women than men.

Finally, Debt Relief Orders, introduced in 2009 as a way to help those with very low assets and low debts, provide the biggest contrast. Since their introduction, women have been far more likely than men to be in a DRO. On average, 63% of DROs every year involve a woman; in 2014 there were 4.3 DROs for every 10,000 men and 7.4 for every 10,000 women.

The introduction of DROs was particularly significant as it allowed people, particularly women, to enter formal insolvency procedures for the first time – previously, many were effectively 'locked out' of the formal insolvency regime.

The introduction of extra insolvency solutions only explains part of the changes in the demographics of insolvency, however. The entry requirements of bankruptcy have been little changed in the past ten years, but the female bankruptcy rate has been catching the male bankruptcy rate, for example.

The fact is, as the insolvency regime has become better equipped to help deal with different types of debts and financial circumstances, these different types and circumstances of debt have been changing too.

Different ages, different genders, different debt worries, different insolvencies

To understand why there have been changes in who has been entering insolvency, it is first helpful to understand how debt worries and personal finance pressures differ between gender and age groups.

Different debts

Since 2010, R3 has tracked the British population's worries about debt and the causes of struggles to payday.

The surveys have shown differences in debt worries depending on individuals' ages and genders. Women, for example, tend to worry more about their debts than men; things like rent arrears or student debt typically worry younger people. As one might expect, debt worries are at their highest when people are approaching or are in middle age; they are usually at their lowest for people under 25 or over 65. It's the differences between men and women across age groups, however, which are most eye-catching.

As above, although men generally have higher debts[10], women are typically more concerned about the level of their debt; in 17 surveys since July 2010[11], 15 have found women more worried about their debts than their male counterparts. On average, since 2010, 50% of women are at least fairly concerned about their level of debts, compared to an average 44% of men.

Similarly, women are more likely to say they struggle from payday to payday. In each of the 17 Personal Debt Snapshot surveys, the share of women saying they often or sometimes struggle to payday consistently outranks the share of men in the same position. On average across the surveys since 2010, 45% of women say they struggle to payday against an average 38% of men.

Comparing those men that struggle to payday and women that struggle to payday, women in this position tend to be more likely than men to blame their struggles on rising food prices.

[10] According to the November 2014 Personal Debt Snapshot, among those who had debts, men owed £5,969, on average; women with debt owed an average £5,107
[10] To August 2015

Different insolvencies

Given that men and women say that they are affected differently by different types of debt, it makes sense that women and men are likely to enter insolvency for different reasons.

We have two data sources that identify the reasons people might enter an insolvency procedure: information provided by the Insolvency Service about bankruptcies in 2014 and a survey of R3 members, carried out in 2015.

In the R3 survey, members – who form the vast bulk of the UK's insolvency practitioners – were asked to identify the major factors that lay behind insolvency cases they dealt with involving men and those involving women[12].

According to R3 members, there are four main factors more likely to cause insolvencies among men than among women: the failure of their own company; the loss of their job or a reduction in their income; costs arising from a legal dispute; or an unexpected bill. According to R3 members, the factor most likely to cause a man's insolvency is the failure of his business.

By contrast, there were four main factors more likely to lie behind a woman's insolvency than a man's: the accumulation of consumer debt; the loss of their household's chief income earner's income; the cost of living (excluding housing costs); or family-related costs. The factor most likely to cause a woman's insolvency was the accumulation of consumer debt.

There is some overlap though: the accumulation of consumer debt and job loss or a reduction in income is a relatively typical cause of both men's and women's insolvencies.

The biggest difference between men and women, however, is the impact of the failure of an individual's own business. While it's the most common factor behind men entering insolvency, it's only the fourth most common factor in insolvencies involving women; 83% of R3 members said business failure was a common factor in male insolvencies, but just 32% said the same for women.

Factors behind insolvencies involving men		Factors behind insolvencies involving women	
Own Company Failure	83%	Accumulation of Consumer Debt	85%
Accumulation of Consumer Debt	75%	Job loss/Reduction in income	50%
Job loss/Reduction in income	57%	Loss of Chief Household Income Earner's Income	46%
Legal Dispute Costs	34%	Own Company Failure	32%
Loss of Chief Household Income Earner's Income	30%	The Cost of Living	23%
Unexpected One-off Costs	28%	Family-related Costs	22%
Long-term illness (inc. disability or addiction)	20%	Unexpected One-off Costs	19%
Sudden incapacity from work	17%	Lack of savings	16%
The Cost of Living	11%	Long-term illness (inc. disability or addiction)	15%
Lack of savings	11%	Legal Dispute Costs	14%
Long-term unemployment	9%	Sudden incapacity from work	12%
Family-related Costs	8%	Long-term unemployment	11%

[12] Insolvency practitioners handle all IVAs and, according to a response by the Insolvency Service to a Freedom of Information Act request, were the trustees in around one-in-ten bankruptcies in 2013 (typically those involving higher assets or debts).

The above findings are backed up by data from the Insolvency Service that show the different reasons why men and women enter bankruptcy[13].

In every bankruptcy case, the Insolvency Service tries to identify the cause of the bankruptcy. There are 17 different categories of causes in total, roughly equally split between 'trading' bankruptcies (those caused by an individual's own business' problems) and 'non-trading' bankruptcies[14].

Overall, 14 of the 17 causes of bankruptcy affect more men than women.

The top three causes of bankruptcy among men were, in descending order, the loss of the bankrupt's employment, a loss of market by their business, and living beyond means[15].

For women, the corresponding list is relationship breakdown, living beyond means, and a loss of or significant reduction in household income. These are also the only categories more likely to affect women than men.

Notably, with the exception of 'living beyond means', the causes of bankruptcy that have a relatively bigger impact on women tend to have a relatively lower impact on men, and vice versa.

For instance, trading bankruptcies accounted for roughly one-in-three men's bankruptcies in 2014, but only one-in-seven women's bankruptcies. The top cause of bankruptcy for men – the loss of employment – was only the 6th most common cause of bankruptcy for women.

On the other hand, relationship breakdown was the number one cause of women's bankruptcies in 2014 but it was only the 8th most common cause of bankruptcies among men[16].

It's worth pointing out too, that the single most common type of bankruptcy in 2014 was a woman's bankruptcy caused by the breakdown of her relationship.

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[13] The data have been rounded and suppressed by the Insolvency Service to preserve confidentiality
[14] Eight categories fall under the 'trading' umbrella.
[15] If the 'trading' categories were combined into one category, it would be the leading cause of men's bankruptcies, but only the 4th leading cause of women's bankruptcies.
[16] Similarly, the 3rd most common cause of insolvency among women – loss of household income – was just the 9th most common cause for men

Men's Bankruptcies			Women's Bankruptcies		
#	Cause (T = Trading; NT = Non-Trading)	Women's Rank	#	Cause	Men's Rank
1	Loss of bankrupt's employment (NT)	6	1	Relationship breakdown (NT)	8
2	Loss of Market (T)	8	2	Living beyond means (NT)	3
3	Living beyond means (NT)	2	3	Loss/significant reduction of household income (NT)	9
4	Other (NT)	5	4	Significant reduction of bankrupt's income so unable to meet existing commitments (NT)	5
5	Significant reduction of bankrupt's income so unable to meet existing commitments (NT)	4	5	Other (NT)	4
6	Management Failure (T)	9	6	Loss of bankrupt's employment (NT)	1
7	Illness/accident (NT)	7	7	Illness/accident (NT)	7
8	Relationship breakdown (NT)	1	8	Loss of Market (T)	2
9	Loss/significant reduction of household income (NT)	3	9	Management Failure (T)	6
10	Other (T)	11	10	Failure of new venture, expansion or acquisition (T)	11
11	Failure of new venture, expansion or acquisition (T)	10	11	Other (T)	10
12	Financial (T)	12	12	Financial (T)	12
13	Gambling and other rash speculation (NT)	15	13	Increase in interest rates on existing debts (secured/ unsecured) (NT)	16
14	Bad debts (T)	16	14	Knock on effect from failure of another company (T)	15
15	Knock on effect from failure of another company (T)	14	15	Gambling and other rash speculation (NT)	13
16	Increase in interest rates on existing debts (secured/ unsecured) (NT)	13	16	Bad debts (T)	14
17	Victim of Fraud (T)	17	17	Victim of Fraud (T)	17

Annex

Bankruptcies, Individual Voluntary Arrangements and Debt Relief Orders

To understand why there have been changes in who has been entering insolvency, it is first helpful to understand how debt worries and personal finance pressures differ between gender and age groups.

The following section looks at the different insolvency options and offers some explanations as to why there are differences between the number of men and women using them.

Bankruptcies

In bankruptcy an individual's assets are passed to a trustee who will realise these assets to repay creditors. A bankruptcy lasts for one year (although the process of realising assets can take longer), during which the bankrupt is subject to certain restrictions: they cannot act as a company director, for example. A person can opt to make him or herself bankrupt, or they can be made bankrupt following a petition to the court by a creditor.

Although the term 'bankruptcy' is often used to refer to any personal or corporate insolvency, the process is actually the least common form of personal insolvency and accounted for one-in-five personal insolvencies in 2014.

As well as the improving economy, the decline of bankruptcy numbers owes much to the introduction of DROs in mid-2009 to handle cases involving very few assets and debts. Bankruptcies hit their record high in the three months before DROs were introduced – about a year before all insolvencies peaked – then promptly fell 8% in the three months after; a decline that has continued almost uninterrupted since[17].

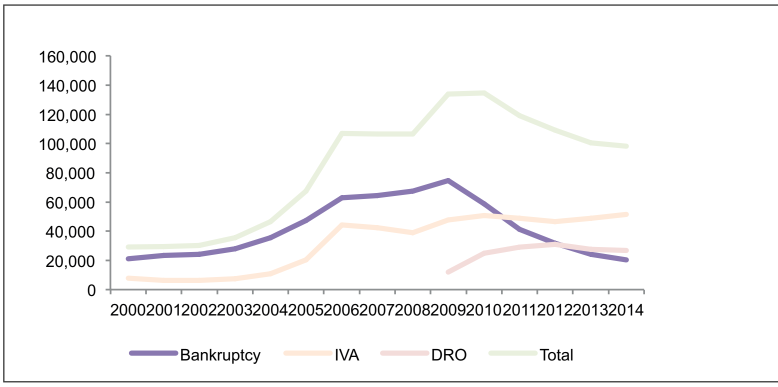

Figure 10 - Total bankruptcies

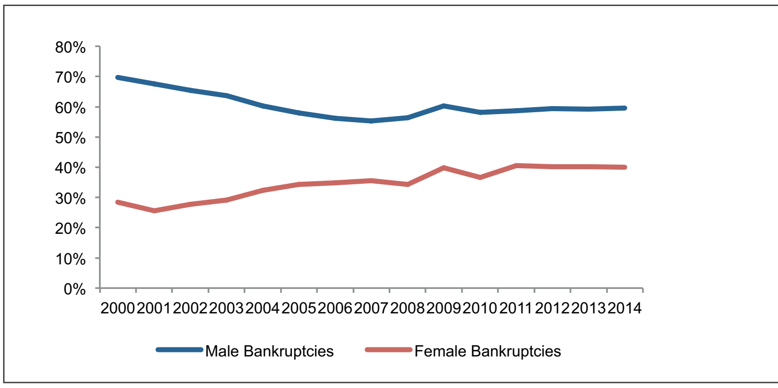

Figure 11 - Proportion of bankruptcies involving men or women

[17] Insolvency Service quarterly statistics

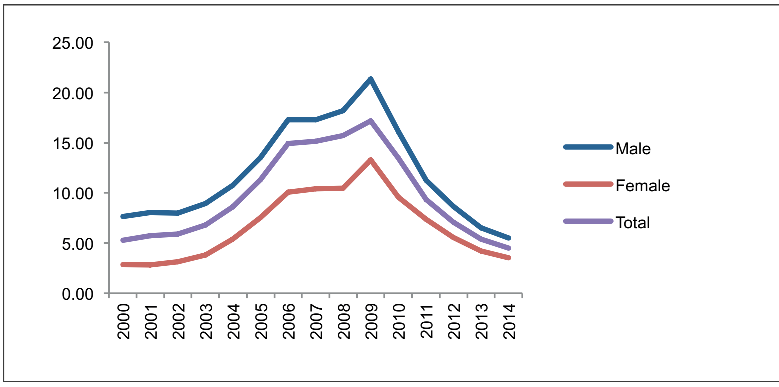

Figure 12 - Bankruptcies per 10,000 adults, by gender

Despite dealing with fewer types of cases than it used to, bankruptcy remains an important part of the insolvency regime.

Unlike a Debt Relief Order, there are no limits on the debts or assets an individual may have before entering bankruptcy; unlike Individual Voluntary Arrangements, bankruptcy allows those without incomes (or at least uncertain incomes) to deal with problem debts. This makes bankruptcy an effective insolvency option for those who may have recently experienced a change in income whether through job loss, business failure (around a quarter of bankruptcies involve self-employed individuals[18]), or the loss of a partner's income; and it means bankruptcy can deal with very large, unserviceable debts. These sorts of debts could include unexpected bills or liabilities, like tax demands or legal bills.

According to the R3 membership survey on the causes of insolvencies, the average bankruptcy or sequestration (handled by an insolvency practitioner) involves unsecured debt of £109,780 on average and assets of £43,590 on average. The bankrupt in these type of cases is usually self-employed (53%) with an average estimated income of £28,080; 24% of R3 members said someone in bankruptcy was 'likely' to have been in an insolvency procedure before.

Box A – The Breadwinners

The Institute of Public Policy Research's 2013 'Who's Breadwinning?' report found that working mothers contribute a median of 37% of household incomes and that 31% of working mothers in couples are the main breadwinner (1). Meanwhile, insurers Aviva, in their 2014 Family Finances Report, say just 19% of children born between 2001 and 2014 live in a household where a woman is the main earner (up from 16% of those born between 1981 and 2000, and 10% of those born between 1965 and 1980) (2). The latest statistics from the Office of National Statistics show that there are 246,000 stay-at-home fathers (7% of all economically inactive men) compared to 2 million stay-at-home mothers (36% of economically inactive women) (3).

(1) IPPR, Who's Breadwinning, 2013
(2) Aviva Family Finances Report 2014
(3) Office of National Statistics, Labour Force Survey

[18] Insolvency Service quarterly statistics

Who enters bankruptcy?

We have a very good understanding of why men and women enter bankruptcy.

Men tend to enter bankruptcy for a wide variety of reasons (the top three causes of male bankruptcies are responsible for only a third of all male bankruptcies), although factors like the loss of the bankrupt's job or the failure of their company tend to have a relatively bigger impact.

On the other hand, women tend enter bankruptcy as a result of a much smaller number of reasons: the top three causes of female bankruptcies account for over half the female total. Unlike men, there are very few business-related bankruptcies involving women, while women's bankruptcies are more likely to be a knock-on effect from another individual: the loss of a partner's job or the loss of their partner's income (including losses caused by a break-up), for example.

Both genders, unsurprisingly, have problems with, in Insolvency Service parlance, 'living beyond means'.

Business Ownership and employment

Given the make-up of the labour force, households, and UK business ownership, the above differences are not necessarily surprising.

Firstly, businesses are still far more likely to be owned by men than women. The government's Small Business Survey shows that only one-in-five businesses are majority-led by women[19], although this proportion has increased in recent years. On the other hand, three-in-five businesses are still entirely male-led[20]. With men much more likely to own businesses, it stands to reason that men are more at risk of the consequences of business failure.

Likewise, men are more likely to be in work than women and thus more exposed to the risk of job loss. And, although things are changing (see Boxes A and B), women are still more likely to rely on a partner's income.

In the three months to May 2015, 78% of men aged 18-64 were in work and just 17% were economically inactive (not in work or looking for work, so presumably reliant on others or on savings for income); by contrast, 69% of women in the same age group were employed, while 27% were inactive[21].

Household roles

And although there are respective record highs and record lows of stay-at-home fathers and mothers, women are still much more likely than men to be in a position where they could experience hardship as a result of losing their partner's income. This could be because of job loss or a break-up. Men are more likely to be the main breadwinner in a family, even if both halves of the couple are working (see Box A for more).

Relationship break-up (the biggest cause of bankruptcies involving women) doesn't only affect women's incomes either; it affects their outgoings too. After a break-up, women are much more likely to be responsible for childcare, placing an added burden on their finances: in 2014, 91% of lone parent families with dependent children were headed by a woman[22]. Perhaps linked to this is the fact that R3 members are much more likely to say that 'family-related costs' are a common factor in women's insolvencies (22%) than men's (8%).

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[19] BIS Small Business Survey 2014, data for all businesses
[20] BIS Small Business Survey 2014, data for all businesses
[21] Office of National Statistics, Labour Force Survey
[22] Office of National Statistics, Families and Households 2014

Is anything changing?

The ratio of male to female bankruptcies has been relatively stable since 2009. Every year since then, give or take a few percentage points, 40% of bankruptcies involve women and 60% involve men. Before that, there was a gradual climb in the share of bankruptcies involving women, from a low of 26% in 2001[23].

The conundrum with bankruptcy is why this male-female split is staying so consistent given underlying changes in the factors that determine the levels of men's and women's bankruptcies.

The introduction of Debt Relief Orders in 2009 has probably played a part in this stabilisation of the bankruptcy gender split. There is some crossover between bankruptcies and DROs in the sense that if DROs weren't available, those currently in them would be likely to enter bankruptcy as alternative (if they were to enter insolvency at all). Most DROs involve a woman: it's possible that many potential female bankruptcies have ended up as DRO instead.

It's also worth remembering that as one 'type' of female or male bankruptcy becomes more likely, another could become less likely.

For example, although the shares of women in work or that are household breadwinners are increasing, this might not affect the number of bankruptcies involving women overall: it may just mean that although there are more bankruptcies caused by the loss of a woman's job, there are also fewer bankruptcies involving women caused by the loss of their partner's job or income.

The official statistics could also shed some light on what is happening.

The Insolvency Service produces historical headline data on two types of bankruptcies: those involving self-employed people and those that don't. Both have fallen since the recession, but self-employed bankruptcies have fallen far slower and now represent a much larger share of bankruptcies than they have done for many years. About one-in-four bankruptcies in 2014 involved a self-employed person, up from around one-in-ten from 2007 to 2010[24].

Given that men account for two-thirds of self-employed individuals[25] and over three quarters of trading-related bankruptcies, it should be expected that the overall share of bankruptcies involving men should be increasing – but it hasn't.

Box B – Business Ownership

20% of businesses were female-led in 2014, up from 14% in 2010 (1). The share of self-employed women (up 35%) has grown faster than the share of self-employed men (up 7%) the ten years to mid-2015, although 18% of men are self-employed compared to just 10% of women (2).

(1) BIS Small Business Survey 2010
(2) Office of National Statistics, Labour Force Survey

There are a few possible explanations.

It may be that women are making up increasingly larger shares of trading or self-employed bankruptcies. The numbers of female business owners and self-employed women are increasing, after all (See Box B).

[23] Although prior to 2009 (and then in 2010), there were a small proportion (up to 10%) of bankruptcies where the gender of the bankrupt is unknown
[24] Insolvency Service quarterly statistics
[25] Office of National Statistics, Labour Force Survey

An alternative explanation is that women are making up a higher proportion of non-self-employed or non-trading bankruptcies than they have before.

One factor that might contribute here is the distribution of men's and women's jobs between the public sector and private sector. Job losses occur in these sectors at different times, which might have a knock-on effect on male and female bankruptcy numbers. Women are far more likely than men to work in the public sector, which is currently responsible for a higher proportion of redundancies than it was a few years ago. Private sector redundancies, which are more likely to affect men, peaked as a share of redundancies during the recession as corporate insolvencies peaked (See Box C).

Then again, a higher share of job losses among one gender doesn't necessarily mean that gender will have a higher share of bankruptcies. A man's job loss in the private sector could also lead to the bankruptcy of his female partner if she is dependent on his income; conversely, a man might not need to enter bankruptcy following job loss if he can depend on his partner's income or if he can find a new job quickly. The same is true of women losing their jobs in the public sector.

Box C – Public and Private Sector Differences

About four-in-five jobs in the economy are in the private sector (1), with men taking up around three-in-five private sector roles. In the public sector, by contrast, over three-in-five roles are held by women (2). Public sector job losses accounted for just 6% of all redundancies in 2009, then 12% in 2010, 20% in 2011, and 18% by 2014 (3). By contrast, men would have been more likely to face the risk of job losses a number of years ago: corporate insolvencies (that is, triggers for private sector redundancies) peaked at the start of 2009 (4), while male unemployment initially peaked in mid-2009 (5); the male bankruptcy rate peaked in 2009, while the male share of bankruptcies hit a five-year high that year too (against a trend of an increasing share of female bankruptcies).

(1) Office of National Statistics, Labour Force Survey
(2) Office of National Statistics, Labour Force Survey
(3) Office of National Statistics, Labour Force Survey
(4) Insolvency Service quarterly statistics
(5) Office of National Statistics, Labour Force Survey

Individual Voluntary Arrangements

In 2014, Individual Voluntary Arrangements became the single most common insolvency option for the first time, accounting for 52% of all insolvency procedures that year. An IVA is essentially an agreement between a debtor and their creditors to repay a certain portion of debts over a set period of time. During the course of an IVA the debtor retains control of their assets. IVAs typically last for around five years. All IVAs must be overseen by an insolvency practitioner, who will act as a supervisor.

IVAs can be used as a solution for a variety of financial problems, from outstanding tax debts to mounting consumer debts. To enter an IVA, an individual must have income left over from monthly living expenses. This is referred to as 'surplus income' and can be as low as £50 per month.

The IVA process has undergone two significant changes in the past decade and a half. Entrance to IVAs was much simplified from 2003 onwards, while there were further revisions to the process in 2008[26]. Both changes led to increases in the number of IVAs, while the rapid expansion of consumer debt levels pushed IVA (and bankruptcy) numbers up too.

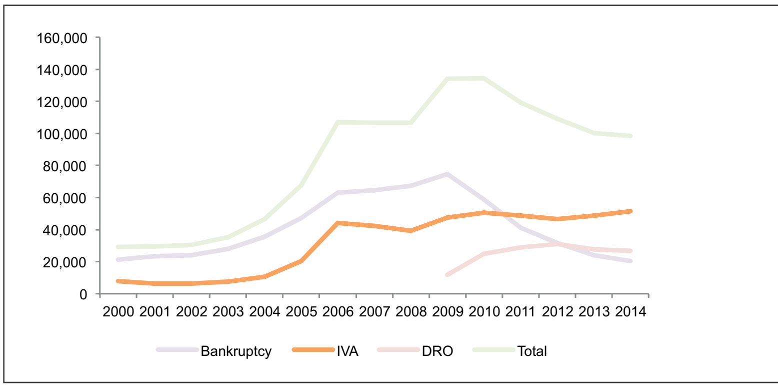

Figure 13 - Total IVAs

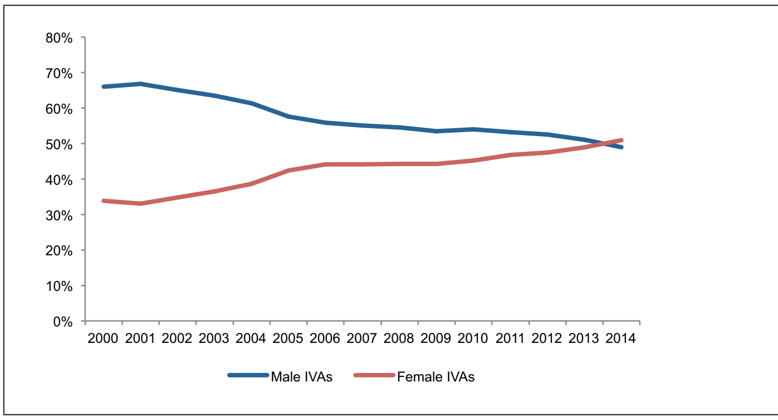

Figure 14 - Proportion of IVAs involving men or women

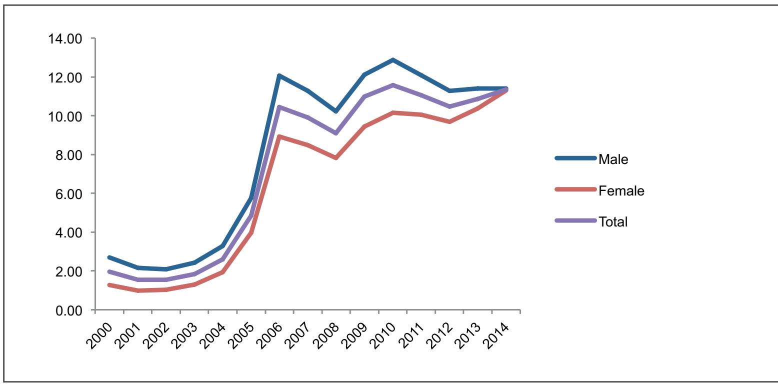

Figure 15 - IVAs per 10,000 adults, by gender

According to the R3 membership survey, an individual in an average IVA has an average of £88,050 of unsecured debt (lower than bankruptcy), an average of £56,500 of assets (higher than bankruptcy), and on average an estimated annual income of £33,390 (higher than bankruptcy). They are most likely to be a full-time employee (53%), while 23% of R3 members said people in IVAs or trust deeds were likely to have been in an insolvency procedure before.

[26] Reforms were introduced by the Insolvency Act 2000, which removed the requirement to obtain an 'interim order' from the court before entering an IVA, and the 2008 IVA Protocol, which standardised the IVA entry process

Who enters IVAs?

Not as ‘drastic’ a solution as bankruptcy, IVAs are a way of restructuring personal debt rather than forgiving debts entirely. They are most commonly used to deal with consumer debts, but can be used to deal with trading-related debts.

Uniquely, IVAs are split almost exactly between men and women: 51% of IVAs involve a woman, although there are 11.4 IVAs for every 10,000 men and 11.3 for every 10,000 women.

Although, overall, there are almost equal rates of IVAs for men and women, there are big differences between the genders depending on age. Broadly, in younger age groups, women are much more likely to enter an IVA; in older age groups, men are more likely to enter an IVA. IVAs are most common among women aged between 35 and 44 and are least common among men aged between 18 and 24.

Our best source of information on the reasons people enter IVAs is the R3 member survey; IVAs must be overseen by an insolvency practitioner, so R3 members have something of a unique insight. Although the survey covers insolvency in general, IVAs currently make up well over half of the insolvency cases dealt with by the insolvency profession.

According to the R3 member survey, both men and women are particularly likely to enter any form of insolvency as a result of a build-up of consumer debt, although women’s insolvencies are more likely to be caused by this (85% for women vs 75% for men) . Additionally, men’s insolvencies are typically more likely to be caused by company failure, job loss or reduction in income (in the case of IVAs the reduction in income is perhaps more relevant), legal dispute costs or unexpected one-off costs. Women’s insolvencies, on the other hand, are more likely to be caused by loss of household income, the cost of living, or family-related costs.

The sooner the better?

There is some circumstantial evidence that women might be more likely to enter an IVA than men because they are more likely to seek debt advice sooner. The sooner advice about problem debt is sought, the more options an individual has open to them; leave it too late and let debts get too high, and bankruptcy might be the only option.

Most insolvency practitioners (70%) believe that there is no difference between men and women when it comes to the speed with which they seek advice, although almost a quarter (24%) say that women will seek advice sooner. Just 6% of insolvency practitioners believe men will seek advice about their financial problems at an earlier stage than women.

Women are more likely to worry about their debts than men (43% of women vs 38% of men in August 2015): only twice in the 17 editions of the Personal Debt Snapshot have men been more worried. The fact that women worry more about student loan debt (in 12 out of 17 surveys) might tell us something too. The interest on student debt is low, as are the monthly repayments, which are directly proportional to income and are taken directly from pay packets; student loan debts aren’t so much of a typical debt as a tax. It could well be that women worry more about the idea of being in debt and so consequently are predisposed to seek help sooner.

Is anything changing?

IVAs are unlike bankruptcies and DROs in two key respects. Firstly, unlike the plummeting bankruptcy rate, the IVA rate has remained relatively steady with around 10 or 11 IVAs per 10,000 people every year since 2009. Secondly, unlike both DROs and (to a degree) bankruptcies, IVAs have seen a dramatic shift in demography. While women accounted for more than half of IVAs in 2014, back in 2002, the year before IVAs were overhauled, just 35% of IVAs involved a woman.

IVA numbers among women have been in a constant state of catch-up with IVAs involving men. Every year since 2003, the female IVA rate has either grown faster or fallen slower than the male rate.

There are a few factors that might explain these changes. It seems, for example, possible that the changes introduced to the way IVAs worked have helped women more than men, in the same way that the introduction of Debt Relief Orders would in 2009.

As we know from the Personal Debt Snapshot and the R3 membership survey referred to earlier, women tend to have more problems with ‘cost of living’ related debts than men (especially the rising cost of food). These types of debts could include, for example, consumer credit problems, family costs, or housing costs. We also know that women tend to have lower value debts than men. Although prior to 2003 bankruptcy was essentially the only ‘easily’ accessible insolvency option, it is not necessarily a proportionate tool for dealing with some of the above debts or for low value debts: the risk of losing the family home could have been seen as too high a price to pay for debt relief. Making access to IVAs easier might have made entering insolvency more palatable: assets and homes are protected in an IVA in a way they are not in bankruptcy.

More pressure on women’s finances?

There have also been factors that will have put more pressure on women’s finances than men’s, which might have contributed to more IVAs among women.

The boom in consumer debt over the last few decades is one such factor. Although it is a major cause of insolvencies for men and women, the data from the R3 member survey and the data from the Insolvency Service on bankruptcy suggest women tend to struggle with the accumulation of consumer debt most – and IVAs are particularly adept at helping resolve unsustainable consumer credit debts.

At the same time that the share of IVAs involving women has been growing, the UK’s consumer debts have been growing too. At the beginning of 1995, the UK owed £441bn in household debt; by the beginning of 2005, this had become £1tn[27]. And while rising incomes meant this debt was affordable for some, it wasn’t affordable for everyone.

Although the evidence suggests women struggle more with ‘over-spending’ or consumer debt, the R3 Personal Debt Snapshot shows women are more likely to say they struggle with cost of living issues (especially the rising cost of food) – it may be that, for women, consumer borrowing is more a symptom of struggling to keep up with the cost of living.

Throughout the Personal Debt Snapshot series, women have been more likely than men to struggle to payday because of the rising cost of food. Indeed, in each Personal Debt Snapshot a higher proportion of women say they struggle to payday than of men.

Very broadly then, inflation would tend to have more of an impact on women’s finances (given inflation’s effect on the cost of living); interest rates would have more of an effect on men’s finances (given interest rates’ impact on the cost of borrowing).

[27] Bank of England

Although the economy has flirted with deflation in 2015 (coinciding with a period of rapidly falling IVA numbers), inflation was above the Bank of England's two per cent target until the start of 2014, hitting five per cent in 2011[28]. Interest rates, on the other hand, hit their record low in 2009 and have stayed there since.

Finally, there are two factors that have increased the viability of women's IVAs over the last decade or so: the increasing rates of employment and pay for women relative to men. With increasing incomes, more and more women can afford to take on more and more debt; but with more debt comes more risk (see Box D).

As the gaps on pay and employment close, the number of factors that make women less likely than men to enter an insolvency procedure get smaller.

Box D – Women in work

There are now almost seven-in-ten women aged 16-64 in work; a record high (1). And while the women's employment rate quickly surpassed its pre-recession peak, the male employment rate took far long to recover (2). As a proportion of the male rate of employment, the female rate was 82% in 1995, 85% in 2005, and reached 88% in 2015 (3). One of the fastest increases in employment rates is taking place among women aged 50 to 64 (4); for those of working age, IVA rates are increasing fastest among women aged 55 to 64.

The pay gap has shrunk too. Indeed, women in full-time work aged between the ages of 22 and 39 are either paid the same as their male colleagues or paid more (5); and it's among these age groups where there are more IVAs involving women than men.

(1) Office of National Statistics, Labour Force Survey
(2) Office of National Statistics, Labour Force Survey
(3) Office of National Statistics, Labour Force Survey
(4) Office of National Statistics, Labour Force Survey
(5) Office of National Statistics, Annual Survey of Hours and Earnings

[28] Office of National Statistics, Consumer Price Inflation

Debt Relief Orders

Debt Relief Orders were introduced in 2009 to further lower the barriers to formal insolvency procedures. The fee to enter, for example, is £90 compared to the £705 (£655 for online applications from April 2016) required to enter bankruptcy. Unlike bankruptcies and Individual Voluntary Arrangements, DROs involve no distribution of assets to repay creditors; there is no involvement from an insolvency practitioner either. As such, DROs could be considered an 'administrative' form of debt relief.

In return for debt relief, those in DROs are subject to similar restrictions as those in bankruptcies (for example, there are limits on borrowing); these restrictions also last for a year. To enter a DRO, an individual must have debts under £20,000 and assets under £1,000 (with some types of asset exempted). These limits increased in October 2015 from £15,000 of debts and up to £300 of assets.

DROs are currently the second most common form of personal insolvency, accounting for over one-in-four personal insolvency procedures. Numbers have remained relatively stable since their introduction (currently around 25,000 per year), although they have fallen slowly from a peak in 2012. In 2014, there were 5.9 DROs for every 10,000 adults.

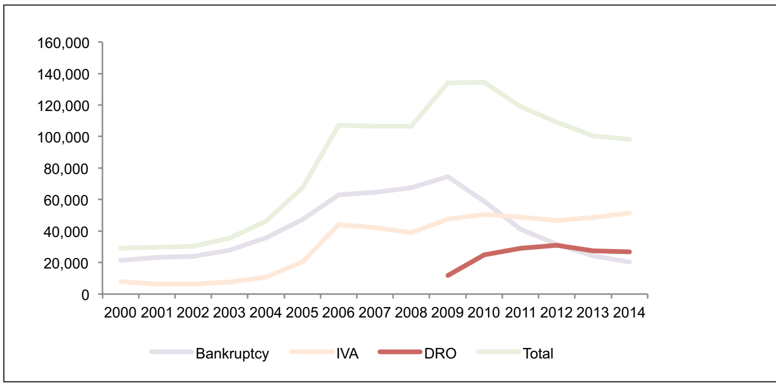

Figure 16 - Total DROs

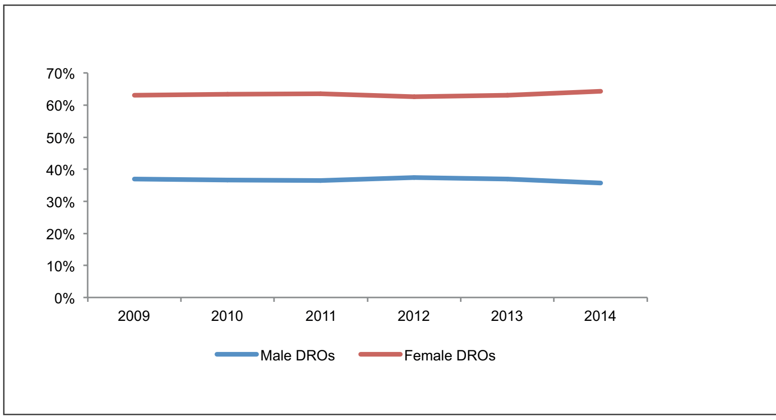

Figure 17 - Figure 14 - Proportion of DROs involving men or women

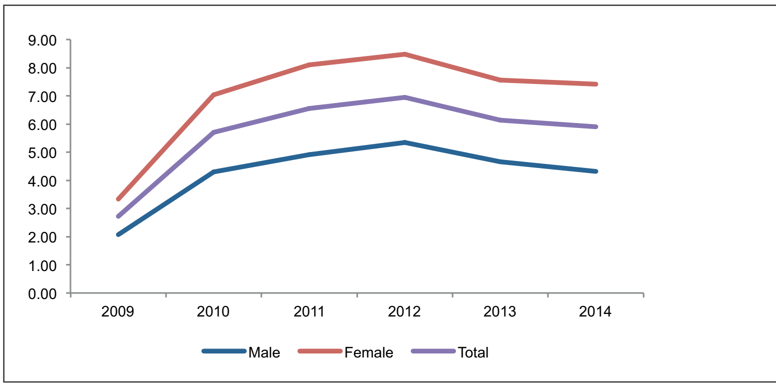

Figure 18 - DROs per 10,000 adults by gender

Although R3 members do not handle DROs, they may advise those people considering one. According to the R3 member survey, those advised to enter a DRO or LILA (Low Income Low Asset – the Scottish equivalent to a DRO) are most likely to be unemployed(57%) , and they are most likely to rely on benefit payments (75%) as their main source of income. On average, they are estimated to earn £10,430, while 57% of R3 members say those entering a DRO are likely to be entering their first insolvency procedure.

In 2013-14, 56% of those entering a Debt Relief Order were unemployed or a househusband, housewife, or carer; 89% had no assets[29].

Box E – Gender and income

In the three months to the end of May 2015, 27% of women were economically inactive (17% for men) (1), while 42% of women in work were working part-time compared to just 13% of men (2).

Women are also more likely to rely on state benefits than men. According to Office of National Statistics analysis of incomes for 2013-14, 16% of single women's gross incomes came from cash benefits, compared to 11% of single men's (3). In the R3 Personal Debt Snapshot, women were more likely than men to say they struggled to payday because of cuts to benefits payments in nine of the 12 surveys in which this option was included.

And, women tend to be disproportionately present in the poorest households. For example, women represent 91% of lone parents (4), and these households are more likely to have lower disposable incomes (5); one-fifth of children growing up in a lone parent household do so below the poverty threshold (6). R3 members say that family costs are more likely to be a factor in women's insolvencies (22% say it is a common factor) than men's insolvencies (8% - the least likely factor).

(1) Office of National Statistics, Labour Force Survey
(2) Office of National Statistics, Labour Force Survey
(3) Office of National Statistics, The Effects of Taxes and Benefits on Household Income
(4) Office of National Statistics, Families and Households 2014
(5) Office of National Statistics, Families and Households 2014
(6) DWP, Analysis of Income Distribution 1994-5 to 2013-14, June 2015

Who enters DROs?

Like bankruptcy, DROs have a stark gender split: since their introduction in 2009, women have accounted for approximately two-thirds of DROs every year. In 2014, there were 4.3 DROs for every 10,000 men compared to 7.4 for every 10,000 women. In each age group, women were more likely than men to enter a DRO. The most likely people to enter a DRO are women aged 25-34: for every 10,000 people in this category, there were 11.3 DROs (compared to 5.7 men in the same age group).

Those entering DROs have low debts, low assets, and are quite likely to be out of work and reliant on state benefits, or are employed part-time. Likewise, women are more likely to have low debts, to be out of work, to be reliant on state benefits, and they tend to come from poorer households too (see Box E).

For all the advances of women in business and the workplace, women still tend to be financially worse off than their male counterparts – and so much more likely to be able to both need and qualify for a DRO.

[29] Insolvency Service, Insolvency Proceedings: Debt relief orders and the bankruptcy petition limit, Call for evidence

Is anything changing?

DROs are unique in that (up until October 2015 at least), very little has been changing in terms of their number and the demographics of those using them. After rising following their introduction in mid-2009, DRO numbers have fallen slightly; meanwhile, women have consistently accounted for around two-thirds of DROs every year.

There are some factors that could change this, however.

The most significant of these changes is the relaxation of the DRO entry requirements, which increased to £20,000 of debts and £1,000 of assets from October 2015. These increases could lead to proportionally more men entering DROs: men tend to have higher debts than women, after all.

Alternatively, the increase could favour still more women. Those entering DROs are drawn from three main constituencies: those who would have alternately entered bankruptcy; those who would have alternately entered an IVA; and those who would alternately not entered formal insolvency at all. The bankruptcy numbers (which dropped significantly after the introduction of DROs, but before the peak of insolvencies) suggest that a large number of those entering DROs are from constituency one: those who would otherwise have entered bankruptcy if not a DRO. Thus, by extending the catchment of DROs, it's likely that more 'lower end' bankruptcies will end up as DROs instead. How this will affect the gender split of DROs depends on the gender split of the lower end bankruptcies.

ComRes R3 Membership Survey

ComRes interviewed 239 Insolvency Practitioners who are members of R3 between the 26th March and 6th April 2015. ComRes is a member of the British Polling Council and abides by its rules. Data tables are available on the ComRes website, www.comres.co.uk.

ComRes Personal Debt Snapshot

ComRes regularly interview approximately 2,000 GB adults online on behalf of R3. Data are weighted to be demographically representative of all British adults aged 18+ by age, gender, region and socio-economic grade. ComRes is a member of the British Polling Council and abides by its rules (www.britishpollingcouncil.org). Data tables are available on the ComRes website, www.comres.co.uk.

Wave	Total base, n=
Wave 17- August 2015	2,047
Wave 16 – March 2015	2,011
Wave 15 – November 2014	2,054
Wave 14 – July 2014	2,035
Wave 13 – February 2014	2,013
Wave 12 – September 2013	2,006
Wave 11 – May-June 2013	2,060
Wave 10 – February 2013	2,007
Wave 9 – September 2012	2,051

Wave	Total base, n=
Wave 8 – April-May 2012	2,044
Wave 7 – January 2012	2,016
Wave 6 – October 2011	2,005
Wave 5 – July 2011	2,047
Wave 4 – April 2011	2,052
Wave 3 – January 2011	2,031
Wave 2 – October 2010	2,035
Wave 1 – July 2010	2,008