

Insolvencies set to rise, warn financial experts

Insolvency numbers are set to grow in the coming year, a leading West Midlands finance expert has warned.

Chris Farrington, restructuring services partner at Deloitte Midlands, said: "As the labour market continues to deteriorate we will see more households struggle to pay their debts as unemployment levels increase. We have seen a noticeable increase in professionals filing for bankruptcy and we can see this trend continuing."

"The boom in the payday lenders market, enabling low income borrowers to gain large volumes of credit at interest rates of 5,000 per cent per year in some cases, means that we will inevitably continue to see large numbers of individuals become insolvent in 2012."

"We predict the number of individuals entering in insolvency in 2012 will top 120,000."

Looking at the most recent figures, he said: "The final quarter of 2011 saw 28,973 individuals enter into personal insolvency, a four per cent decrease on Q311, bringing the total number of personal insolvencies to 121,562 in 2011."

"Traditionally people tend to hold off addressing financial issues during the festive season, preferring to hold off until the New Year. It is not surprising to see an increase in the number of Individual Voluntary Arrangements –



Insolvency numbers are set to grow this year, according to financial experts

up five per cent on the corresponding quarter of the previous year.

"This is a result of the increased cost of bankruptcy and the higher proportion of small businesses entering into Individual Voluntary Arrangements which offer a more flexible approach to debt repayment and can allow for the survival of the business."

Deloitte's latest Consumer Tracker,

a monitor of consumer confidence and spending habits, found that seven per cent of households have seen someone lose their job in the last quarter. Consumers were found to be bearish across a range of indicators with 53 per cent of respondents pessimistic about disposable income, while 28 per cent felt negative about their personal debt and 23 per cent about job security.

The will to tackle care home costs

With the cost of care home fees hitting the headlines once again, a leading West Midlands' Wills Trusts and Estate Planning solicitor is urging couples to use their wills to help safeguard the family home for their children's inheritance.

Margaret Rowe, partner at Wolverhampton law firm FBC Manby Bowdler LLP, says that with the Government proposing a lifetime cap on care fee contributions by the elderly to £60,000, those who wish to provide for care in retirement can protect their assets now.

She says: "Anyone with property should start with a well-drafted will, which puts shares in the family home into trust. This is a simple, safe and proven method of limiting one's liability for residential home fees."

"Most couples buy property as 'joint tenants', which ensures that when one party dies, their share goes automatically to the other. But by changing their ownership of the property to 'tenants in common', each party can leave their share to who they like, which opens the way to leaving their half of the house to their children, or, better still, to place it into a trust. If this is done, half the value of the house will be ring-fenced if the surviving spouse needs residential care."

Mrs Rowe continues: "Many people do not realise that under the current system, anyone who requires care must pay all the fees out of their own money, unless and until they qualify under means testing. They only get



Care fees advice – Margaret Rowe benefits from the state to help with the fees when their capital has been reduced to £23,250.

According to Mrs Rowe, most people do not realise that there is no time limit for local authorities when it comes to assessing assets, such as the family home, which they believe were deliberately disposed of, when calculating care home fees.

She says: "If a local authority can prove that an asset was sold, or given away, primarily to avoid paying care home fees, then it can still count this when demanding a contribution from the care home resident and their family, no matter when the asset was disposed of."

"The current system has been criti-

cised for apparently penalising those who have saved for their old age, and because the longer an elderly relative lives, the less they have to pass on to their children. This may change in April when the Government will announce its proposals for elderly care, widely expected to include a lifetime cap on care fee contributions of £60,000, as well as an updating of the means testing criteria and limits.

"The Government hopes the changes will encourage more people to take out insurance or other solutions to cope with a known maximum sum of care and residential home fees as part of their general financial planning strategy."

"Whatever the lifetime cap and the asset limit, with rising house prices means testing is likely to force many people to sell their home to fund fees."

"But by planning in advance, there are circumstances in which at least part of the value of the family home can be ring fenced and kept out of the means testing equation. This is particularly useful where remaining assets will be less than the limit."

Mrs Rowe and her team specialise in the preparation of Wills and Trusts. Many of the team are members of Solicitors for the Elderly or of STEP, the Society of Trust and Estate Practitioners, and specialise in providing advice on wills, trusts and estate planning for older people.

Mrs Rowe and FBC Manby Bowdler's team of specialist solicitors can be contacted on tel. 01902 578000 or via www.fbcbomb.co.uk

With 33 partners, FBC Manby Bowdler is one of the largest law firms in the West Midlands. The firm has offices in Wolverhampton, Willenhall, Telford, Shrewsbury and Bridgnorth.

New VP role for Arthur

Staffordshire-based chartered accountant Arthur Bailey has been elected as the Institute of Chartered Accountants in England and Wales' new vice president.

Mr Bailey, a council member for Staffordshire, Shropshire and Wolverhampton Society of Chartered Accountants, said: "Supporting ICAEW's members wherever they are will be my first priority."

He is a consultant with both Begbies Traynor Group and Kingston Smith and has served on ICAEW's council for 14 years, including three years as chairman, and is currently a member of the institute's board.

He beat stiff competition from fel-

low council members Ian Davies, Nick Parker and Nathan Steinberg to his new role.

"We must never lose sight of the fact that our primary function is to support out members, whatever their diverse needs and geographic location. In times of economic turbulence and increasing legislation, we need, more than ever, to provide that support so that they remain trusted financial and business advisers," he said.

Mr Bailey, who is also a member of the board of Stafford Railway Building Society, will act as vice president in support of Mark Spofforth who will be president for 2012-2013.

Guest speakers to deliver firm advice

Midlands industrialists are to come together and focus on how best to drive forward their businesses.

The Manufacturing Business Network event, run by the Midlands office of national audit, tax and advisory firm, Crowe Clark Whitehill, has guest speakers from UK Trade & Investment and the Manufacturing Advisory Service.

It takes place on Wednesday, February 29, at Crowe Clark Whitehill's offices at Black Country House in Oldbury.

Any manufacturing businesses who are interested in attending or would like to find out more about the Network should contact Miriam Sherwood on 0121 543 1900.

Commercial Feature

Providing top quality independent advice

FSC Investment Services is now well on the way to completing its preparations for the introduction of the Retail Distribution Review (RDR).

Managing director Frank Cochran said: "I think it is fair to say we did have a bit of a head start on the rest of our competitors as my trip to Australia in 2006 was inspirational in giving an insight into how the UK Financial Services Authority were likely to mould the way in which they felt the UK should follow the Australian model of fee-based independent advice supported by better quality licensed examination-supported advisers."

Ethos

It was going to be interesting to see how many UK financial advisers opted to either leave the industry or to adopt a restricted method of operating, he said.

"The FSC ethos is, however, never going to change; we believe that good quality fully independent financial advice will always be worth



Frank Cochran, managing director of FSC Investment Services in Wolverhampton

paying for. If someone simply wants to buy a product in the hope that it solves all their financial problems then they are fooling themselves. The right advice doesn't take long to obtain and is worth every penny it costs; the wrong advice can ruin any chances you may have had of a bright and successful financial future.

"FSC has always encour-

aged potential clients to make use of our free initial consultation facility. This is an opportunity for someone who may be unsure if they actually need or warrant independent financial advice to come along and discuss in privacy on a one-to-one basis their concerns and aspirations.

"By the end of half an hour the person is given the

chance to reflect on the discussion and will be in a position to know if it is worth pursuing the process to a full fact find and financial report," said Frank.

"If the answer is no, then it has cost them nothing. If it is proved the advice is necessary it will ultimately be very cost effective and relevant to the person's financial requirements."



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Over the last 30 years we have come to understand that no two investors are alike; each individual has their own personal financial aims, priorities and concerns.

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