

# **CREDIT SCORING AND CREDIT CONTROL X EDINBURGH 2007**

## **Consumer insolvency in the UK**

### **Abstract**

High levels of consumer indebtedness and the new provisions around personal bankruptcy contained in the Enterprise Act of 2002 have resulted in significant increases in the number of individual bankrupts in the UK. The issue has become a high profile topic in the press and is seen as a growing problem for the UK economy.

Prompted by this increase and the growing concerns of UK lenders about the bad debt caused by bankruptcy, Experian Decision Analytics has carried out extensive research into the issue. The research focused on the differences between bankrupts and other delinquent customers and considered how credit bureau data could be utilised to better identify customers who will become bankrupt in the future.

In this paper we examine trends in the growth of personal insolvency in the UK, both regionally and demographically, we outline the impact of this increase in individual insolvencies and we present a model of personal insolvency based upon UK credit bureau data. We present results comparing this model with existing credit bureau scores and demonstrate how this model can outperform existing tools available in the industry and help lenders better control bad debts

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