

ClearDebt



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CLEA.L

Date:	2.11.07
Share price p	1.13
52 week High/Low p	3.5/1.13
Issued share cap	304.59
Market cap £m	3.4

Company Description: ClearDebt offers debt resolution services to insolvent individuals using a state-of-the-art web-based system for initial contact and individual supervision of all the later stages in the process, resulting in a higher success rate and lower overall costs than its competitors. It also provides Debt Management through Abacus.

The trading statement at today's AGM was cautiously encouraging. The CEO could report that there are grounds for optimism due to a 16% quarter-on-quarter rise in the number of IVAs completed in the July-September quarter, in contrast to the 1.7% fall in the national total for the quarter, and an increase to 24 completions in October.

They are not yet back up to the level before the "Creditors' strike" but are already close and the "pipeline" of work-in-progress suggests that the monthly total will continue to grow.

The acquisition of Abacus has been positive, contributing both positive cash flow from its debt management business and referrals to the IVA business.

In a separate statement referring to this morning's press release¹ from the Insolvency Service, David Mond said:

"ClearDebt believes that the creditor strike on IVA's, led by TIX's clients and Northern Rock has driven today's increase in bankruptcies at the expense of IVA's. That creditors will lose income from this decision makes their decision-making seem spectacularly authoritarian. In most cases that we see IVA's are the most appropriate solution for both creditors and debtors and therefore the wider economy."

We should add only that the extent by which the number of bankruptcies will rise is not yet visible because debtors don't start bankruptcy proceedings until some time after the IVA has been rejected. What we are seeing in the third quarter's year-on-year rise in personal bankruptcies is just the start of the rise consequent upon the rejections of IVAs in the first quarter. Our expectation is for a significant growth in personal bankruptcies in 2008, with a consequent increase in the lenders' bad debt provisions.

Of greater concern to some of us than the lenders' bad debt provisions, although smaller in financial terms, is the increase in the number of individuals and families losing their homes as a result of repossession orders, often due to the rejection of IVA proposals. These rose by 7% from 12,336 in Q3 2006 to 13,228 in Q3 2007 after a 30% year-on-year rise in the second quarter.

We continue to hope for an outbreak of commonsense with creditors and IVA producers agreeing on the promotion of IVAs on terms that benefit both (and the debtors). In the meantime ClearDebt's low-cost production model provides it with a competitive advantage relative to its rivals.

¹ The number of IVAs approved showed the third successive quarter-on-quarter decline and a 16% drop from the same quarter in 2006 whereas the number of personal bankruptcies showed a year-on-year rise. In contrast the data for PTDs in Scotland shows a quarter-on-quarter rise and a modest 4% decline from the same quarter in 2006.

ClearDebt is quoted on AIM and investors should be aware that shares traded on AIM are subject to lighter due diligence than shares quoted on the main market and are therefore more likely to carry a higher degree of risk than main market companies.

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