



Recession impacts on the economies and communities of Rural England

Report 1 as reported between mid-October to mid-November 2008

1. Introduction

This report has been based upon three sources:

- commentary and evidence from local and sub-regional authorities/ agencies and partnerships, and by business and rural representative organisations, responding to CRC's electronic calls for evidence;
- analysis of statistics, using the government's rural: urban definition or classification, drawn from ONS, DWP and other official sources; and
- tailored media search of local and business papers circulating in rural districts. These reports provide examples of the findings from the more formal assessments and analysis of the first two sources. They are also valuable in identifying impacts such as planned job losses as they emerge, but before the official data catches up.

This report builds upon CRC's report, *Recession and the Credit Crunch impacts on the economies of England's rural areas* issued on our web site in mid-October. In future reports we will use these sources to identify and report particularly upon the impacts of the recession upon rural employees and labour markets; on rural businesses; and on housing and consumer needs, and emerging strategies to respond to these impacts.

Flows of evidence and commentaries from rural and business agencies will vary. Public sector and commercial data sources similarly are released with varying frequencies, cover monthly to annual periods and contain lags between record and release. To allow for this, we propose in future reports to bring more detailed, but occasional, focus on different aspect of the business, employment, housing impacts and in discussion with representatives and advisers in these issue, offer some proposed policy solutions.

2. Impacts as reported during October and early November

i) As reported by official statistics

Official unemployment figures were released on 12 November 2008, covering the three months to September 2008. An overall increase in unemployed people was reported to 1.85 million in the UK. These figures are drawn from the Quarterly Labour Force Survey. ONS Data Services provided CRC with disaggregated summary analysis of these figures using government's rural: urban definition. When comparisons are made between the three months leading up to September 2007 and September 2008 respectively, unemployment levels in rural areas have **stayed similar at around 195,000** – when allowance is made for challenges of sample errors. This contrasts with urban areas where the number of people unemployed increased from **1.284 million to 1.462 million**.

Unemployment data and associated benefit claimant rates have a time lag (monthly to quarterly) between employees losing their job, becoming eligible for benefits and being captured in these statistics. Accordingly this release reports the position for summer 2008.

More substantial increases in unemployment are being reported at local levels – for example Derbyshire County Council data show that in September, 442 residents of Derbyshire Dales were unemployed compared with 371 people in September 2007 – a 19% increase – and the area apparently has the highest long-term unemployment rate in Derbyshire (people out of work for more than one year).

Moreover, unemployment levels have always been low in rural areas and many people out of work but looking for jobs in many rural areas do not register or expect to qualify as unemployed. Many rural labour markets in areas badly affected by the Foot and Mouth crisis in 2001-02 saw little increase in official unemployment levels during this period, as formal unemployment was masked by commuting, multi-jobbing and economic inactivity. Thus unemployment figures are not a true reflection of the scale of worklessness in rural England. A truer impression of this level and at least unemployment figures need to be read in association with those for 'economic inactivity'. Over the year to September 2008, **'economic inactivity' levels have increased by 40,000 in rural areas** but by only 3,000 in urban areas.

However, the proportions of out of work benefit claimants in rural England, has been increasing over the year to September 2008. Claimant count data, disaggregated by rural: urban districts and unitary authorities for September, shows that for all age groups there has been **a more substantial proportional increase in rural areas** over the year September 2007 to September 2008 than urban areas. Young claimants (18-24 year olds) have supported the largest percentage increase, whilst the greatest difference in the rate of increase between rural: urban areas has been in 50+ claimants (14.1% rural; 4.7% urban). The increase in claims lasting for more than 12 months has risen proportionally faster in the year to September in rural than in urban areas.

Redundancy data has also been analysed by Rural and Urban categories by ONS Labour Force Data Service for Quarter 4, 2007, and Quarters 1 and 2 for 2008. Caution is needed in interpreting the data as they are estimates based on small sample size, and we have not established whether quarterly variations are similar to that experienced over previous years. Nevertheless in 2008, highest redundancies were made from rural firms in Manufacturing; Banking, finance and insurance; and Other Services. This contrasts with greatest losses in urban firms in Distribution, hotels and restaurants; Manufacturing, and Banking, finance and insurance etc.

ii) As reported in the media

Our media survey reports several announcements of some imminent, large-scale job losses across rural communities, often involving household-name companies. These have been particularly focused on market towns; for example in *Ulverston in Cumbria and Barnard Castle in Teesdale* where GlaxoSmithKline have started a programme of voluntary redundancies, and by Dyson in *Malmesbury, Wiltshire*.

Some rural areas reporting significant job losses from single firms, may also be reporting closure, restructuring or workforce reductions across several firms and sectors. For example in *Malmesbury*, Dyson have announced a review of 113 staff at their R&D facility and an expected loss of up to 64 staff at their headquarters; Persimmon Homes announced up to 1000 job losses across the country, including staff at their new HQ in the town; and Lux Traffic Controls is considering relocating to a Gloucestershire site, with expected redundancies. The significance of these job losses is that they are often from the few large and often long-standing employers in a town where alternative job prospects are scarce.

The announcement of closures and job losses in some firms are often part of restructuring which might also involve growth and relocation of jobs to other more efficient plants or expansion at other sites.

This makes the impact on rural workforces within localities more complex to describe and will be hidden within official figures on unemployment and redundancies. This is illustrated, for example, by plans to close Forest Garden's premises in the village of *Eardisley in Herefordshire*, but relocate all manufacturing and distribution services to *Hartlebury in Worcestershire*. The firm makes outdoor equipment such as sheds and decking, and is investing in an improvement scheme at their Worcestershire factory. This Worcestershire village and a neighbouring community recently suffered the loss of two factories, and 297 jobs, producing high performance boats as part of restructuring and relocation of Sealine operations to their main site in *Kidderminster*.

This followed the closure of one of three brick-making sites in *Hartlebury*, owned by Baggeridge Bricks with the loss of 70 jobs, due to the slump in house building.

Some of the most common characteristics of firms announcing job losses are:

- They are affecting several industries, but with a **stronger focus** at present on those operating in or supplying **construction industries**.
- Larger job losses are most commonly from **companies with multiple branches**, and in part result from restructuring. This, combined with official processes of negotiations with Unions, often provide a lead-in time, maybe accompanied by offers of help. They are also often in subsidiary companies of larger or international parents.
- Smaller job losses are being reported as businesses close with little obvious internal or external help on offer for employees. Local announcements have been made in retailing, manufacturing, finance and insurance, hotels and catering.
- Some smaller firms are also **reducing recruitment and employment** of agency staff.

3. Businesses

i) As reported in the media

Two issues have emerged regularly in responses from business representative organisations:

- the effects of the downturn in spending on small shops – the service lifeline for many smaller villages and the heart of the business base in market town centres; and
- the harmful impacts of reduction/ withdrawal of vacant commercial property rates relief on the owners of these properties.

The rural media search paint a complex picture with some market towns and villages experiencing new retail shops, new owners opening shops and other retail outlets whilst others experience depressed trading, vacant and difficult to let units and closures. For example, according to the Chamber of Commerce chairman, *Hungerford in Berkshire* is 'bucking the trend' of economic downturn with the opening of four new shops in the town in a month, compared to several shop closures elsewhere in west Berkshire.

In Sussex, a survey by *Uckfield Regeneration Partnership* found that 45 of 48 shops polled were experiencing a downturn in trade. A survey by the Chair of the *South East Rural Towns Partnership* in September reported shop closures and difficulties in letting vacant units in seven small towns across the south of the region but new shops were also opening in four of them.

Similar mixed reports have come from *Breckland District Council's* Head of Economic Development Services, with four new shops and builders' merchant opening, and three other employers have started expansion, or moved to larger premises in *Dereham*. In contrast a number of firms are closing following difficulties in securing help from their banks and in *Swaffham* several shops are vacant with landlords reportedly struggling to let them.

ii) From submissions received

The Chief Executive of *Rural Shops Alliance*, the trade association representing 8000 rural shops across England, confirmed this mixed situation amongst small shops with “some doing OK, but there are some great local shops doing everything right but still suffering - and there will be more closures.” Their “best guesstimate” was that no less than 600 village shops and post offices would close this year alone.

Herefordshire and Worcestershire Chamber of Commerce have passed on letters from two businesses regarding changes to the **Empty Property Rates Relief**. From April 2008, rates have been payable by landlords on all industrial properties which are empty for six months, despite the fact there is no rental income to cover such rates.

Two companies, Evans Easyspace (a leading provider of small offices and workshops with more than 50 such centres across the UK) and TY Services (based in *Leominster*) provide small offices and workshops to SMEs on flexible terms. During the current economic environment, many rural landlords are experiencing problems re-letting properties because small businesses are struggling financially and defaulting on commitments.

They, and the Herefordshire and Worcestershire Chamber said that this legislation would have an adverse impact on rural landlords, who have or would convert redundant farm and estate buildings to offices and workshops. They expressed the view that these owners may in the extreme knock down buildings, rather than find themselves in financial difficulty as a result of paying rates on property with no income streams. **Relaxation or amendment to this rate situation is being called for.**

4. Housing and debt

i) From submissions received

During November we received two substantial reports on the impacts of the downturn and recession on housing markets and associated advice and support. These were in two similar housing markets albeit several hundred miles apart in *Derbyshire Dales DC and Caradon District Council and Cornwall Citizens Advice Bureaux*. The former is extracted from a report to the Derbyshire Dales DC Partnership and Regeneration Committee. The Director of Community Services' report draws attention to the impact of difficulties in the housing market for achieving the DC's priority to enable provision of affordable housing, and the increased and potentially unmet demand for debt advice arising in many cases from housing related financial difficulties.

The principal effects are:

- Local housing associations difficulties in securing owners for shared ownership houses,
- Decline in the proportion of newly registered buyers and newly listed properties,
- Knock-on consequences for housing association budgets, with lower take-up of vacant properties reducing the borrowing ability of housing associations,
- Lack of credit being made available by banks to lend to housing associations to part-fund their development programmes,
- The inability to take up opportunities to buy unsold property from private sectors. These are often built to lower environmental standards, do not meet housing association requirements, have longer term maintenance costs than HA-built schemes.

The challenge of finding buyers for shared ownership properties is being regularly reported. In the *Derbyshire Dales*, DC has worked with housing associations in negotiations with the Housing Corporation, to reduce the risk of completed affordable housing schemes remaining unsold, by securing small changes in the tenure split. However additional grant from the Housing Corporation is needed to make this happen.

This compounds a challenge reported by the *Peak District Housing Association* that rural schemes often require a much higher grant rate. The average grant rate for a two-bed, four-person house is £40,000 but the Peak District Rural Housing Association needed over £90,000 for a two-bed, three-persons scheme in Hope.

ii) As reported in the media

Repossessions of houses are increasing across rural England. Instances drawn to our attention include:

- Cornwall and Devon, **a rise of 41%** in the second quarter of 2008,
- Derbyshire Dales, **a rise from 2 in 2005 to 18 so far in 2008,**
- Scarborough, 170 county court repossession orders in the first half of 2008, amounted to **a rise of 32% in a year;**
- Carlisle county court issued 79 home repossession orders, or **a 72% rise** on the same period in 2007; and
- Billericay, Essex, **a rise of 71%** of house repossessions .

We will seek to do a comprehensive analysis of repossessions across rural areas in future report.

Debt advice

As well as drawing attention and quantifying the rise in mortgage and secured debt arrears clients at the *Cornwall Citizens Advice Bureaux*, the report from *Caradon DC* articulates two other impacts related to the core indebtedness problems – those of households with dependent children or with health problems on the one hand, and the link with running businesses from home and business funding secured against the family home.

The seven CABs in Cornwall have witnessed a 127% increase in advice requests relating to housing association properties between the last quarter of 2007 and the end of March, and 70% for private rented properties and 67% of cases relating to mortgage and secured loan arrears – and this was before the real credit crunch. Moreover it points to the high proportions of self and home-employed in *Caradon* – a characteristic of many rural areas, especially attractive and peripheral rural areas. In these circumstances homes are also business premises and debt arrears may thus be captured as residential debt, but also affects continuation of businesses. Similarly when small businesses have secured business loans against their residential property. Indebtedness of mortgages and home repossession may thus translate into closure of businesses in some rural districts simultaneously with loss of home.

Of those clients of Cornwall's CABs with mortgage and secured-debt arrears, nearly half were households with dependent children, 18% were single parents with such children, 13% were disabled and 10% had long term health problems – thus housing debts and risk of evictions may translate into future extra demand on children's services, social and care services.

They have articulated the importance and relative costs of preventing repossessions and reducing indebtedness rather than having to support households after they have lost homes. The rise in demand for housing and debt advice described in Cornwall is mirrored in media reports from across rural England.

Leiston, Saxmundham CAB in Suffolk, has dealt with 275 debts in September, up from 108 in April, and North East Suffolk CAB expects to have dealt with more than 10,000 debts on behalf of clients by April up from 6,019 in the previous year.

In Cumbria debt advice has substantially increased and has become the leading challenge for the county's CAB. Health chiefs in the area have been warning of the early signs of rise in mental health cases, resulting from stress relating to indebtedness.

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Appendix

Summary examples from Media Coverage to 10 November

Employment

Major Ripon employer gives jobs pledge despite downturn

One of Ripon's largest employers has ruled out further job cuts after 11 redundancies were announced following a restructuring of Wolsley UK. The business supplies building products and plumbing equipment and the local MP has expressed concerns with the current decline in the building industry. A Wolseley spokesman has told the remaining 400 Ripon-based staff they have nothing to fear. Ripon businesses are set to spend £10,000 and send 30,000 brochures promoting Ripon as a retail destination. **(Knaresborough Post)**.

Dales sees 20% rise in unemployment

Unemployment in the Derbyshire Dales has risen by 19% in the last year. Derbyshire County Council's statistics showed 442 people were out of work in September 2008 compared to 371 people in September 2007. The Dales also had the highest rate of long-term unemployment (people out of work for over a year) in the county. However the Derbyshire Dales unemployment rate remains low at 1.1% despite the large rise. **(Matlock Mercury)**.

Buxton bitten by recession

Buxton's major local employer, Otter Controls, began negotiations over redundancies and changes to work patterns. The demand for automotive applications has been dramatically reduced following cutbacks in the automotive industry. Federal Mogul, who has a factory in Chapel-en-le-Frith, announced they will be reducing their global workforce by 8%. It is believed 75 jobs could be lost at the Chapel-en-le-Frith site. **(Buxton Advertiser)**.

80 workers facing axe at Leicestershire manufacturers

Up to 80 staff are facing redundancy at Caterpillar (UK) one of the county's biggest employers. 200 jobs will be axed at the Desford factory with 120 people taking voluntary redundancy. The redundancies are at the firm's building construction products department and were blamed on the economic downturn. (www.thisisbusiness-eastmidlands.co.uk).

JCB workers urged to vote for hours cut

JCB workers have been balloted over whether to accept a four day week or face 500 more redundancies. The company had to reduce labour costs by almost a fifth. The Rocester-based company employs around 5000 Staffordshire workers announced cuts after it laid off 436 staff as sales decreased following the decline of the construction sector. (www.thisisbusiness-eastmidlands.co.uk).

Building firm cuts 80 jobs

Haslam Homes is making staff redundant following a slump in the housing market. 30 staff are based in the Midlands division HQ in the village of Kegworth, Leicestershire. The job losses have been described as a 'big blow' for the village by the parish council clerk. (www.thisisbusiness-eastmidlands.co.uk).

More jobs lost at Thwaites

Thwaites (a dumper truck manufacturer) in Cubbington will lose jobs before Christmas in the firm's third wave of redundancies in five months. The union representatives said that such job cuts were 'unprecedented' and shows the impact the current economic situation is having on the construction industry. The management are blaming the downturn in the housing market. **(Leamington Spa Courier)**.

Manufacturing firm closes three sites in Warwickshire

An American-owned manufacturing firm will close three sites in Stratford-upon-Avon, Bidford and Long Marston. The parent company is moving manufacturing to China, India and Czech Republic. 345 jobs will be cut and all sites will close by 2009.

(www.bbc.co.uk/england/coventry_warwickshire).

Fruit farm axes 40 jobs

A Suffolk fruit farm which achieved worldwide recognition is to make a third of its workforce redundant. Copella fruit farm which employs local staff announced 40 job cuts as a direct result of the economic downturn. The firm near Boxford pledged to help staff find jobs. The company owned by PepsiCo has been forced to simplify their manufacturing operations.

(www.eadt24.co.uk – Suffolk and Essex online).

Company leaves Malmesbury for Kemble

Lux Traffic Controls will be relocating from Malmesbury to Kemble leaving 50 jobs under review. The company celebrated its 40th anniversary in Malmesbury two years ago when its founder Laurence Lux moved to the town from Tetbury. Malmesbury has felt the credit crunch with 113 jobs under review at Dyson's research and development division and in July, Persimmons made job cuts at the regional headquarters at Filands.

(**Wilts and Gloucestershire Standard**).

Business

Region's firms hit hardest by crisis

Over the past nine months, 365 businesses in North East have gone bust which is 43% more than in the same period last year. The figure is almost double the national average of 22%. The North East Chamber of Commerce said businesses and public sector should work together on things like paying bills on time and working closely with banks to ensure closures were kept to a minimum. (**The Northern Echo**).

Region in bad shape to weather the recession

Yorkshire faces going into recession with declining productivity, flat economic growth and falling employment. The Yorkshire Futures Progress in the Region report shows that economic growth per capita is ranked as 8th worst out of England's nine regions despite rising 38% between 1998-2006. Productivity and employment levels have fallen and 'sustainable economic wellbeing' is down by £550m in a year, making the region one of just three sliding backwards. Although on a positive note the region has the second highest rate of investment and has reduced the gap in levels of personal income. (**Yorkshire Post**).

Yorkshire firms on crisis list

More than 450 Yorkshire firms are on the critical list which is over four times more than the number in financial difficulty a year ago. The companies with critical problems are defined as those facing wind-up petitions or county court judgments totalling £5,000. The number of businesses in Yorkshire and the North East in critical conditions rose by 11.4% during the third quarter of the year. Unprecedented market volatility as well as second year effects of the credit crunch has hit Yorkshire businesses. (**Huddersfield Examiner**).

Small firms on the brink of collapse in the countryside

Small businesses across rural Yorkshire are on the brink of collapse after the credit crunch has wiped out the tourist season. Many business owners are worried they won't be able to survive the quiet winter months. The rural economy has become dependent on the tourism sector which has seen a downturn in trade over the summer. A major marketing drive is being planned by the Yorkshire Dales and Harrogate Tourism Partnership during the winter to try to provide expert guidance to struggling businesses. Meetings are due to be organised in village halls to provide face-to-face guidance from business advisers as well as creating a networking forum. The deeply rural upper Dales are expected to be hardest hit as the local economy is hugely reliant on small enterprises. (**Yorkshire Post**).

Plans progressing at old factory site

£100million office development is pressing ahead despite the economic slowdown. A planning application has been submitted to Sedgefield Borough Council for development on the 60 acre site. The developers believe there is longevity in the site to see it through the economic cycle and are confident they can deliver the development. If planning permission is granted the site will include 440,000 sq ft office space, a hotel and amenities. The site has the potential to create 2000 jobs and 400 houses could be built. **(The Northern Echo)**.

Business bucks the trend

A rural business is hoping to beat the credit crunch and bring millions of pounds to north Northumberland. Helen and Aiden Ruff who hire out Ellingham Hall are promoting their business nationally. The historic hall is an ideal wedding venue and is hosting an open day to hopefully attract visitors from across the country. They hope the additional visitors will have a knock on effect for the local economy with people spending money in pubs and accommodation. **(Northumberland Gazette)**.

Help for would-be Cumbrian Entrepreneurs

Cumbria Rural Enterprise Agency (CREA) and Barclays Bank organised the Ideas Workshop offering advice and inspiration to those looking to start their own businesses. CREA will run a number of business skills workshops in Penrith supported by Eden District Council. **(Whitehaven News)**.

Businesses setting up new premises

Malton in North Yorkshire is beating the credit crunch with two businesses setting up premises in the centre of the market town increasing the range of shops and attracting more visitors. Overton butchers have moved to a larger shop and Wheelgate and Valentine Furniture of Pocklington has opened a new showroom. Both businesses are well known in the town and are confident their moves will attract new customers. **(Yorkshire Post)**.

Garden centre to create 100 jobs

Garden centre managers are planning to undertake multi-million plans to develop and rebuild 132-acre garden centre. Bridgmere Garden World expansion includes an arts and crafts village, more shops, a bigger restaurant and a central courtyard for exhibitions and performances. Other plans include a new visitor centre for people to learn about the horticulture industry, more parking spaces, an eco-friendly greenhouse and a model railway. **(www.thisisbusiness-eastmidlands.co.uk)**

Support package to help land-based businesses

Business Link in the West Midlands has unveiled a new package of support to help land based companies including a dedicated website and a team of industry specialist. The package is being supported by Rural Hubs, Natural England and local authorities is designed to provide firms with the expertise and knowledge they need to make the most of the immediate concerns such as flooding and the credit crunch. There are also a host of factsheets on new legislation and a new micro-site **(www.rurallink.co.uk).** **(www.24dash.com).**

SMEs urged to claim rate relief

The FSB is encouraging small businesses in Essex to use Small Business Rate Relief to beat the credit crunch. Essex FSB members are finding cash flows are becoming tighter and this is one way they can cut their costs. Applying for the relief is simple via an online application form which could save some firms up to £3500 a year. Once the relief rate has been granted it is applied every year up to the next revaluation (2010) therefore it could save a business up to £10,000. **(Harlow Herald)**.

Tourism boost for Waveney Valley

A multi million pound project has been launched to brand and promote the Waveney Valley as a destination to encourage tourism and boost the local economy. South Norfolk Council has secured EU Leader Award of more than £3m for the project which could be increased to £6 through match funding by the private sector and charitable funding. A key objective is to improve sustainable transport links from outside of the area, between towns, villages and local services. A new website is planned along with a film/DVD created by University of East Anglia as well as festivals and events. **(The Lowestoft Journal)**.

Thetford business park goes ahead despite Credit Crunch

Breckland Council said they are still on track with the 44 acre Thetford Enterprise Park despite the economic downturn. The enterprise park and hotel which could create more than 100 jobs has received £6.5 million investment from the council, Crown Estate and eeda to service the site. The focus of the park would be advanced engineering and manufacturing sectors and hopes to have iconic buildings. **(Eastern Daily Press)**.

Breckland market towns are still doing well

Breckland market towns are still performing well despite the economic downturn. Dereham has seen new shops open and firms expanding at its industrial estate and Swaffham has seen a new business park open and a boutique hotel has won a green tourism award for sustainability. Although employment remains a big issue. New jobs have been created through the expansion of HMP Wayland. **(Dereham & Fakenham Times)**.

Cash boost for valuable shops

Five village shops in West Sussex are sharing £15,000 between them in grants from the county council. The cash boost came from the council's Village Shops Programme in recognition for the vital role they play in the community. (www.bbc.co.uk/england/sussex)

New market will help local producers beat the Credit Crunch

Rye Produce Market, a monthly market, has been introduced following the success of Rye's weekly Farmers Market. Despite the Credit Crunch there has been lots of business activity in Rye and the surrounding countryside. The market is an initiative to help promote local businesses and encourage the production of better and more interesting local food and produce. Stalls are available at a reasonable charge to any local producer which means money stays in the local economy. **(The Rye and Battle Observer)**.

Somerset County Council helps firms beat the Credit Crunch

Somerset County Council are running workshops to show businesses how they can use technology to overcome the credit crunch. Connecting Somerset has teamed up with Gold Certified Partners to provide practical information and advice on topics including search engine optimisation, business success through IT planning and practical tips for online trading. **(Bridgwater Mercury)**.

County supports new business growth in Devon

Over £1.7m is to be given to county projects and schemes over the next two years to encourage economic development in Devon. LAGBI is for local authorities to promote local business growth. The Devon Rural Network is to receive £50,000 and Soome is to receive £250,000 for Skills and Worklessness projects. (www.devon24.co.uk).

Council pledges to go the extra mile

Small businesses in Buckinghamshire are set to benefit after Buckinghamshire County Council agreed new measures to help small businesses. The council have promised to pay invoices to firms who employ 49 people or less within 10 days and providing a 'One Stop Shop' for advice and support for businesses. This includes providing new premises, advising on robust business planning and putting them in touch with sources of funding. **(Buckinghamshire Advertiser)**.

Housing

Sharp increase in Cumbria repossessions

Increasing numbers of Cumbrians are seeking help to pay their mortgage as they struggle during the Credit Crunch. People are choosing to give up their homes because they cannot afford to pay for them. People are also looking at the drastic measure of bankruptcy as an option. The number of repossession claims between April and June increased to 89%. People are facing repossession because their fixed rate mortgages are coming to an end leading to higher repayments on top of increased living costs. **(News and Star)**.