

Attitudes to Bankruptcy Revisited

A report produced by The Insolvency Service.
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Section 1: Executive Summary

1.1 Introduction

This report looks at the results of three surveys carried out by The Insolvency Service in 2006 and 2007. The aim of the surveys was to obtain a cross section of views regarding attitudes to bankruptcy, and in particular whether there is a stigma attached to bankruptcy, and if so, the reasons why.

The following sectors were surveyed:

- Bankrupts
- Businesses (sole proprietorships)
- Individuals ('the general public')

The results of these surveys were compared to the results of similar surveys run in 2004¹ and form part of the evaluation of the Enterprise Act 2002, the individual provisions of which came into force on 1 April 2004.

The Insolvency Service is undertaking a retrospective (ex-post) evaluation, i.e. after the adoption of the Enterprise Act 2002, to know better what happened after the implementation of the Act and to apprehend the real effects of the legislative action. The evaluation attempts to comprehensively assess whether, to what extent and how the provisions of the Enterprise Act 2002 met its policy objectives.

One of the ultimate objectives of the Enterprise Act 2002 relates to the alleviation of the social consequences of bankruptcy. These surveys were undertaken to assess the attitudes of bankrupts, small businesses and the general public, as part of the evaluation of the impact of the Act on the social consequences of bankruptcy.

¹ The results of the previous surveys are contained in The Insolvency Service's report 'Attitudes to Bankruptcy': <http://www.insolvency.gov.uk/insolvencyprofessionandlegislation/policychange/attitudes/report-attitudestobankruptcy1.pdf>

1.2 Key Findings

- There is a stigma associated with bankruptcy, as seen in the previous surveys.
- Although the opinions of bankrupts and businesses have not changed significantly since the previous surveys, the opinions of individuals have changed significantly over this period.
- Less than half of the individuals interviewed thought there was a stigma associated with bankruptcy, but more than a third had no opinion. In the previous survey, just over half of individuals interviewed thought that there was a stigma associated with bankruptcy, with just over a quarter having no opinion.
- Individuals are more likely to think there was a stigma associated with bankruptcy if they face financial difficulties. This difference did not exist in the previous survey.
- As regards the **process** of bankruptcy, overall², the main reason why the stigma exists is due to having the bankruptcy order advertised. All sectors identified this as the main process element contributing towards the creation of stigma. This is the same result as seen in the previous surveys.
- As regards the **effects** of bankruptcy, overall², the main reasons why stigma exists is problems in obtaining a bank account, the fact that bankrupts are unable to repay creditors and the effect on credit rating. This is the same result as seen in the previous surveys.
- However, there may have been a major change in the opinion of individuals as regards the effects of bankruptcy since the previous surveys. Bankrupts and businesses identified not being able to pay creditors as the most significant effect of bankruptcy that contributes to the stigma associated with bankruptcy in both surveys. In contrast, whilst individuals identified this as the most significant effect in the last survey, they identified it as the least significant effect in the latest survey.
- In the latest survey, individuals identified the possible loss of the family home as the most significant element of the effects of bankruptcy that contributed to the stigma associated with bankruptcy. In contrast, bankrupts identified the possible loss of the family home as the least significant element.

² The overall opinion represents the average of the bankrupts', businesses' and individuals' results. See Section 1.3 (Methodology) for further information.

1.2 Key Findings (continued)

- In general terms, bankrupts feel that bankruptcy is perceived more unfavourably than it actually is. This is the same result as seen in the previous surveys.
- Overall³, people are most concerned about the attitude of their family if and when they become bankrupt. This is the same result as seen in the previous surveys.
- Those who do not believe there is a stigma associated with bankruptcy attribute this to bankruptcy being part of the risk of being in business and because it is not necessarily the bankrupt's fault. This is the same result as seen in the previous surveys.
- Businesses are most likely to trade with bankrupts once they are discharged from bankruptcy on modified business terms. This is the same result as seen in the previous survey.

³ The overall opinion represents the average of the bankrupts', businesses' and individuals' results. See Section 1.3 (Methodology) for further information.

1.3 Methodology

The following surveys were carried out:

- Survey of bankrupts - All bankrupts who were interviewed by the Official Receiver in a two-week period in October/November 2006 were asked to complete a questionnaire.
- Survey of businesses – In November 2006, a sample of sole proprietorships were asked to complete a questionnaire. The sample was taken from the Inter-departmental Business Register and designed to be representative of sole proprietorships in England and Wales based on region, industry type and employee size.
- Survey of individuals – In January 2007, The Insolvency Service commissioned a telephone survey of individuals (aged 15 years and over) using a quota sample. The sample was designed to be representative of all adults in telephone owning households in Great Britain⁴.

Copies of all the questionnaires can be found at Appendix A.

Details of the sample sizes and response rates for the various surveys are provided at Appendix B.

Although there were some differences between the survey results of different sectors, there were also many similarities. Where there are large differences of opinion between different sectors, these are highlighted in the report. But in some instances, we have presented an overall opinion to simplify presentation of the results.

This overall opinion is the combination of the survey results of bankrupts, individuals and businesses, and is an average of these sectors' responses, i.e. each sector has been given equal weighting⁵.

The results of the surveys carried out in 2006/7 have been compared to the results of similar surveys carried out in 2004⁶. For ease of presentation, the previous survey results are referred to as '2004', and the 2006/7 survey results are referred to as '2006'.

In order to compare results between surveys, it has been necessary to combine some response categories to make sure there are sufficient numbers in each group for meaningful comparisons. Further, assumptions have been made about some of the responses, as the wording of some questions is slightly different between surveys. A description of the assumptions made and the grouping used for the inter-survey comparisons is provided at Appendix B.

⁴ The survey was carried out by GfK NOP as part of a telephone omnibus survey.

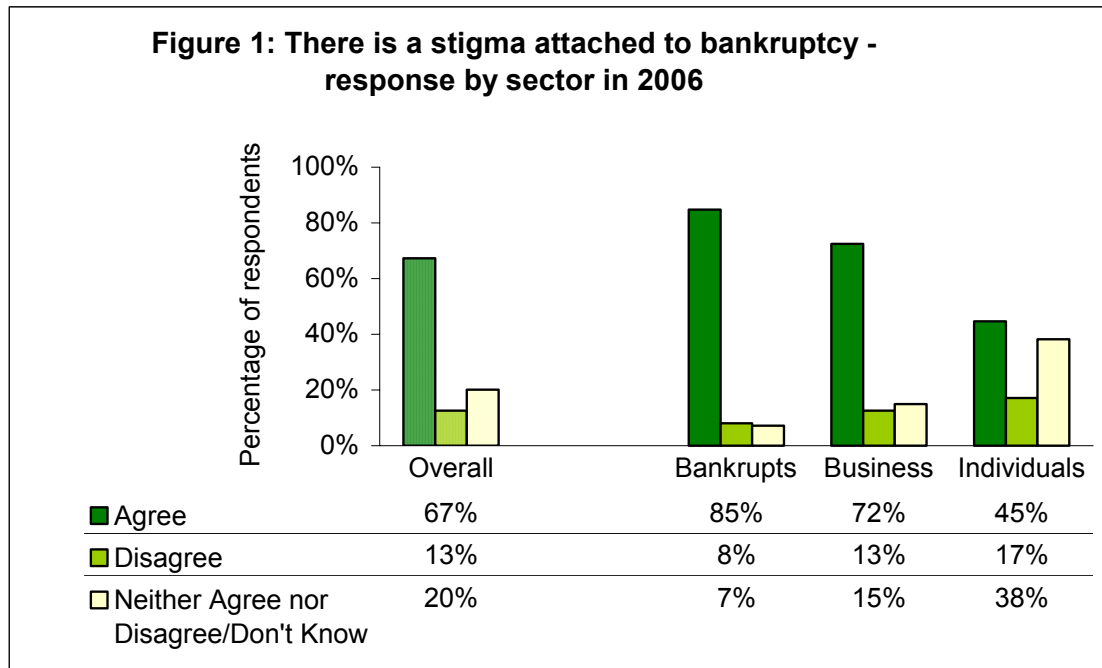
⁵ The results have not been combined by way of a weighted average based on population size as, from a policy perspective, this would not be appropriate in the context of attitudes to bankruptcy acting as a deterrent to enterprise. If the overall opinion was a weighted average based on population size, it would mirror the individual sector responses due to its relative population size.

⁶ The results of the previous surveys are contained in The Insolvency Service's report 'Attitudes to Bankruptcy': <http://www.insolvency.gov.uk/insolvencyprofessionandlegislation/policychange/attitudes/report-attitudestobankruptcy1.pdf>

Section 2: Is there a stigma associated with bankruptcy?

2.1 Overall Attitude to Bankruptcy

- Initially, respondents were asked whether they agreed that there was a stigma associated with bankruptcy. The results show that, overall, there is clearly a stigma associated with bankruptcy (see Figure 1⁷).



Base: All responding

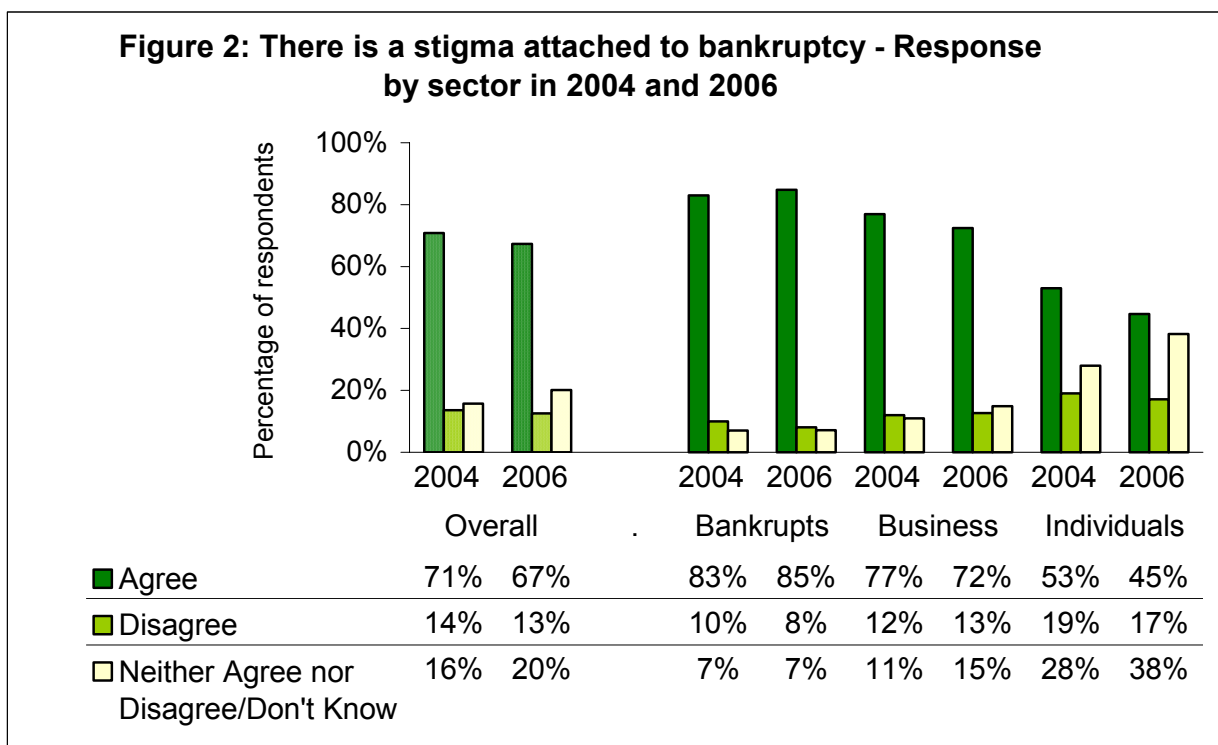
- However, there are significant differences⁸ in the opinion of each sector regarding whether there is a stigma associated with bankruptcy.
- Over 80% of bankrupts interviewed thought that there is a stigma associated with bankruptcy, with 7% having no opinion.
- Over 70% of businesses interviewed thought that there is a stigma associated with bankruptcy, with 15% having no opinion
- Less than 50% of the individuals interviewed thought that there is a stigma associated with bankruptcy, but more than a third had no opinion.

⁷ Figure 1 includes an overall opinion, which represents the average of the bankrupts', businesses' and individuals' results. See Section 1.3 (Methodology) for further information.

⁸ The hypothesis that there is no difference between all three sectors' opinion of stigma being associated with bankruptcy was tested. The test showed that there were significant differences (below the 1% level).

2.1 Overall Attitude to Bankruptcy (continued)

- Overall⁹, there has been a small decrease in the level of respondents who believe that there is a stigma associated with bankruptcy in 2006 compared to 2004 (see Figure 2).
- Although the opinions of bankrupts and businesses have not changed significantly in 2006 compared to 2004, the opinions of individuals have changed significantly¹⁰ over this period.
- In 2004, just over half of individuals interviewed thought that there was a stigma associated with bankruptcy, with just over a quarter having no opinion. In 2006, less than half of the individuals interviewed thought there was a stigma associated with bankruptcy, but more than a third had no opinion (see Figure 2).



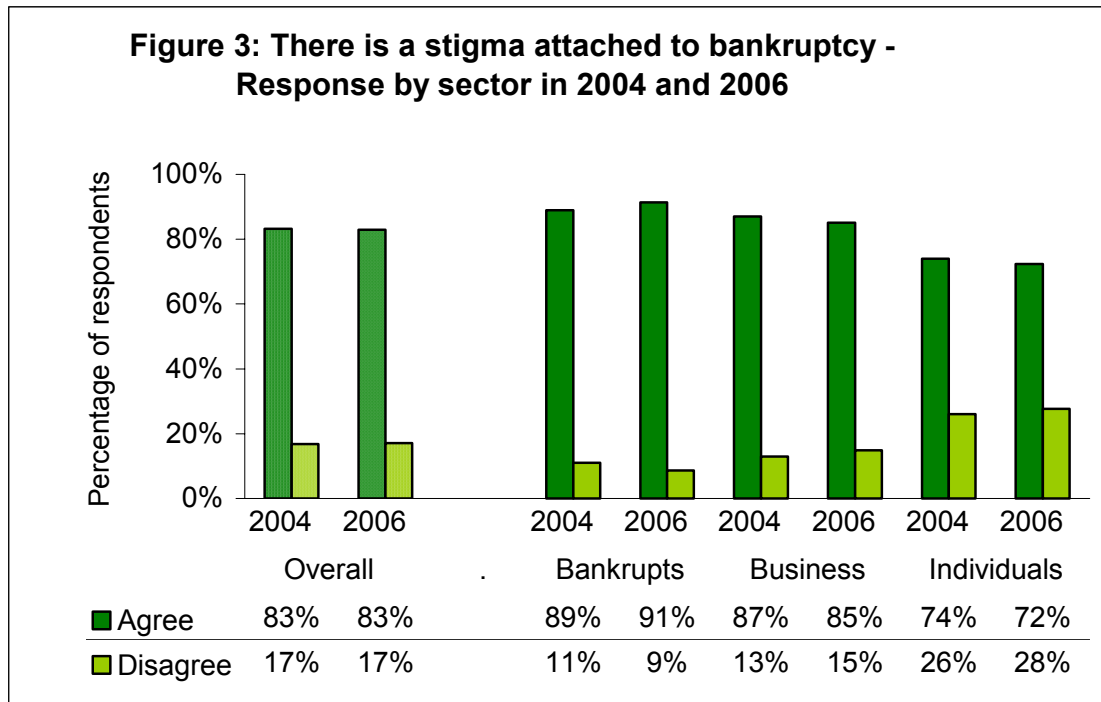
Base: All responding

⁹ The overall opinion represents the average of the bankrupts', businesses' and individuals' results. See Section 1.3 (Methodology) for further information.

¹⁰ The hypothesis that there is no difference between the year of the survey and individual's opinion of stigma being associated with bankruptcy was tested. The test showed that there were significant differences (below the 1% level).

2.1 Overall Attitude to Bankruptcy (continued)

- If the respondents who had no opinion are excluded, then there has been no change in the overall level of respondents who believe that there is a stigma associated with bankruptcy in 2006 compared to 2004¹¹ (see Figure 3), and the opinions of bankrupts, businesses and individuals have not changed significantly in 2006 compared to 2004.

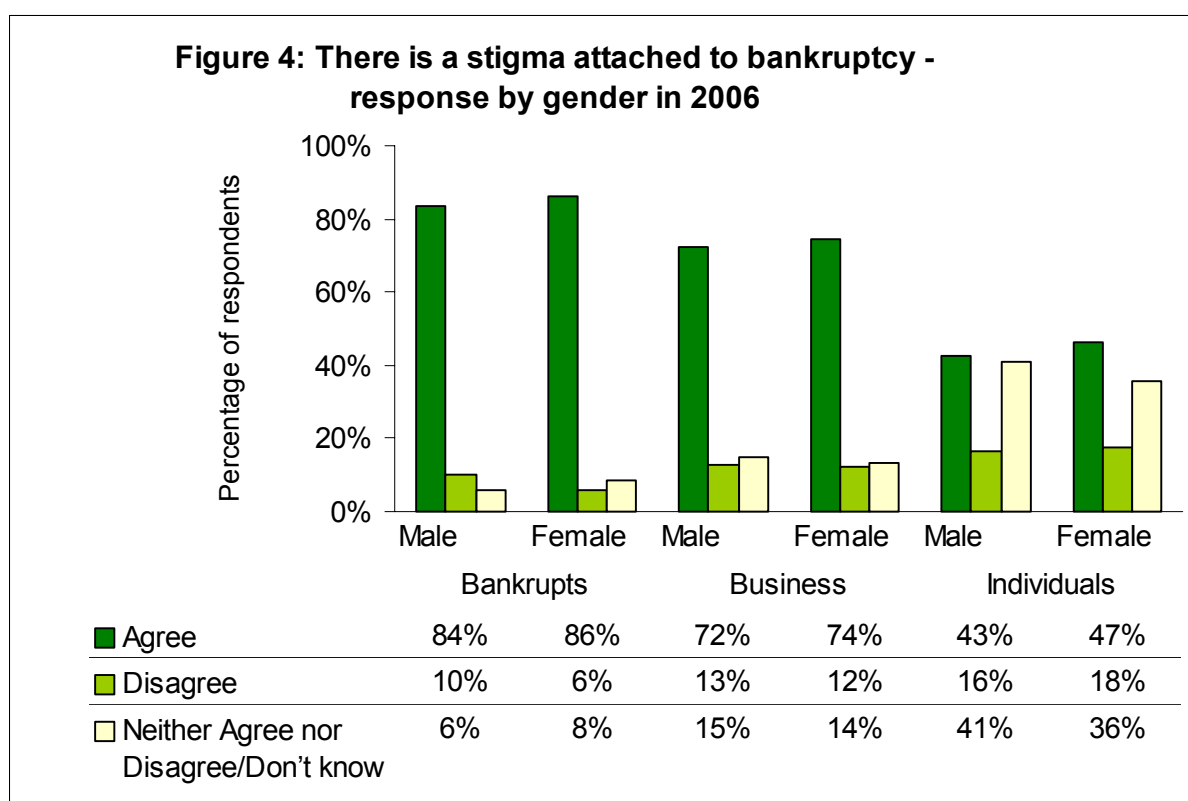


Base: All responding

¹¹ The overall opinion represents the average of the bankrupts', businesses' and individuals' results. See Section 1.3 (Methodology) for further information.

2.2 Factors affecting overall attitude

- In 2006, there is a significant difference¹² of opinion of bankrupts based on gender, whereby men are more likely to disagree that there is a stigma associated with bankruptcy (see Figure 4). Over half of those who become bankrupt are men¹³. There is no significant difference of opinion of businesses and individuals based on gender (see Figure 4), although men are more economically active than women¹⁴.
- In 2004, there were no significant differences between men and women in any sector.



Base: All responding

¹² The hypothesis that there is no difference between the gender of bankrupts and bankrupts' opinion of stigma being associated with bankruptcy was tested. The test showed that there were significant differences (below the 1% level).

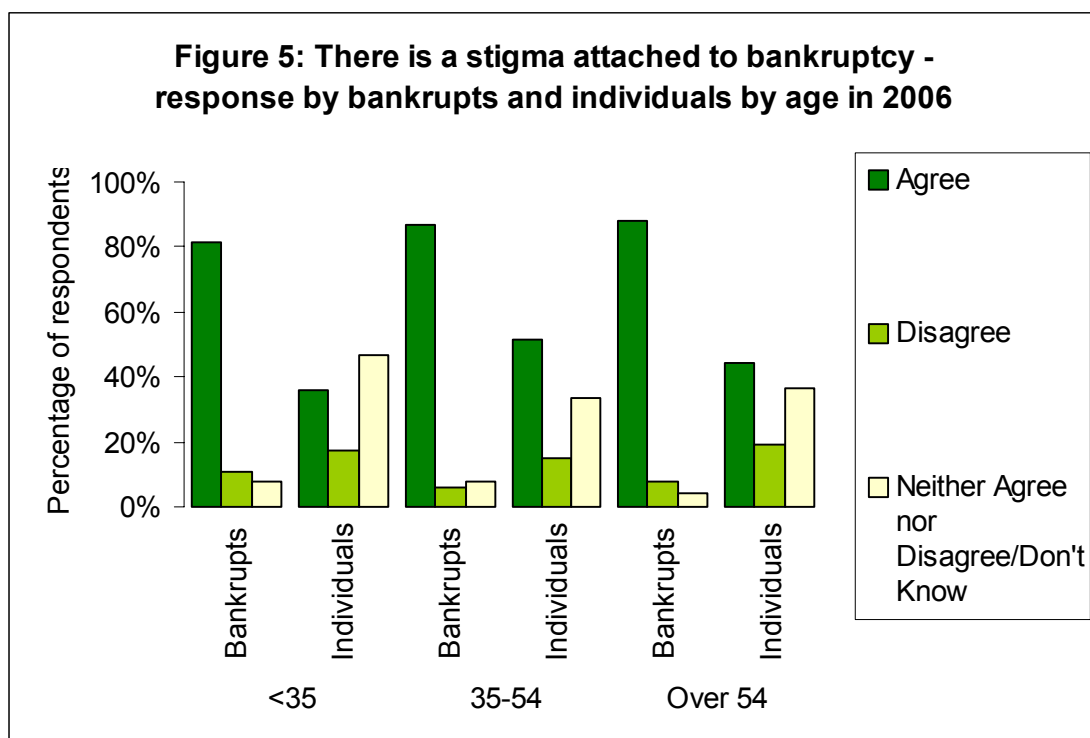
¹³ Source: The Insolvency Service's report entitled 'Profiles of bankrupts: 2003/4 to 2005/6':

<http://www.insolvency.gov.uk/insolvencyprofessionandlegislation/policychange/profilesofBankC/Profilesbankrupts03040506.pdf>

¹⁴ Information based on tables KS09b and KS09c (Economic activity in England & Wales) from the 2001 Census data, which shows that 73.8% of men aged 16 to 74 are economically active compared to 59.5% of women in the same age range. 'Economically active' is defined as people aged 16-74 who were working in the week before Census Day, those not working but looking for work and able to start within 2 weeks, including full-time students who are economically active.

2.2 Factors affecting overall attitude (continued)

- In 2006, there is a significant difference in the overall opinion of bankrupts and individuals¹⁵ based on age (see Figure 5). Bankrupts are more likely to think there is a stigma associated with bankruptcy the older they are. For individuals, the younger (less than 35) and older (over 54) people seem less likely to think there is a stigma associated with bankruptcy than the middle-aged (35 – 54). There is no difference in the overall opinion of businesses based on age.
- In 2004, there was also a significant difference in the overall opinion of bankrupts and individuals based on age.



Base: All responding

¹⁵ The hypothesis that there is no difference between the age of the bankrupt and bankrupts' opinion of stigma being associated with bankruptcy was tested. The test showed that there were significant differences (below the 5% level). Further, the hypothesis that there is no difference between the age of the individual and individuals' opinion of stigma being associated with bankruptcy was tested. The test showed that there were significant differences (below the 1% level).

2.2 Factors affecting overall attitude (continued)

- The sectors responses have been analysed on the basis of various other factors (see paragraphs below).
- In 2004 and 2006, there are no significant differences in the overall opinion of bankrupts based on occupation, qualifications, or whether the bankruptcy was initiated by a creditor or on the bankrupt's own petition.
- In 2004 and 2006, there are no significant differences in the overall opinion of businesses based on age of business, turnover, number of employees, region, or whether the business has been in financial difficulties
- However, in 2006 only, there are significant differences¹⁶ in the overall opinion of businesses based on trading sector and whether the business knows a bankrupt. These differences did not exist in 2004.
- In 2006, the main difference was that businesses in the 'Construction, Transport, Storage and Communication' and 'wholesale, retail and certain repair' sector were more likely to disagreed that there was a stigma associated with bankruptcy compared to other trading sectors¹⁷.
- In 2006, a business was less likely to think there was a stigma associated with bankruptcy if they knew a bankrupt either personally or through business.

¹⁶ The following tests were carried out:

- The hypothesis that there is no difference between the trading sector of the business and businesses' opinion of stigma being associated with bankruptcy was tested. The test showed that there were significant differences (below the 5% level).

- The hypothesis that there is no difference between whether a business knows a bankrupt personally and businesses' opinion of stigma being associated with bankruptcy was tested. The test showed that there were significant differences (below the 2.5% level).

- The hypothesis that there is no difference between whether a business knows a bankrupt through business and businesses' opinion of stigma being associated with bankruptcy was tested. The test showed that there were significant differences (below the 2.5% level).

¹⁷ The business sector was classified based on the UK Standard Industrial Classification Codes. Due to small numbers, sectors were combined giving the following: [Construction, Transport, Storage & Communication], [Manufacturing], [Wholesale, Retail; Certain Repair] and [Hotels, Restaurants, Other Social & Personal Services, Real Estate, Renting & Business and Other]. Where groups have been combined, conclusions on statistical significance can only be inferred for the combined groups.

2.2 Factors affecting overall attitude (continued)

- In 2004 and 2006, there are no significant differences in the overall opinion of individuals based on class or region.
- However, in 2006 only, there is a significant difference¹⁸ in the overall opinion of individuals based on whether the individual faced financial difficulties.
- In 2006, individuals were more likely to think there was a stigma associated with bankruptcy if they faced financial difficulties. This difference did not exist in 2004.

¹⁸ The hypothesis that there is no difference between whether an individual is in financial difficulties and individuals' opinion of stigma being associated with bankruptcy was tested. The test showed that there were significant differences (below the 1% level).

Section 3: Reasons why stigma exists

3.1 Main reasons why stigma exists

- If respondents agreed that there was a stigma associated with bankruptcy, the respondents were asked about whether various factors contributed towards the creation of that stigma. The factors were grouped as follows:
 - The process of bankruptcy
 - The effects of bankruptcy
 - The perceived meaning of bankruptcy
 - The attitudes of others
- As regards the process and effects of bankruptcy, in 2006, all sectors identified having the bankruptcy order advertised as a main factor contributing towards the creation of stigma¹⁹ (see Table 1).
- Bankrupts and businesses identified the same main factors contributing towards the creation of stigma in 2006 and 2004 (see Table 1).

Table 1: Process elements and effects of bankruptcy that contribute to stigma attached with bankruptcy – Main responses by sector in 2004 and 2006

	2006			2004		
	<i>Bankrupts</i>	<i>Business</i>	<i>Individuals</i>	<i>Bankrupts</i>	<i>Business</i>	<i>Individuals</i>
Having bankruptcy order advertised	■	■	■	□	□	
The possible loss of home			■			□
Effect on credit rating						□
Not being able to pay creditors	■	■		□	□	□

- Further details as regards the process and effects of bankruptcy are given in sections 3.2 and 3.3.
- As regards the perceived meaning of bankruptcy, in general terms, bankrupts feel that bankruptcy is perceived more unfavourably than it actually is. Further details are outlined in section 3.4.

¹⁹ The main factors are the top two answers that, in percentage terms, the sectors agreed that the element contributed towards the creation of stigma. In 2004, the same percentage of individuals agreed that the possible loss of home and the effect on credit rating contributed towards the creation of stigma.

3.1 Main reasons why stigma exists (continued)

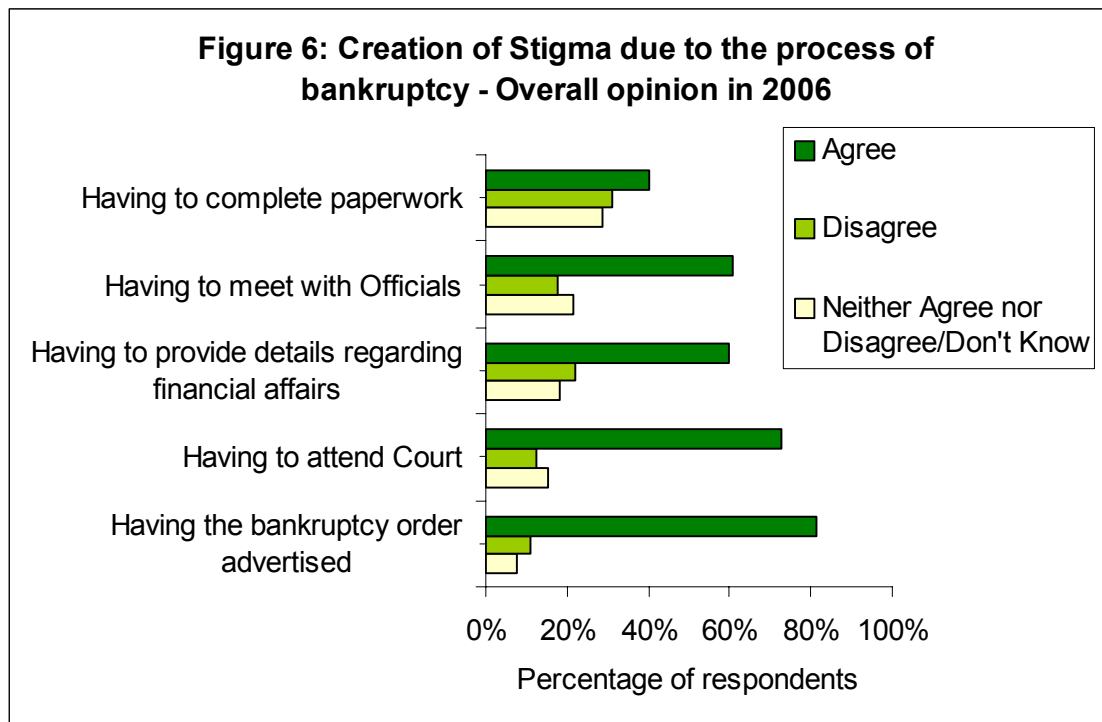
- Overall, the attitude of family regarding bankruptcy is seen as the most relevant. Further details are outlined in section 3.5.

3.2 The Process of Bankruptcy

- All respondents were asked whether the following elements involved in the process of bankruptcy contributed to the stigma associated with bankruptcy:
 - Having to attend the court
 - Having to complete paperwork
 - Having to meet with officials, such as the Official Receiver
 - Having to provide details of your financial affairs
 - Having the bankruptcy order advertised
- Bankrupts were also asked whether there were any other elements in the process of bankruptcy that they felt contributed to the stigma associated with bankruptcy. Some responses were received, but no other process elements that contributed to the stigma associated with bankruptcy were clearly identified.
- Overall, the two main elements of the process of bankruptcy that contribute to the stigma associated with bankruptcy are having the bankruptcy order advertised and having to attend court (see Figure 6²⁰). These two elements were identified as the most significant by all sectors, i.e. bankrupts, businesses, and individuals. The same response was received in 2004.

²⁰ Figure 6 is an overall opinion, which represents the average of the bankrupts', businesses' and individuals' results. See Section 1.3 (Methodology) for further information.

3.2 The Process of Bankruptcy (continued)



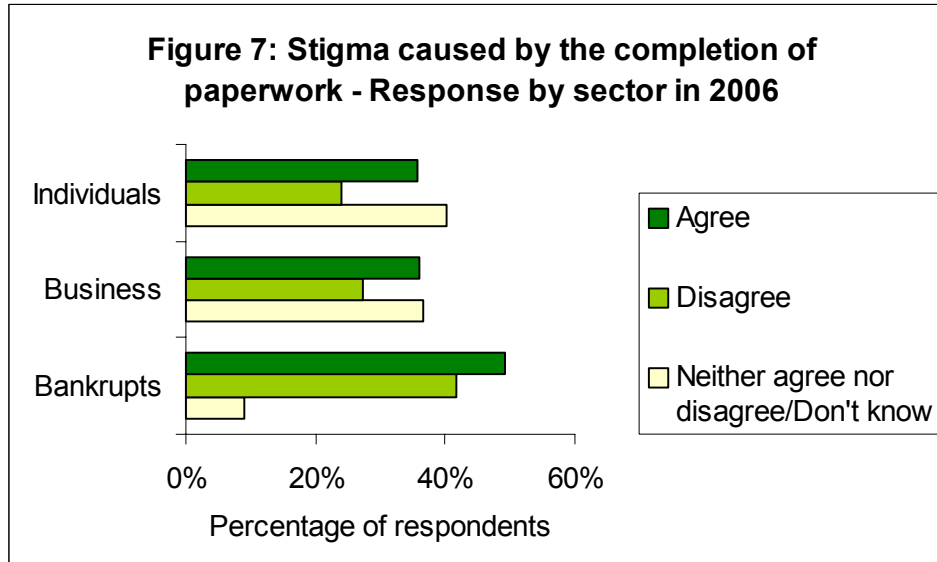
Base: All those who agreed there was a stigma attached to bankruptcy (excluding non-responses)

- Whilst the sectors agreed as to the two main elements, there were significant differences²¹ in the opinions of the sectors as regards each process element. These differences are similar to those seen in 2004.
- Individuals and businesses were more likely to have no opinion as regards the process elements of bankruptcy, possibly because they are unfamiliar with the bankruptcy process.
- Only 61% of individuals felt that the advertisement of the bankruptcy order contributed to the stigma associated with bankruptcy, compared with 95% of bankrupts and 88% of businesses.
- Only 58% of individuals felt that attendance at court contributed to the stigma associated with bankruptcy, compared with 85% of bankrupts and 74% of businesses.
- As regards having to provide details of your financial affairs and meeting officials, just over 70% of bankrupts felt that this contributed to the stigma associated with bankruptcy, compared with just under 60% of businesses and just over half of individuals.

²¹ The hypotheses that there is no difference between the three response sectors' opinion of stigma being attached to the various processes was tested. The tests showed that there were significant differences for all process elements (below the 1% level).

3.2 The Process of Bankruptcy (continued)

- All sectors identified having to complete paperwork as the least significant process to contribute to the stigma associated with bankruptcy (see Figure 7).



Base: All those who agreed there was a stigma attached to bankruptcy (excluding non-responses)

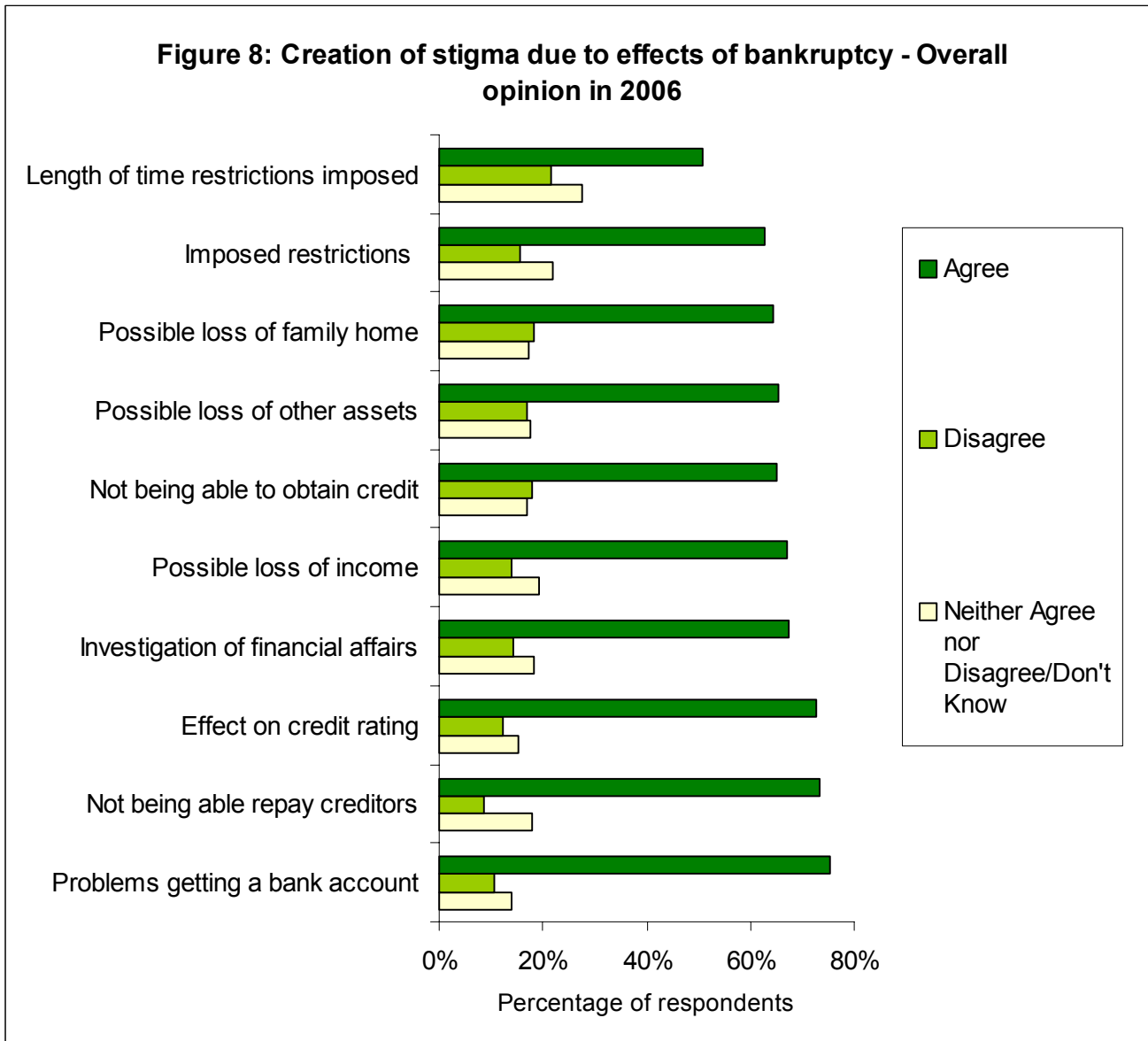
3.3 The Effects of Bankruptcy

- Respondents were asked whether the following elements involved in the effect of bankruptcy contributed to the stigma associated with bankruptcy:
 - The possible loss of the family home
 - The possible loss of other assets
 - The possible loss of income
 - The investigation of financial affairs
 - The long-term effect on credit rating
 - Inability to obtain credit
 - The possible problems in getting a bank account
 - The type of restrictions imposed on an undischarged bankrupt
 - The length of time the restrictions are imposed
 - Not being able to pay creditors

- Bankrupts and businesses were also asked whether there were any other effects of bankruptcy that they felt contributed to the stigma associated with bankruptcy. Some responses were received, but no other effects that contributed to the stigma associated with bankruptcy were clearly identified.

3.3 The Effects of Bankruptcy (continued)

- Overall, in 2006, the main effects of bankruptcy that contribute to the stigma associated with bankruptcy are the problems in obtaining a bank account, not being able to repay creditors and the effect on credit rating (see Figure 8²²).



Base: All those who agreed there was a stigma attached to bankruptcy (excluding non-responses)

²² Figure 8 is an overall opinion, which represents the average of the bankrupts', businesses' and individuals' results. See Section 1.3 (Methodology) for further information

3.3 The Effects of Bankruptcy (continued)

- In 2004, overall, the same three effects - problems in obtaining a bank account, not being able to repay creditors and the effect on credit rating – were identified as the most significant effects contributing to the stigma associated with bankruptcy.
- In both 2006 and 2004, overall, the length of time restrictions are imposed was identified as the least significant effect of bankruptcy contributing to the stigma associated with bankruptcy.
- In 2006, as in 2004, there are significant differences²³ in opinion between sectors as shown in Table 2.

Table 2: Creation of stigma due to the effects of bankruptcy – Percentages that agree by sector in 2006 and 2004

	2006			2004		
	Bankrupts	Business	Individuals	Bankrupts	Business	Individuals
Not being able to repay creditors	93%	89%	38%	88%	90%	71%
Problems getting a bank account	84%	84%	58%	76%	86%	64%
Effect on credit rating	79%	82%	57%	70%	85%	69%
Investigation of financial affairs	74%	71%	57%	60%	73%	66%
Possible loss of income	70%	72%	59%	57%	70%	63%
Imposed restrictions	66%	63%	59%	54%	63%	56%
Possible loss of other assets	64%	71%	60%	59%	73%	59%
Not being able to obtain credit	57%	81%	57%	49%	85%	68%
Length of time restrictions imposed	56%	48%	49%	42%	48%	46%
Possible loss of family home	49%	82%	62%	50%	83%	69%

²³ The hypotheses that there is no difference between the three response sectors' opinion of stigma being attached to the various effects was tested. The tests showed that there were significant differences for all process elements (below the 1% level).

3.3 The Effects of Bankruptcy (continued)

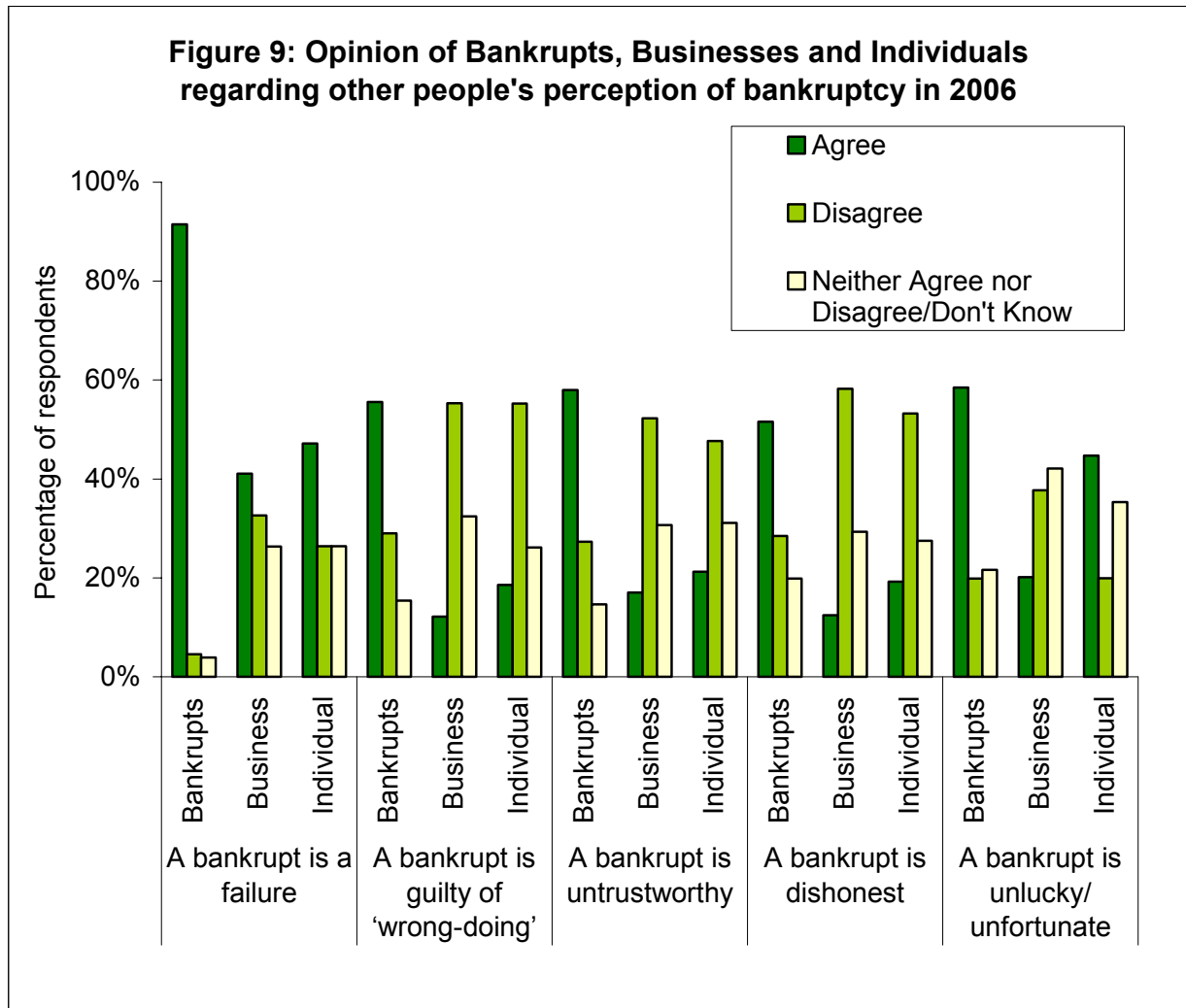
- In 2006, bankrupts and businesses identified not being able to pay creditors as the most significant effect of bankruptcy contributing to the stigma associated with bankruptcy. In contrast, individuals identified not being able to pay creditors as the least significant effect (see Table 2).
- In 2004, all three sectors identified not being able to pay creditors as the most significant effect. Therefore, this indicates that there may have been a major change in the opinion of individuals – in 2004, 71% of individuals agreed that not being able to pay creditors contributed to the stigma associated with bankruptcy, compared with only 38% in 2006 (see Table 2).
- In 2006, individuals identified the possible loss of the family home as the most significant effect of bankruptcy contributing to the stigma associated with bankruptcy. In contrast, bankrupts identified the possible loss of the family home as the least significant effect (see Table 2).
- In 2006, in general terms, bankrupts and businesses have similar attitudes to the effects of bankruptcy, except for not being able to obtain credit and the possible loss of the family home. This may be because these effects of bankruptcy may directly impact on a person's ability to continue, or set up, a business. Businesses and bankrupts also significantly differed as regards these two effects in 2004.
- In 2006, over 80% of businesses felt that not being able to obtain credit contributed to the stigma attached to bankruptcy, compared to 57% of bankrupts and individuals (see Table 2).
- In 2006, over 80% of businesses and over 60% of individuals felt that the possible loss of the family home contributed to the stigma attached to bankruptcy, compared to 49% of bankrupts (see Table 2).
- In 2006, 84% of bankrupts and businesses surveyed felt that the problems in getting a bank account contributed to the stigma attached to bankruptcy, compared to only 58% of individuals (see Table 2).
- In 2006, around 80% of bankrupts and businesses felt that the effect on credit rating contributed to the stigma attached to bankruptcy, compared to only 57% of individuals (see Table 2).

3.4 The Perceived Meaning of Bankruptcy

- Bankrupts were asked to think about people who do not have any personal experience of bankruptcy, and how they believed other people perceived bankruptcy. In contrast, businesses and individuals were asked how they themselves perceived bankruptcy.
- Respondents were specifically asked about the following perceptions:
 - A bankrupt is a failure
 - A bankrupt is dishonest
 - A bankrupt is untrustworthy
 - A bankrupt is guilty of 'wrong-doing'
 - A bankrupt is unlucky/unfortunate
- Additionally, bankrupts and businesses were asked about the following perception:
 - A bankrupt is an incompetent/poor business manager
- Businesses were also asked about different failure types, and the following perception:
 - A bankrupt is merely a victim of circumstances
- All respondents were asked for any other perceptions.

3.4 The Perceived Meaning of Bankruptcy (continued)

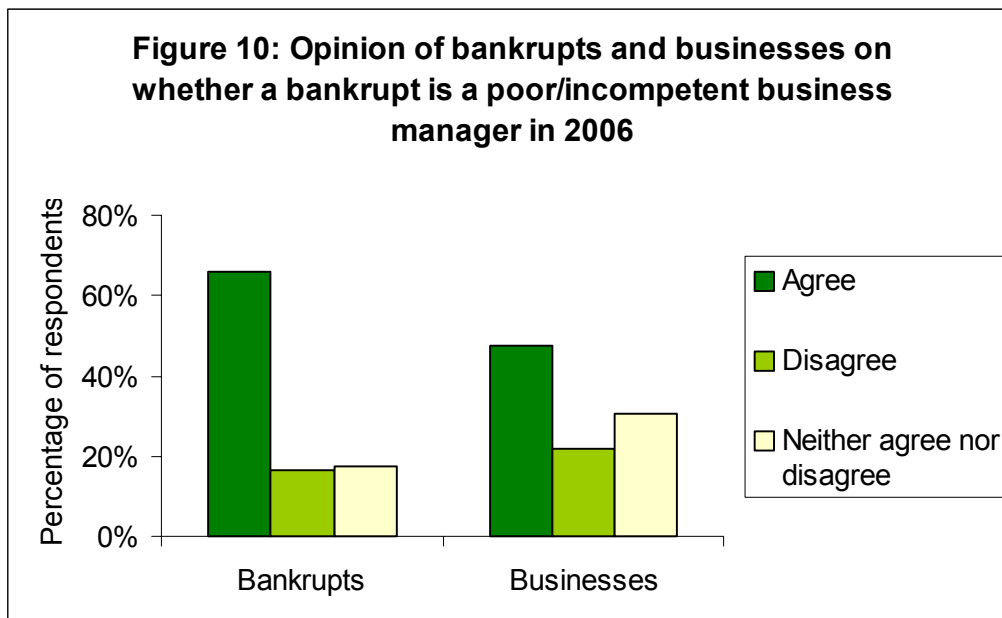
- The survey results show that bankrupts, i.e. those with experience of bankruptcy, believe that bankruptcy is perceived much less favourably than it actually is (see Figure 9). Similar results were seen in 2004.



Base: All those who agreed there was a stigma attached to bankruptcy (excluding non-responses)

3.4 The Perceived Meaning of Bankruptcy (continued)

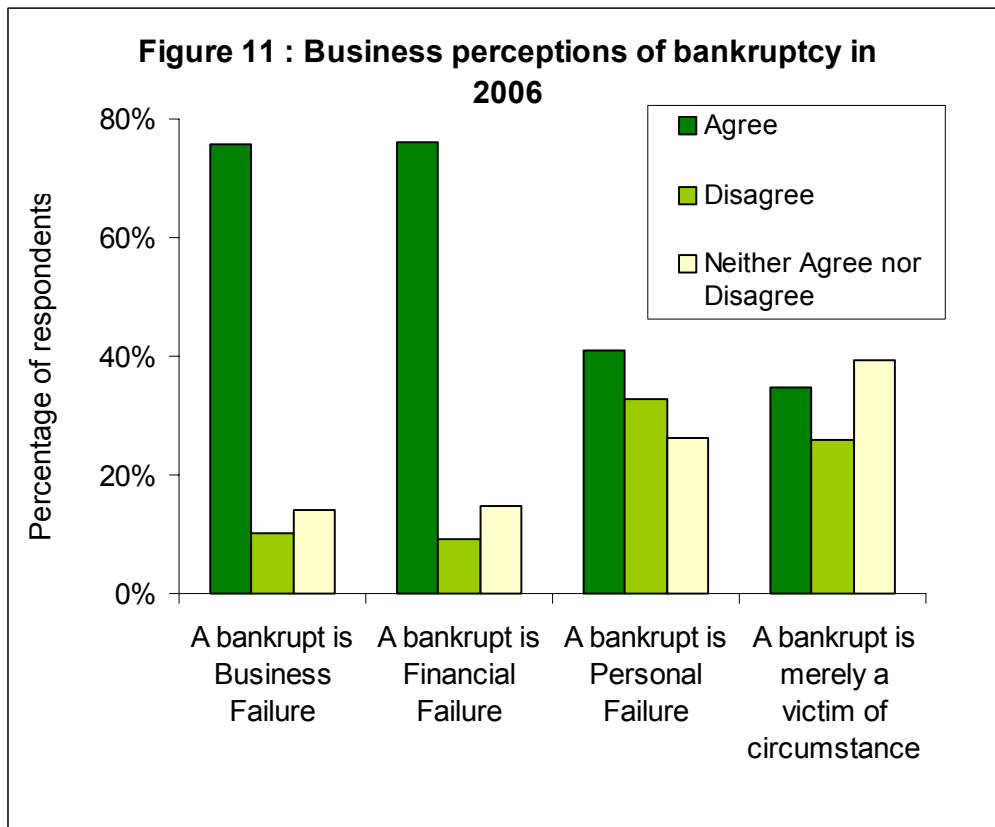
- Bankrupts and businesses were also asked whether a bankrupt was a poor/incompetent business manager. The survey results show that bankrupts are more likely to have this opinion than businesses (see Figure 10).



Base: All bankrupts and businesses who agreed there was a stigma attached to bankruptcy (excluding non-responses)

- Additionally, businesses were asked whether they perceived bankruptcy as a business, financial or personal failure. The survey results show that businesses view bankruptcy as a business or financial failure, rather than a personal failure (see Figure 11). The same results were seen in 2004.
- Businesses were also asked whether they perceived a bankrupt as merely a victim of circumstances. Around a third of businesses agreed with this perception, with over a third having no opinion (see Figure 11). Similar results were seen in 2004.

3.4 The Perceived Meaning of Bankruptcy (continued)



Base: All businesses who agreed there was a stigma attached to bankruptcy (excluding non-responses)

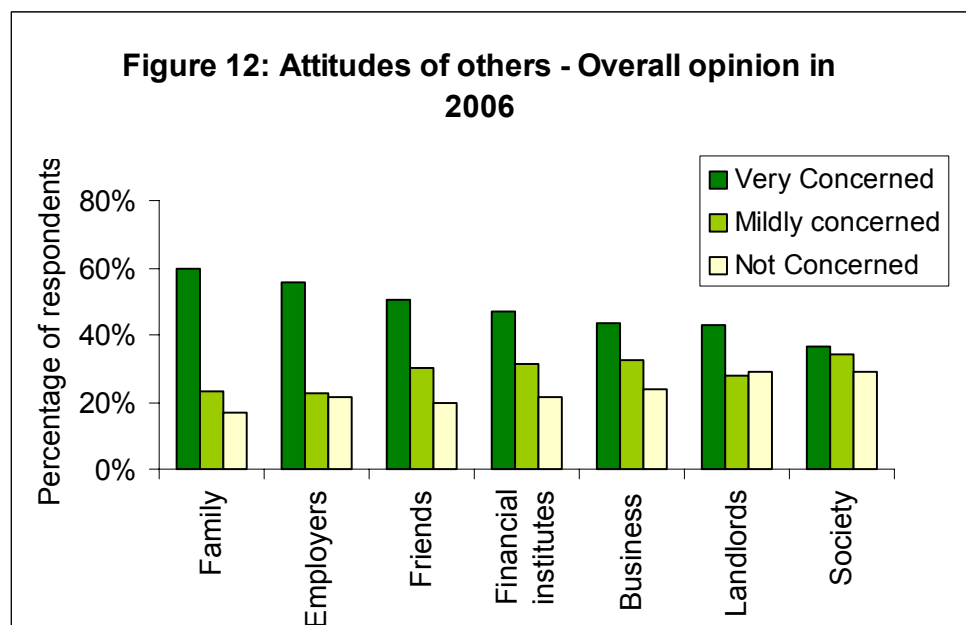
- All sectors were asked to suggest other perceived meanings. Various responses were received, but the main responses received were the same perceptions that had been included in the questionnaires. For example, 23% of individuals suggested unlucky/unfortunate as another perceived meaning of bankruptcy despite this perception being included in the questionnaire.

3.5 The Attitudes of Others

- Respondents were asked about whose views mattered. For bankrupts, they were asked about when thinking about their own experience of bankruptcy, whose views they were concerned about. Businesses and individuals were asked about whose views they would be concerned with if they faced bankruptcy.
- Bankrupts and individuals were specifically asked about the following people:
 - Family
 - Friends
 - The Business Community
 - Financial Institutions
 - Employers
 - Landlords
 - Society as a whole
- Businesses were specifically asked about the following people:
 - Family
 - Friends
 - Customers/Clients
 - Suppliers
 - Financial Institutions
 - Employees
 - Landlords
 - Society as a whole
- Bankrupts were asked for any other people whose attitude to bankruptcy mattered.

3.5 The Attitudes of Others (continued)

- In 2006, overall, the views of family mattered most, followed by the views of employers (see Figure 12²⁴). Similar results were seen in 2004.



Base: All those who agreed there was a stigma attached to bankruptcy (excluding non-responses)

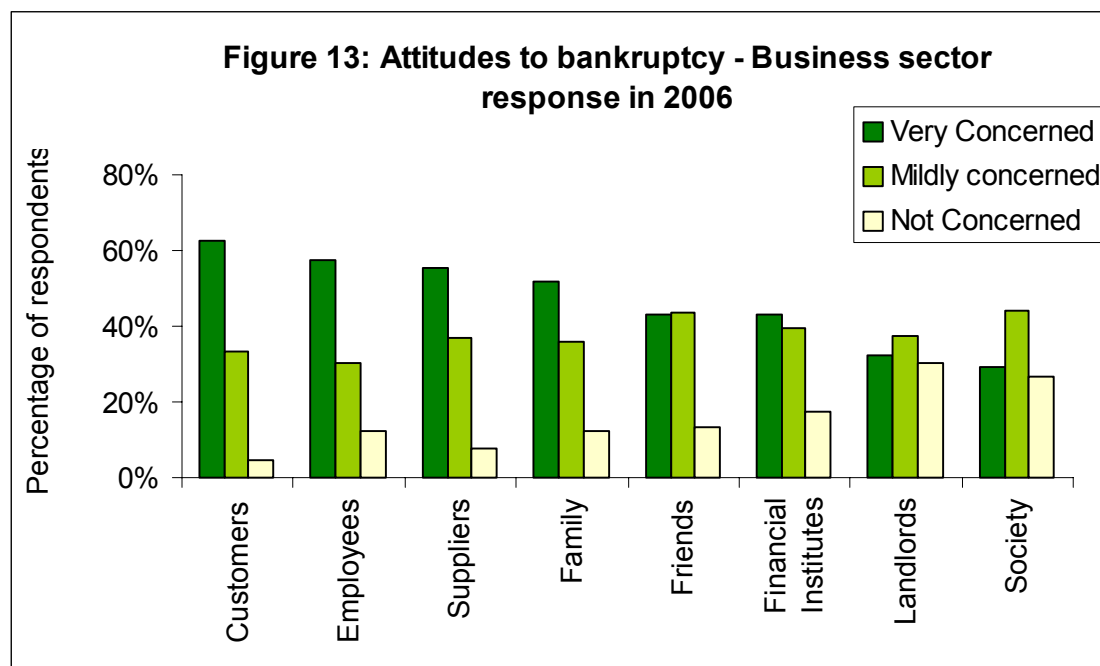
- In 2006, as in 2004, there are significant differences²⁵ in opinion between sectors.
- Generally, in 2006, individuals were least likely to be concerned about the attitudes of others, compared to businesses and bankrupts.
- In 2006, around three-quarters of bankrupts agreed that they would be very concerned about the attitudes of family - in contrast, less than half of the businesses and individuals agreed they would be very concerned about the attitudes of family.
- As in 2004, businesses were more concerned with the attitudes of customers, employees and businesses (suppliers in this context) (see below).

²⁴ Figure 12 is an overall opinion, which represents the average of the bankrupts', businesses' and individuals' results. See Section 1.3 (Methodology) for further information. Further, the business sector were not asked about employers, as all the businesses were sole proprietorships, and therefore, the overall opinion shown for employers is just the average of the bankrupts' and individuals' results. Additionally, for the business sector, the 'business community' category covers 'suppliers' - see appendix B2 (Grouping Data Assumptions).

²⁵ The hypotheses that there is no difference between the three response sectors' opinion regarding whose attitudes mattered. The tests showed that there were significant differences for all (below the 1% level).

3.5 The Attitudes of Others (continued)

- Businesses were also asked about the attitudes of customers and employees, whose attitudes to bankruptcy matter the most to the business sector²⁶ (see Figure 13). The same result was seen in 2004.



Base: All businesses who agreed there was a stigma attached to bankruptcy (excluding non-responses)

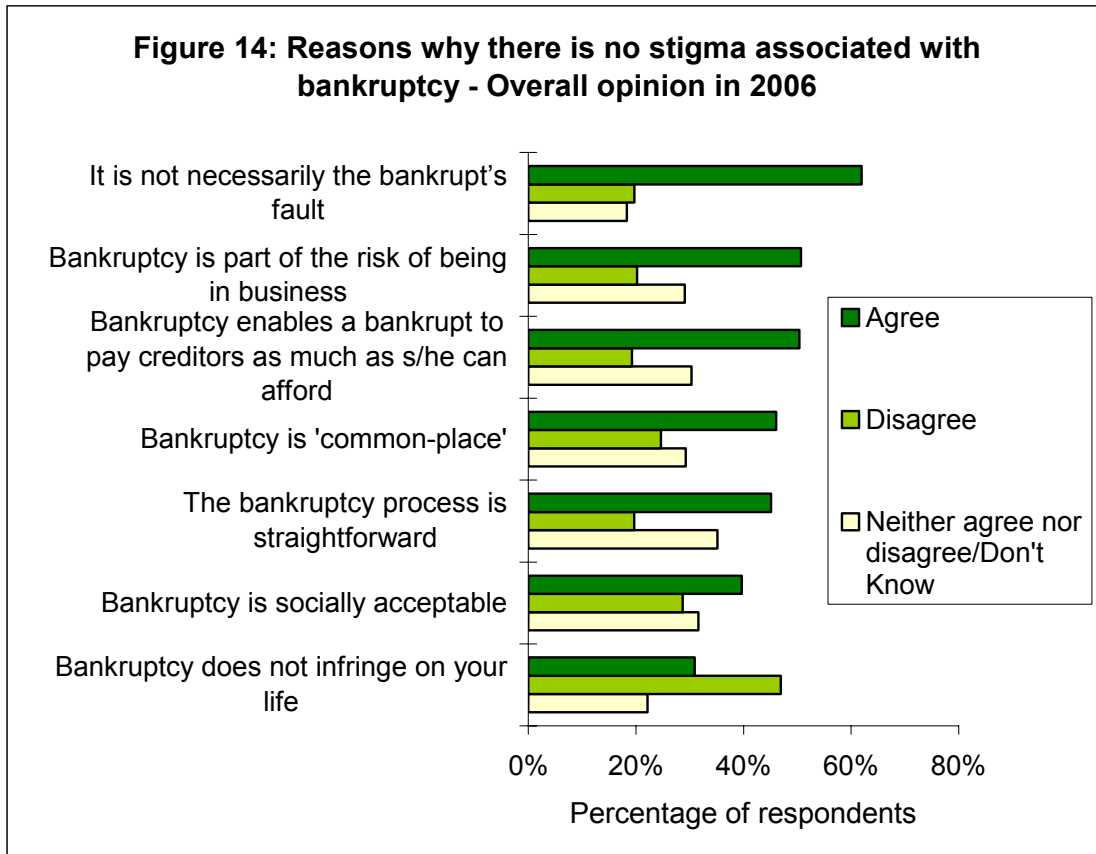
- Bankrupts were also asked for other classes of person whose attitude to bankruptcy matters. Various responses were received, but no other class of person emerged whose attitude to bankruptcy would be significant.

²⁶ For the business sector, the 'not concerned' category includes 'neither concerned nor unconcerned' response - see appendix B2 (Grouping Data Assumptions).

Section 4: Reasons why stigma does not exist

4.1 The main reasons why stigma does not exist

- If respondents did not agree that there was a stigma associated with bankruptcy, the respondents were asked why²⁷.



Base: All those who disagreed there was a stigma attached to bankruptcy (excluding non-responses)

- Overall, the two main reasons given were because bankruptcy is part of the risk of being in business and because it is not necessarily the bankrupt's fault (see Figure 14²⁸). Similar results were seen in 2004.
- There were differences in the responses from each sector, but the sample sizes are too small to identify any significant difference.
- Bankrupts and businesses were also asked for any other reasons why there is not a stigma associated with bankruptcy. Various answers were received but no other reasons were clearly identified.

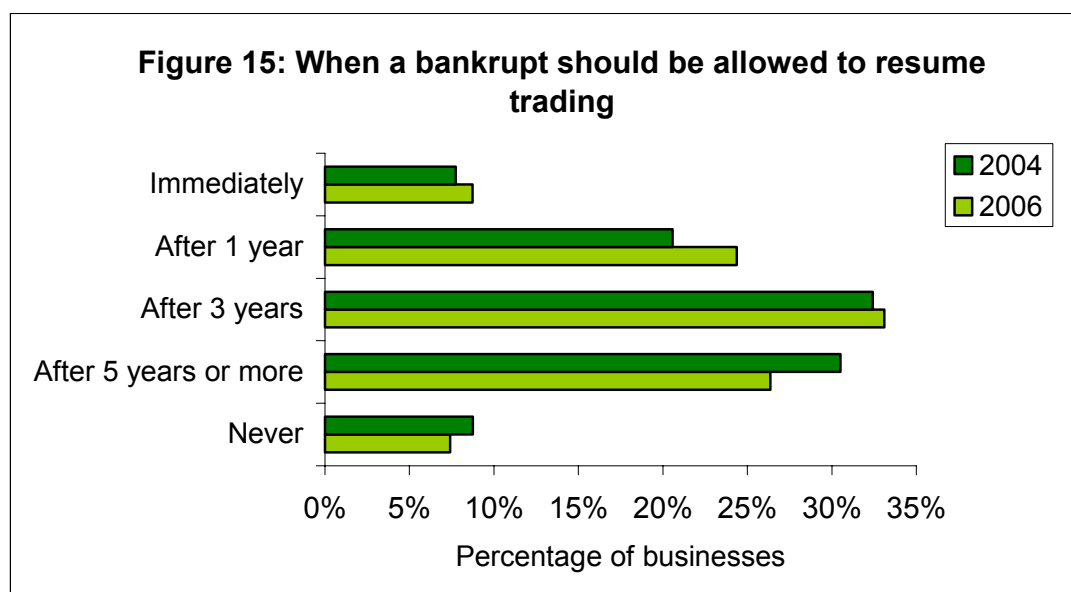
²⁷ See Section 3.1 for details of the response rates of sectors who did not believe there is a stigma associated with bankruptcy.

²⁸ Figure 14 is an overall opinion, which represents the average of the bankrupts', businesses' and individuals' results. See Section 1.3 (Methodology) for further information.

Section 5: Business dealings with a bankrupt

5.1 Attitudes of businesses to bankrupts

- Businesses were specifically asked about their attitudes towards bankrupts.
- Businesses were asked their opinion regarding after how long a bankrupt should be allowed to resume trading²⁹. The most popular response was after 3 years (see Figure 15). Similar results were seen in 2004.
- In both 2004 and 2006, there is no significant difference based on whether the business believes there is a stigma attached to bankruptcy.
- In 2006, there are significant differences³⁰ based on whether the business knows a bankrupt. In general terms, businesses who do not know a bankrupt either personally or through business are more likely to believe that a bankrupt should be allowed to resume trading after 3 years. This difference did not exist in 2004.
- Further, in 2006, a business is more likely to believe that a bankrupt should never be allowed to resume trading if they know a bankrupt than if they do not know a bankrupt. This difference did not exist in 2004.



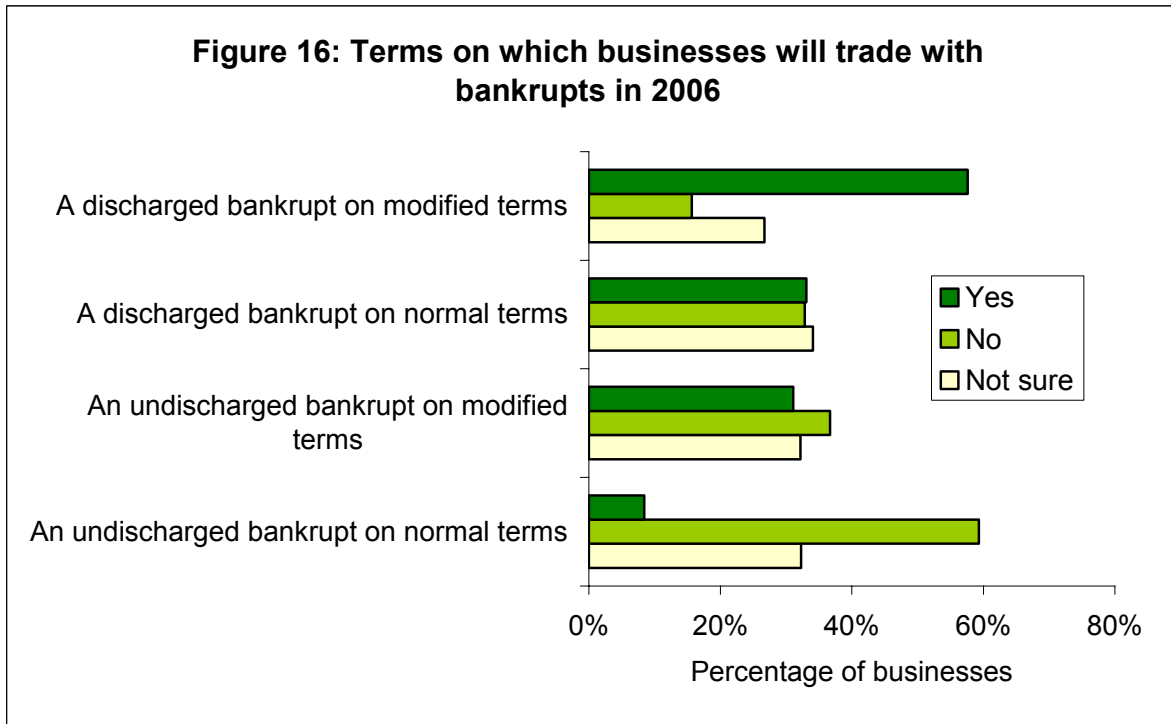
Base: All business (excluding non-responses)

²⁹ There is nothing in insolvency legislation to prevent a bankrupt from resuming to trade immediately. Businesses were not advised of the current legislation in the survey.

³⁰ The hypotheses that there is no difference between when a business believes a bankrupt should be allowed to resume trading and whether the business knows a bankrupt was tested. The test showed that there was a significant difference (below the 2.5% level).

5.1 Attitudes of businesses to bankrupts (continued)

- Businesses were asked about their willingness to have business dealings with bankrupts. Overall, businesses are most likely to trade with discharged bankrupts on modified business terms (see Figure 16). This opinion is not significantly affected by whether the business feels that there is a stigma attached to bankruptcy. Similar results were seen in 2004.



Base: All businesses (excluding non-responses)

5.1 Attitudes of businesses to bankrupts (continued)

- Businesses were asked whether they knew a bankrupt through their personal life or business dealings. In 2006, just over a half of the businesses knew a bankrupt through their personal life and through business dealings. In 2004, around two thirds of businesses knew a bankrupt through their personal life and through business dealings.
- In 2006, of those businesses that knew a bankrupt through their personal life, 44% say it has affected their opinion of bankruptcy, compared to 50% in 2004.
- In 2006, of those businesses that know a bankrupt through business dealings, 44% say it has affected their opinion of bankruptcy. This is the same percentage as in 2004.
- In 2006, of those businesses that know a bankrupt and say it has affected their opinion, just over 20% clearly attribute a positive effect, and just under 30% clearly attribute a negative effect (see Table 3). In 2004, of those businesses that know a bankrupt and say it has affected their opinion, just under 40% clearly attribute a positive effect, and just under 40% clearly attribute a negative effect. Therefore, it appears where a business knows a bankrupt and say it has affected their opinion, businesses are more likely to have a mixed opinion of bankruptcy in 2006 compared to 2004.

Table 3: Examples of effect that knowing a bankrupt has

<i>Effect</i>	<i>Examples</i>
Clearly positive effect	'Able to see the effect it had on people affected by it'
	'People go bankrupt through no fault of their own and are unlucky'
	'It can happen to anyone no matter how honest or hard working'
	'More open-minded about this'
	'Not all bankrupts are crooks'
Clearly negative effect	'Some people have no regard for others and abuse business'
	'Untrustworthy'
	'How can you trust people who can't control their finances'