



18 October 2006

DEBT FREE DIRECT GROUP PLC

DEBT FREE DIRECT TAKES THE LEAD ON AUDIT AND ACCREDITATION AND PROVIDES OPERATION UPDATE

Having for some time been lobbying for greater regulation of the sector, Debt Free Direct (“DFD”) are delighted that creditors are now recognising that not all debt advice companies are the same and that only enhanced regulation can ensure that both the consumer and the creditors get a fair deal. DFD has built its business to be “regulation ready” and has recently conducted a number of high level meetings with lenders to discuss the issues for the debt solutions industry. From those meetings it is clear that creditors are concerned about:

- Unregulated businesses advertising IVAs in inappropriate ways (for example, leading consumers to believe that 75% of their debt can always be written off).
- Consumers being mis-sold IVAs when there is a more appropriate solution for both consumers and creditors.
- Offers of repayment being put forward which are not the consumer’s best affordable offer.
- Advice companies profiting from putting consumers into fee charging debt management plans that are significantly less beneficial to both consumers and creditors than the creditor funded debt management plans available from companies like PayPlan and CCCS.
- “Not for profit” advice groups advising too many consumers to go bankrupt and avoid making payments to their creditors.

Debt Free Direct shares all of these concerns. We have also noted the response of Jim Fitzpatrick (Trade and Industry Minister) to the banks’ calls for greater regulation of the debt solutions industry. We understand, and have some sympathy with, the Minister’s position.

DFD remains of the view that, unless and until the lenders’ legitimate concerns are addressed, a consumer’s access to an IVA may be compromised. This is contrary to the Insolvency Service’s (a department within DTI) stated aim of increasing access to IVAs.

In an attempt to increase awareness of these issues and to offer solutions to them, DFD is holding a conference on 9 November 2006 and has invited the major banks and other lending institutions exposed to the consumer debt problem to attend. Debt Free Direct's message is three-fold:

1. When an IVA is the appropriate course of action for the consumer it will also give a higher return to the creditors than any other solution.
2. When IVAs are properly put in place (that is, the Debt Free Direct way) the return is significantly (29%) higher than returns currently being achieved by the 'industry' as a whole.
3. Creditors can ensure that appropriate advice is given and IVAs are put in place properly by accepting only IVAs put forward by "audited and accredited" debt advice companies.

DFD is working with an international firm of accountants with specialist knowledge of the IVA market to develop an audit process that will provide lenders with re-assurance that:

- best advice is always given;
- offers of repayment are always the best available;
- advice is robustly tested;
- a fair balance between the interests of the consumers and lenders is maintained.

The audit will take place in a few weeks' time and the audit opinion will be submitted to creditors for their consideration.

Our meetings with lenders give us considerable confidence that they will embrace the "accreditation route". We expect this to be very good news for DFD and other high quality solution providers. Clearly, the poorer performers will be identified and isolated.

Debt Free Direct has, for some time, considered itself to be the market leader and has close to 20% of the IVA market. Its success relies upon giving the most appropriate advice to consumers and at the same time achieving the best available return for creditors whilst treating their customers fairly. We expect these initiatives to strengthen further our position in the market.

Operation Update

DFD has now successfully completed the relocation of its principal operation to 40,000 sq ft premises in Adlington, Lancashire. These premises provide considerable space for continued growth of the business. Recruitment activity has been ramped up and we expect to employ 300 people by December 2006.

DFD is currently trading in line with the last trading update delivered to the market on 04 September 2006. Our enhanced resources have allowed us to increase our media activity in a cost efficient manner. We expect to generate and process record levels of IVA cases in the coming months. A trading update will follow in due course.

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Notes

Debt Free Direct helps individuals find the best solution to their debt problems, based upon an analysis of their particular financial circumstances. Financial information on an individual is processed through a computer model (the Best Advice Model) developed by Debt Free Direct in order to recommend a solution suitable for that individual's particular financial circumstances. The solutions offered range from basic advice, such as simply destroying credit cards and curbing unnecessary expenditure, to the following solutions:

- consolidation loan
- re-mortgage
- informal arrangement
- individual voluntary arrangement (IVA)
- bankruptcy

Debt Free Direct is unique in the marketplace in that, unlike most of its competitors who sell specific products, Debt Free Direct looks to provide the best advice to the consumer and recommends them the most appropriate service.

Debt Free Direct is based in Chorley, Lancashire, and was admitted to AIM in December 2002.