

3 May 2005



DEBT FREE DIRECT GROUP PLC TRADING UPDATE

DEBT FREE DIRECT PREDICTS CONTINUED GROWTH IN ITS MARKET

There has been much recent commentary on the consumer downturn, as portrayed by the Financial Times on 28 April 2005 when it wrote "Property gloom hits consumer spending" and "Higher interest rates have tipped some households into a debt crisis".

With house prices flat, or modestly falling, home owners have less capacity to re-mortgage and release equity. At the same time, lenders are tightening their criteria, further reducing consumers' capacity to release house equity.

The result is that an increasing number of consumers are finding it impossible to sustain the record levels of debt that they have built up over the last 5 – 10 years. The signs of consumer debt fatigue are already showing. Personal insolvencies in the final quarter of 2004 were up by nearly 35 per cent on the same period in the previous year, and in the first quarter of 2005 there has been a 20 per cent rise in court orders against people failing to meet mortgage payments.

Debt Free Direct is likely to benefit from this consumer downturn and predicts continued growth in its market.

Trading update

Debt Free Direct's run-rate trends have continued to increase in the second half of the financial year, as shown below:

	Average monthly turnover £K	Employee numbers (period end)	Completed IVA monthly case run-rate
- 6 months to 31 October 2003	309	57	72
- 6 months to 30 April 2004	392	88	95
- 6 months to 31 October 2004	515	117	110
- 6 months to 30 April 2005	858	153	208

Turnover in the second half of the financial year grew by 119 per cent, compared to the same period last year, which is consistent with a corresponding increase of 119 per cent in the monthly IVA case run-rate.

The run-rate of completed IVA cases in the fourth quarter of our financial year was in excess of 250 per month, ahead of market expectations.

We anticipate that the above will translate into profits in line with market expectations for the financial year.

The preliminary results announcement will be made during the week commencing 27 June 2005.

Andrew Redmond, Chief Executive Officer, commented:

“The weakness of the housing market is having a significant impact on consumers’ ability to use equity to keep their finances afloat.

The IVA market grew by 41 per cent last year and continued double digit growth is predicted.

We are delighted to have significantly grown our market share in this rapidly expanding market.

Debt Free Direct have put in place the resources necessary to increasingly promote its free advice services and continue to expand its capacity so that we can further grow market share.”

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Note to Editors

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.