



STATISTICS RELEASE: INSOLVENCIES IN THE FOURTH QUARTER 2013

Statistics showing insolvencies in the fourth quarter of 2013 are published today (07 February) by the Insolvency Service.

The Insolvency Service welcomes feedback on all aspects of this publication. Contact details can be found at the end of the publication.

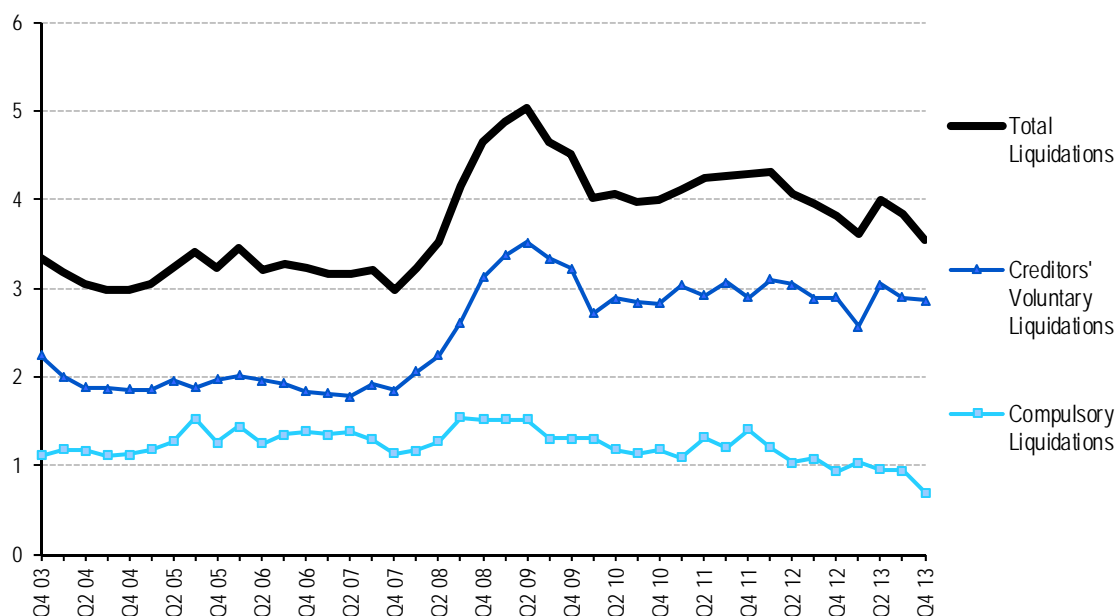
COMPANY LIQUIDATIONS AND OTHER CORPORATE INSOLVENCY PROCEDURES

LIQUIDATIONS

There were 3,552 compulsory liquidations and creditors' voluntary liquidations in total in England and Wales in the fourth quarter of 2013 (on a seasonally adjusted basis). This was a decrease of 7.4% on the previous quarter, and 7.1% less than the same quarter in 2012.

Figure 1. Company Liquidations in England & Wales

Thousands, seasonally adjusted



Source: Insolvency Service and Companies House

This was made up of 692 compulsory liquidations (down 26.7% on the previous quarter and down 25.8% on the fourth quarter of 2012), and 2,860 creditors' voluntary liquidations (which were down 1.1% on the previous quarter and down 1.0% on the corresponding quarter of the previous year).





Table I. Company Liquidations in England and Wales (seasonally adjusted) ¹

	2012 Q4	2013 Q1 r	2013 Q2 r	2013 Q3 r	2013 Q4 p	% change – 2013 Q4 on	
						2013 Q3	2012 Q4
Company Liquidations	3,823	3,606	3,988	3,836	3,552	-7.4	-7.1
of which: Compulsory	933	1,037	951	944	692	-26.7	-25.8
Creditors' Voluntary ²	2,890	2,569	3,037	2,892	2,860	-1.1	-1.0

Source: Insolvency Service and Companies House

p = provisional, r = revised

¹ Longer series back to 2004 are presented in the accompanying detailed tables.

² Where the creditors' voluntary liquidation is the first insolvency procedure entered into (see Notes to Editors paragraph 20).

In the calendar year 2013, there were 14,982 compulsory liquidations and creditors' voluntary liquidations in total – a decrease of 7.3% compared to 2012. This was made up of 3,624 compulsory liquidations (down 14.9% on 2012) and 11,358 creditors' voluntary liquidations (down 4.5% on 2012).

OTHER CORPORATE INSOLVENCY PROCEDURES

Additionally, there were 1,001 other corporate insolvencies in the fourth quarter of 2013 (not seasonally adjusted) comprising 236 receiverships, 642 administrations and 123 company voluntary arrangements (CVAs). In total these represented a decrease of 0.6% on the same period in 2012.

Table II. Other Corporate Insolvencies in England and Wales (not seasonally adjusted) ¹

	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4 p	% change – 2013 Q4 on	
						2012 Q4	
Receiverships ²	276	236	192	253	236	-14.5	
Administrations	580	557	622	544	642	10.7	
Company voluntary arrangements ³	151	142	160	152	123	-18.5	

Source: Companies House

p = provisional,

¹ Longer series back to 2004 are presented in the accompanying detailed tables.

² Includes Law of Property Act receivers (see "Notes to Editors" paragraph 21).

Note: The figures in Table II are not seasonally adjusted and are not, therefore, on the same basis as the headline figures in Table I. The accompanying detailed tables also include the non-seasonally adjusted series for corporate liquidations.

In the calendar year 2013, there were 3,859 other corporate insolvencies, comprising 917 receiverships, 2,365 administrations and 577 company voluntary arrangements. In total these represented a decrease of 16.0% on 2012.

INDIVIDUAL INSOLVENCIES (not seasonally adjusted - see 'Notes to Editors' paragraph 11)

There were 24,282 individual insolvencies in England and Wales in the fourth quarter of 2013. This was a decrease of 4.6% on the same period in 2012.

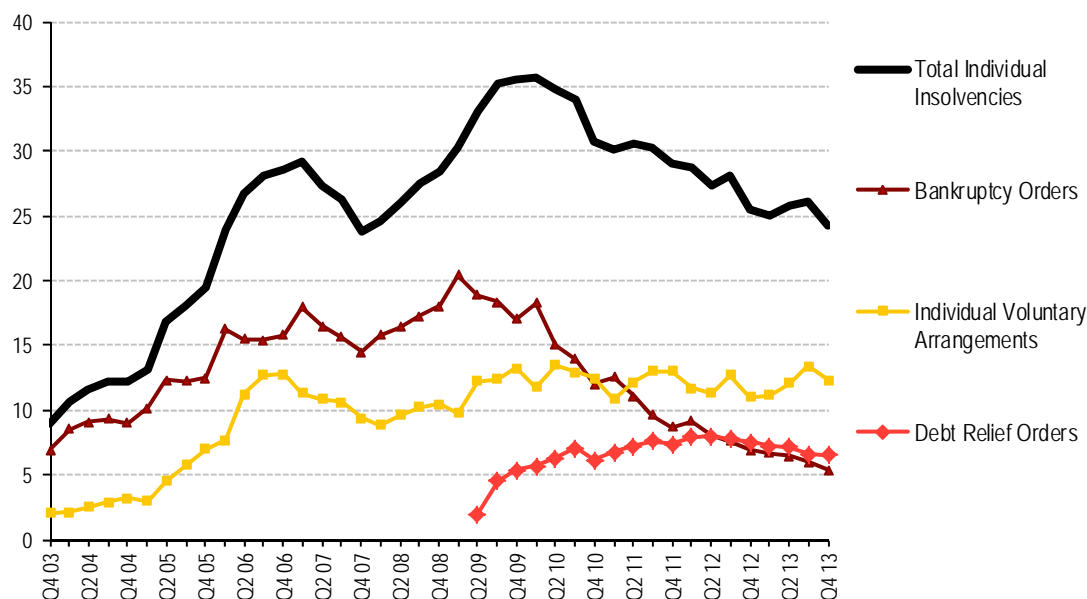


This was made up of 5,386 bankruptcies (which were down 22.2% on the corresponding quarter of the previous year), 6,563 Debt Relief Orders (DROs) (down 13.1% over the same period) and 12,333 Individual Voluntary Arrangements (IVAs) (up 12.3% over the same period). Bankruptcy numbers have been impacted by the introduction of DROs from April 2009, amongst other factors. The number of DROs has been higher than total bankruptcies for six consecutive quarters, while Bankruptcy Orders have been lower than IVAs for the last 11 quarters. IVAs now make up more than half (51%) of all individual insolvencies.

The accompanying detailed tables include seasonally adjusted series for bankruptcy orders and IVAs. The series for DROs is not currently long enough to formally seasonally adjust.

Figure 2. Individual insolvencies in England & Wales

Thousands, not seasonally adjusted



Source: Insolvency Service

Total individual insolvencies for Q2 2009 onwards include Debt Relief Orders, which came into force on 6 April 2009

Table III. Individual Insolvencies in England and Wales (not seasonally adjusted) ¹

	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4 p	% change – 2013 Q4 on 2012 Q4
Total Individuals	25,456	25,016	25,721 r	26,030	24,282	-4.6
Bankruptcy Orders	6,921	6,673	6,473 r	6,004	5,386	-22.2
Debt Relief Orders	7,549	7,219	7,132	6,632	6,563	-13.1
Individual Voluntary Arrangements	10,986	11,124	12,116	13,394	12,333	12.3

Source: Insolvency Service

p = provisional, r = revised

¹ Longer series back to 2004 are presented in the accompanying detailed tables.

There were 101,049 individual insolvencies in the calendar year 2013 in England and Wales, a decrease of 7.9% from 2012. This included 24,536 bankruptcies (down 22.8% on 2012), 27,546 Debt Relief Orders (DROs) (down 11.7% on 2012) and 48,967 Individual Voluntary



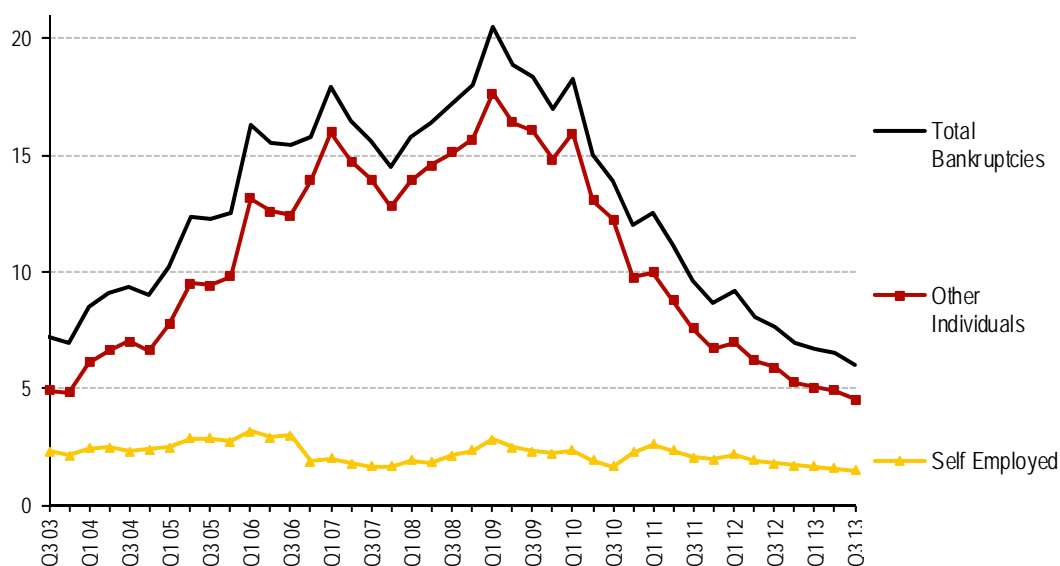
Arrangements (IVAs) (up 4.9% on 2012). This is the first year in which the number of DROs has been higher than total bankruptcies and the third year where the number of bankruptcies has been lower than IVAs.

In the fourth quarter of 2013, 4,179 bankruptcies were made on the petition of the debtor (representing 77.6% of total cases); the level of debtor petition bankruptcies has been following a generally decreasing trend since the beginning of 2009 when there were 17,606 (86% of the total). Creditor petition bankruptcy numbers have also been falling over a similar period, though less rapidly and less consistently.

The percentage of bankruptcy orders where the individuals were self-employed was 24.4% in the third quarter of 2013 (fourth quarter 2013 figures for self-employed bankrupts are not yet available); higher than in earlier years. This is due to the decline in numbers of cases amongst non-traders as may be seen in Figure 3 below.

Figure 3. Bankruptcies in England and Wales: Trading Status

Thousands, not seasonally adjusted



Source: Insolvency Service

COMPANY LIQUIDATION AND INDIVIDUAL INSOLVENCY RATES: LONGER-TERM PERSPECTIVE

In the calendar year 2013, **1 in 166** active companies (or 0.6% of all active registered companies) went into liquidation, down from **1 in 159** in the 12 months ending Q3 2013, and **1 in 144** in the calendar year 2012.

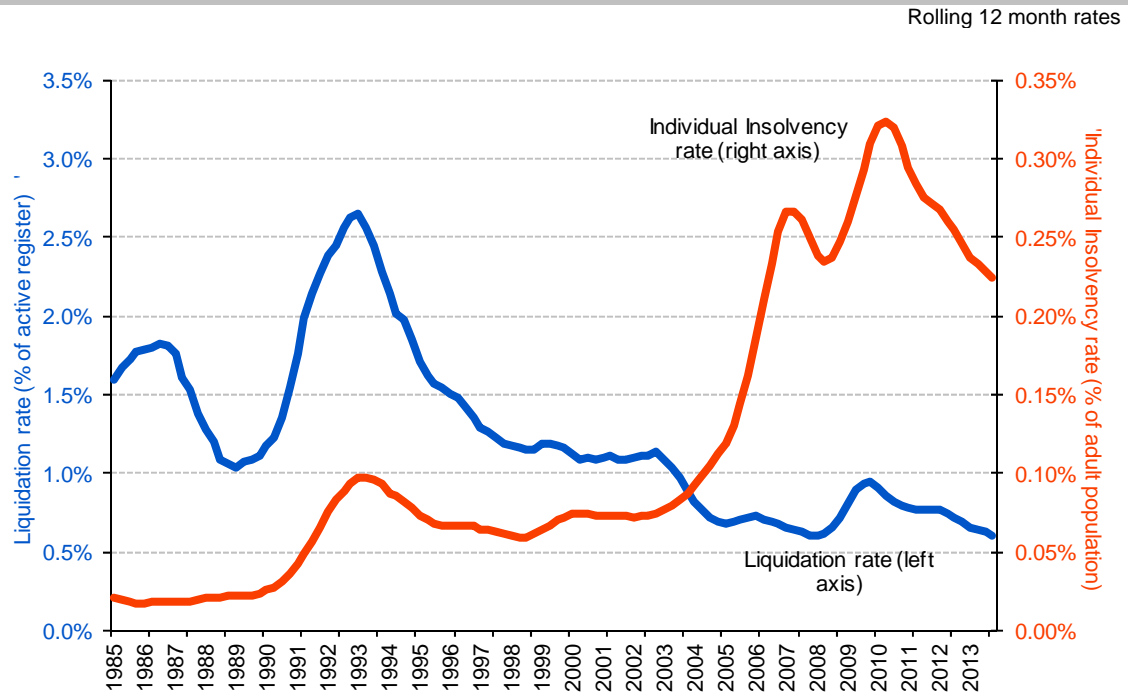
As Figure 4 shows, the liquidation rate remains low compared to a peak of 2.6% in 1993, and the average of 1.2% seen over the last 25 years. It should be noted that the number of active companies has changed considerably over this period: there were 2.7 million active registered companies in Q4 2013; this compares with only about 900,000 in the early 1990s and fewer than 800,000 in 1986.

In the calendar year 2013, **1 in 445** adults (or less than 0.25% of the adult population) became insolvent. This is down from **1 in 439** in the twelve months ending Q3 2013, and **1 in 406** in



the calendar year 2012. As Figure 4 shows, the individual insolvency rate displayed a steeply upward path (with some fluctuations) from 2004 until mid-2010 and is currently still elevated compared to the annual average of around 1 in 1,400 adults (0.1%) seen over the last 25 years.

Figure 4. Company Liquidation and Individual Insolvency Rates in England & Wales



Source: Insolvency Service, Companies House and the Office for National Statistics

The company liquidation rate is calculated from company liquidations in the latest twelve month period divided by the average number of companies in that period.¹

The individual insolvency rate is calculated from the total number of new bankruptcies, IVAs and DROs in the latest twelve month period divided by the average estimated adult (18+) population of England & Wales.



EXPERIMENTAL STATISTICS – COMPANY LIQUIDATIONS BY SIC2007 INDUSTRY GROUPS

Since Q3 2013, The Insolvency Service has produced a breakdown of corporate insolvencies using the 2007 version of the Standard Industrial Classification (SIC2007). As such, in line with the UK Statistics Authority's [Code of Practice for Official Statistics](#), these data carry the label "Experimental Statistics". Experimental Statistics are new official statistics that are undergoing evaluation.

The Insolvency Service is publishing these Experimental Statistics in order to involve users and stakeholders in the evaluation of these statistics, to help us to ensure that our publications are as useful and informative as possible. Please send comments to rebekah.paul1@insolvency.gsi.gov.uk

To allow for a consistent comparison of liquidations by sector, the data below relate to the number of liquidations in the 12 months ending Q3 2013. This is because a sector breakdown for compulsory liquidation is not yet available for Q4 2013. The accompanying data tables provide the latest available data for each corporate insolvency procedure, as well as for trading-related bankruptcies.

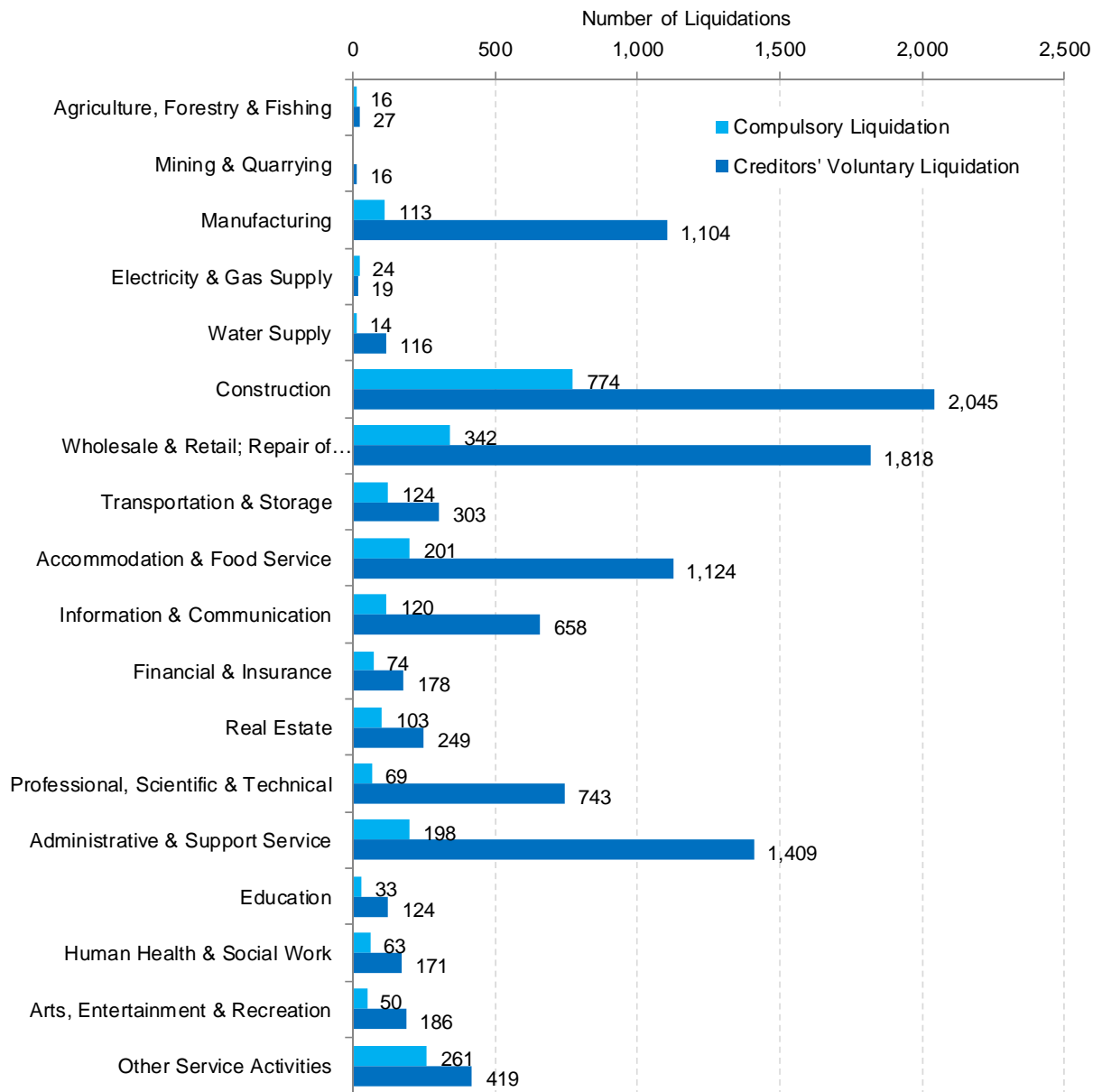
As Figure 5 below shows, in the 12 months ending Q3 2013, the highest number of total liquidations was in the construction sector (2,819 – down 5.3% from the 12 months ending Q2 2013). This comprised 774 compulsory liquidations (down 7.1%) and 2,045 creditors' voluntary liquidations (down 4.6%).

The second highest number of 2,160 liquidations was seen in the wholesale and retail trade sector (342 compulsory liquidations, down 10.5%, and 1,818 creditors' voluntary liquidations, up 3.6%). This was an increase of 1.1% compared to the 12 months ending Q2 2013. These were the only two sectors to experience more than 2,000 total liquidations in the 12 months ending Q3 2013.

However, the figures quoted here do not take into account the base population of companies in each industry sector. Further work is being undertaken to obtain company populations by industry that are consistent with those used in the *Longer-Term Perspective* section of this release, with the aim that liquidation rates by industry can be included in future publications.



Figure 5. Total Company Liquidations in England & Wales by Broad Industry Sector, year ending 2013 Q3



* Where the creditors' voluntary liquidation is the first insolvency procedure entered into (see Notes to Editors). Industries with fewer than ten liquidations have been excluded.

Source: Insolvency Service and Companies House



INSOLVENCIES IN SCOTLAND AND NORTHERN IRELAND

The following tables present recent trends in insolvencies in Scotland and Northern Ireland, complementing those for England and Wales above (longer series back to 2004 are presented in the accompanying detailed tables). These statistics are shown separately to those for England and Wales as they are covered by separate legislation, there are some differences in definition, and policy responsibility for them lies within the devolved administrations.

Table IV. Insolvencies in Scotland (not seasonally adjusted)

	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4 p	% change – 2013 Q4 on
						2012 Q4
Company Liquidations¹	169	113	158	257	204	20.7
of which: Compulsory	98	59	83	157	151	54.1
Creditors' Voluntary ²	71	54	75	100	53	-25.4
Individuals^{3,4}	3,863	3,486	3,999	3,411	3,335	-13.7
of which: Sequestrations ⁴	1,833	1,834	1,961	1,714	1,661	-9.4
(of which: LILA)	(607)	(658)	(742)	(670)	(658)	(8.4)
Protected Trust Deeds	2,030	1,652	2,038	1,697	1,674	-17.5

p = provisional r = revised

¹ Source: Companies House

² Including those companies which had previously been in administration or other insolvency procedure

³ Source: Accountant in Bankruptcy (AiB). Latest Release: [AiB Quarterly Statistics – Q3 2013/14](#)

⁴ The sequestration figures include LILA (Low Income, Low Assets) cases. These were introduced as a new route into bankruptcy under the Bankruptcy and Diligence etc (Scotland) Act 2007, with effect from 1 April 2008.

Table V. Insolvencies in Northern Ireland (not seasonally adjusted)

	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4 p	% change – 2013 Q4 on
						2012 Q4
Company Liquidations	86	55	105	69	70	-18.6
of which: Compulsory ¹	48	30	66	46	36	-25.0
Creditors' Voluntary ²	38	25	39	23	34	-10.5
Individuals¹	756	836	894	717	926	22.5
of which: Bankruptcies	359	328	374	252	393	9.5
Debt Relief Orders ³	117	119	167	139	168	43.6
IVAs	280	389	353	326	365	30.4

p = provisional, r = revised

¹ Source: Department for Enterprise, Trade and Investment, Northern Ireland (DETINI)

² Source: Companies House

³ Debt Relief Orders (DROs) came into effect on 30 June 2011 in Northern Ireland as an alternative route into personal insolvency. See "Notes to Editors" paragraph 23.



Notes to accompany the Insolvency Statistics

Data sources and quality

(More details may be found in the [Statement of Administrative Sources](#) and the over-arching [Statement on Quality Strategy, Principles and Processes](#), which cover all Official Statistics outputs from the Insolvency Service.)

Relevance (*the degree to which the statistical product meets user needs for both coverage and content*)

1. The official Insolvency Statistics are the most comprehensive record of the number of corporate and individual insolvencies in England and Wales. They include all formal types of insolvency procedure currently available. Insolvencies in Scotland and Northern Ireland are also included, but are shown separately as they are covered by separate legislation, there are some differences in definition, and policy responsibility for them lies within the devolved administrations. The Statistics Release itself covers the most recent 10 years of annual and quarterly figures; while historic data series are also available (back to 1960 in some cases), as are related sets of Official Statistics on insolvency.
2. Key users of insolvency statistics include the Insolvency Service itself, which has policy responsibility for insolvency in England and Wales and for the non-devolved areas within Scotland and Northern Ireland; other government departments; parliament; the insolvency profession; debt advice agencies; media organisations; academics; the financial sector; the business community and the general public. The headline quarterly statistics are widely reported in both national and regional media on the day of release.
3. The statistical production team welcome feedback from users of the Insolvency Statistics (current contact details are provided at the end of these Notes). More formal engagement with users has recently included a user feedback survey on Insolvency Service Official Statistics: <http://www.bis.gov.uk/insolvency/About-us/our-performance-statistics/insolvency-statistics>.

Accuracy and Completeness (*including the closeness between an estimated or stated result and the [unknown] true value*)

4. The statistics for England and Wales are derived from administrative records of the Insolvency Service and Companies House, both of which are Executive Agencies of the Department for Business, Innovation and Skills (BIS). For Scotland, the company insolvency statistics are derived from administrative records at Companies House. Figures for individual insolvencies in Scotland are sourced from the Office of the Accountant in Bankruptcy (AiB). The Northern Ireland statistics are derived from administrative records of the DETI Insolvency Service and from Companies House. All formal insolvency procedures entered into by a company, a partnership or an individual are required by law to be reported to the appropriate body, so the statistics should be a complete record of insolvency in the United Kingdom.
5. Generally speaking, numbers of cases are based on the date the insolvency procedure was registered on the administrative recording system, not on the date of the order or agreement. The implication of this is that the published figures should capture all cases (on that definition) in a particular reporting period and they will not be influenced by, for example, the late reporting of orders made leading to missing data. However, for compulsory liquidations and bankruptcy orders in E&W from Q2 2011, new case numbers are reported against the date of the court order. This should be noted when making comparisons of trends over time. Furthermore, there is a formal audit process, by which each Official Receiver's Office is reviewed on all aspects of case administration, including the quality and completeness of case information entered on to the administrative system. Targets are in place whereby an insolvency case should be entered onto the administrative system within two days of receipt to an Official Receiver's Office. Additional checks are in place to check for and remove



duplication of cases, to ensure that returns cover all reporting areas, and to check consistency within tables and between related tables.

Coherence (*the degree to which data which are derived from different sources or methods, but which refer to the same phenomenon, are similar*)

6. The Insolvency Service also publishes individual insolvency statistics on a regional basis, and outcome statistics for individual voluntary arrangements, both as Official Statistics. These report figures on an annual basis, and they differ from the headline quarterly Insolvency Statistics in that there are some differences in the case selection criteria and/or the database from which they are sourced; this means that the totals are not identical between different outputs.

Timeliness and Punctuality (*Timeliness refers to the elapsed time between publication and the period to which the data refer. Punctuality refers to the time lag between the actual and planned dates of publication.*)

7. The Insolvency Statistics are published on the first Friday of the second month following the end of the quarter being reported on; this is the earliest publication date which ensures receipt of all the data inputs, and allows sufficient time for liaising with data suppliers and completing all the steps between this and compilation of the statistical release in its final form ready for publication.

8. There is a publication schedule for a year ahead available on the UK National Statistics Publication Hub and the statistics have always been published on target.

Accessibility and Clarity (*Accessibility is the ease with which users are able to access the data. It also relates to the format in which the data are available and the availability of supporting information. Clarity refers to the quality and sufficiency of metadata, illustrations and accompanying advice*)

9. The Insolvency Statistics are available free of charge to the end user on the Insolvency Service website. They are released via the Publication Hub and they meet the standards required under the Code of Practice for Official Statistics and the Insolvency Service's own website accessibility policy.

10. Historic data are also published for the key series, as are a number of other Official Statistics on insolvency. A range of supporting information is available on the Statistics website pages here : [Information about Insolvency Service Official Statistics](#)

Comparability (*the degree to which data can be compared over time and domain*)

11. The series for bankruptcy orders will have been impacted by the introduction (with effect from 6 April 2009) of debt relief orders (DROs). DROs comprise some of those individuals who would have otherwise been declared bankrupt (a subset of DRO-eligible cases, who were advised of the DRO route and chose to take it) and other individuals who, perhaps, could not have afforded the fee to enter into bankruptcy and who may have otherwise been in an informal debt management process, or been unable to access any form of debt resolution. It is not possible to quantify exactly the impact of the introduction of DROs on the number of bankruptcy orders. The series for DROs is currently not long enough to formally seasonally adjust. Table 2 therefore only shows bankruptcy orders and IVAs on a seasonally adjusted basis.

12. See also paragraphs 19, 20, 21 and 25 under the heading **Subject Context** below for additional specific aspects relevant to comparability.

Methods and Revisions

(More details may be found in : [Insolvency Statistics Methodology](#) and : [The Insolvency Statistics Revisions Policy](#))



13. The X13-ARIMA-SEATS program (developed by the US Census Bureau) is used for the seasonal adjustment of the Insolvency Statistics for England and Wales, this being the recommended program within UK National Statistics. Seasonal adjustment is a process by which changes that are due to seasonal or other calendar influences are removed to produce a clearer picture of the underlying behaviour of the data series. The data series covering Scotland and Northern Ireland do not demonstrate consistent seasonality and only the raw (unadjusted) series are presented.

14. Figures sourced from Companies House (E&W) were revised previously (where appropriate) between 2007 Q1 and 2008 Q1. This reflected inaccuracies identified in the counting of cases during validation following the move to a new IT system in February 2008. The most noticeable revisions were to receiverships (where some companies had been counted more than once); the rest of this series prior to 2007 is not available on a revised basis. However, it should also be noted that because the revised counts have been run against a live database, they do not exactly reflect the original numbers of new cases that would have been reported.

15. Compulsory liquidation and bankruptcy orders are based on the Order Date from Q2 2011 (see note 5 above) and are revised each quarter in order to capture new cases that were entered too late for inclusion in earlier publications. Company insolvencies and bankruptcy orders (relating to the self-employed) in England and Wales broken down by industry are available from Q3 2007 according to the Standard Industrial Classification (SIC) 2003. Industry breakdowns for compulsory liquidations and bankruptcies (only) are only available one quarter in arrears of the headline series. Figures according to the previously used Insolvency Trade Classification (ITC) are available up to Q3 2006, but information by industry is not available for the period between Q4 2006 to Q2 2007 (inclusive) on either classification. Additionally, the broad split of bankruptcy orders into self-employed and other individuals is available under Table 2a.

16. Company liquidations in Scotland are available from Q1 2007 based on the SIC2003 industry breakdown and these can be found in Tables 4a and 4b. Earlier data are available separately classified according to the Insolvency Trade Classification (ITC).

Subject context

(including relevant insolvency legislation, policy and practice in England and Wales, Scotland and Northern Ireland).

17. Insolvent companies entering liquidation in England & Wales and Scotland are dealt with under the Insolvency Act of 1986 and, in Northern Ireland, by the Insolvency (Northern Ireland) Order 1989. They can **either** be the subject of a **compulsory liquidation** (winding-up) order obtained from the court by a creditor, shareholder or director **or** themselves pass a resolution, subject to the approval of a creditors' meeting that the company be wound up voluntarily (**creditors voluntary liquidations**, registered at Companies House/Companies Registry). In either case they are said to have been **wound-up**, and numbers are given in Tables 1, 4 and 6. A third type of winding-up, members' voluntary liquidation, is not included because it does not involve insolvency.

18. The Insolvency Act 1986 and, in Northern Ireland, the Insolvency (Northern Ireland) Order 1989 also introduced the procedures of **company administration orders** and **company voluntary arrangements (CVAs)**. The administration procedure gives a period of time during which creditors are restrained from taking action and a court appointed administrator puts forward proposals to deal with the company's financial difficulties. The CVA procedure aids business by enabling a company in financial difficulty to come to a binding agreement with its creditors. These are listed separately under Table 3 for England and Wales and Table 5 for Scotland.

19. The Enterprise Act 2002 introduced revisions to the corporate administration procedures, replacing Part II of the Insolvency Act 1986 with Schedule B1. These include the introduction of additional entry routes into administration that do not require the making of an administration order and a streamlined process for **Administrations** whereby a company can in some circumstances be dissolved without recourse to liquidation. The primary objective of administration (and of CVAs) is the rescue of the company as a going concern. These provisions came into force on 15th September 2003 and **Administrations under the Enterprise Act** have been included on Tables 3 and 5 from Q3 2003 (dissolution follows 3 months after a notice is filed with the Registrar of Companies, if no objections are raised by the court). On 27th March 2006 the Insolvency (Northern Ireland) Order 2005 introduced



similar revisions to the corporate administration procedures in Northern Ireland, replacing Part III of the Insolvency (Northern Ireland) Order 1989 with Schedule B1.

20. Since the Enterprise Act 2002, a number of these streamlined administrations have subsequently converted to a creditors' voluntary liquidation. These liquidations in England and Wales are not included under the headline figures here or at Table 1, as they do not represent a new company entering into an insolvency procedure for the first time. For completeness, however, they are included under Table 1c. It is also possible for the outcome of an administration to be entry into a company voluntary arrangement or a compulsory liquidation, but these cases are not separately identifiable from Companies House' information and will therefore be included within the new case figures for these procedures (the numbers involved are relatively few, compared to those entering CVL). For Scotland and Northern Ireland, figures for creditors' voluntary liquidation *include* those companies which had previously been in administration or other insolvency procedure, as insufficient data are currently available to separate them from the totals, prior to 2010.

21. **Receivership appointments** comprise **administrative receivers** appointed under the 1986 Insolvency Act (and the 1989 Order for Northern Ireland) and certain **other receiver appointments, for example under the Law of Property Act 1925** - due to the use of the same statutory documentation for different types of receivership, it is not possible to give a breakdown between them. Law of Property Act receivers are classed as *Enforcement of Security* and are not insolvency procedures under the Insolvency Act of 1986. For this reason levels of, and trends in, receivership appointments should be interpreted with caution. The provisions of the Enterprise Act 2002 [section 250] (Insolvency [Northern Ireland] Order 2005 [Article 5]) have made some changes to the procedures for administrative receivership.

22. Individual insolvencies in England and Wales and in Northern Ireland are made up of **bankruptcy orders** and **individual voluntary arrangements (IVAs)** (though see also paragraph 23 below regarding the introduction of **debt relief orders (DROs)** in England, Wales and Northern Ireland). Insolvent individuals in England and Wales are dealt with mainly under the Insolvency Act 1986. A bankruptcy order is made on the petition of the debtor or one or more of his creditors when the court is satisfied that there is no prospect of the debt being paid. (Figures for bankruptcy orders include orders relating to the estates of deceased debtors). There are also individual voluntary arrangements (IVAs) and deeds of arrangement (the latter under the Deeds of Arrangement Act 1914), which enable debtors to come to an agreement with their creditors. Table 2 summarises the above procedures for England and Wales (IVAs and Deeds of Arrangement are included under a single column) and Table 2a provides bankruptcy orders further split by petition type. Changes to bankruptcy law in England and Wales introduced by the Enterprise Act 2002 came into force on 1 April 2004 – the Act made no changes to the existing individual voluntary arrangement regime.

23. The Tribunals, Courts and Enforcement Act 2007 introduced a new route into personal insolvency called the debt relief order (DRO), which came into effect from 6 April 2009. DROs provide debt relief, subject to some restrictions, and are suitable for people domiciled in England and Wales who do not own their own home, have little surplus income (no more than £50 a month), assets (other than possibly a car) not exceeding £300, and less than £15,000 of debt. In April 2011 a change was introduced to Debt Relief Order legislation to allow those who have built up value in a pension scheme to apply for debt relief under these provisions; this will have increased the numbers of those eligible to apply for a Debt Relief Order. DROs do not involve the courts; they are run by The Insolvency Service in partnership with skilled debt advisers, called approved intermediaries. A DRO lasts for a period of one year before discharge and, as for bankruptcy, there are penalties in place for debtors who seek to abuse the process. Additional information may be found on The Insolvency Service website here: <http://www.bis.gov.uk/insolvency/personal-insolvency/bankruptcy-what-is-bankruptcy/what-alternatives-bankruptcy>. Table 2 includes DROs from the second quarter of 2009. The Debt Relief Act 2010 introduced DROs to Northern Ireland, which came into force on 30th June 2011. Table 6 includes DROs from the third quarter of 2011.

24. Tables 2b and 2c cover Income Payments Orders (IPOs) and Income Payments Agreements (IPAs), where the bankrupt makes regular payments from surplus income towards his/her debts for a period of time, either by court order or by agreement. IPOs were introduced under the Insolvency Act 1986; IPAs are closely aligned to the IPO regime and were introduced under the provisions of the Enterprise Act 2002 (commenced on 1 April 2004).



The Insolvency Service

- a. Table 2b shows the number and proportion of bankruptcy orders resulting in an IPO or an IPA, whereas Table 2c records numbers of IPOs and IPAs obtained in each period (the figures at Table 2c do not therefore, in general, relate to the date of the original bankruptcy order). The figures at Table 2b are presented 2 quarters in arrears of the headline figures due to the elapsed time following a bankruptcy order before an IPO/A is set-up; recent quarters' data will also be revised going forward to pick up any additional IPO/As obtained more than 6 months after the Order.
- b. IPOs and IPAs demonstrate a clear seasonal pattern, with the levels (expressed as the percentage of bankruptcy orders where an IPO/IPA has been obtained) being highest in quarters 1 and 2 of a financial year and lowest in the final quarter of the tax year. An IPO or IPA will, when certain eligibility criteria are met, include an element attributable to the additional income received by an employed bankrupt in the year of the Order resulting from HMRC claiming no income tax for all or part of the remainder of that tax year. The total income payments arising from such cases will tend to be higher where the bankruptcy order occurs earlier in the tax year and the IPO/IPA is obtained as soon as possible thereafter; this influences levels of set-up activity over a year, which contributes to the seasonal patterns demonstrated by the data. Formal seasonal adjustment of this series will be investigated for future releases.
- c. For bankruptcy cases which have been handed over by the Official Receiver to an insolvency practitioner to act as trustee, an IPO or IPA may, in a small number of cases, have been obtained after the date of the handover. The figures recorded under Tables 2b and 2c may not include all such IPO/As.
- d. Prior to December 2010 a proportion of surplus disposable income was allowed to be retained by the bankrupt, post December 2010 all surplus disposable income was claimed by the Official Receiver as trustee. Another change in policy was implemented at the same time in that the minimum payment sought under an IPO/IPA reduced from £50 per month to £20 per month.
- e. Additional information on IPOs and IPAs is available here:
<http://www.bis.gov.uk/insolvency/personal-insolvency/income-payments-orders-and-agreements>

25. Insolvent individuals in Scotland (Table 4) are subject to **sequestration** (bankruptcy) or **protected trust deeds** under the Bankruptcy (Scotland) Act 1985 (as amended). This Act was amended by the Bankruptcy (Scotland) Act 1993. On April 1 2008 the Bankruptcy and Diligence etc. (Scotland) Act 2007 came into force making significant changes to some aspects of bankruptcy, debt relief and debt enforcement in Scotland. Most notably, as far as these statistics are concerned, it introduced a new route into bankruptcy for people with low income and low assets (LILA). The sequestration figures for Q2 2008 onwards include these new LILA cases; therefore trends in numbers of sequestrations before and after this date should be interpreted with care. Protected trust deeds are voluntary arrangements in Scotland, but although they fulfil much the same role as individual voluntary arrangements, there are important differences in the way they are set up and administered. Details of both sequestrations and protected trust deeds are found on the register of insolvencies, which is maintained by the Accountant in Bankruptcy. Further information about insolvency in Scotland can be found on the Accountant's website at www.aib.gov.uk.

26. Insolvent individuals in Northern Ireland are dealt with under the Insolvency (Northern Ireland) Order 1989 and are recorded under Table 6. On 27 March 2006 the Insolvency (Northern Ireland) Order 2005 came into operation and implemented similar changes to bankruptcy procedures as the Enterprise Act 2002 introduced in England and Wales. The Debt Relief Act 2010 introduced DROs to Northern Ireland with effect from 30th June 2011. Further information about insolvency in Northern Ireland can be found on their website at <http://www.detini.gov.uk/deti-insolvency-index.htm>.

27. Under the Insolvency Act 1986 and the Insolvent Partnerships Order and, in Northern Ireland, the Insolvency (Northern Ireland) Order 1989 and the Insolvent Partnerships Order (Northern Ireland) 1995, insolvent partnerships may be wound up as an unregistered company or administered following bankruptcy orders against the partners. Insolvent Partnerships can also enter administration or a voluntary arrangement.





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28. Numbers of insolvencies are not directly comparable with official estimates of business stock, formations or closures. Statistics of business start-ups and closures that are directly comparable with each other have been assembled from VAT and PAYE registered unit records and are published by the Office for National Statistics (ONS) in the 'Business Demography' report. The latest figures are those for 2012, which were issued in an [ONS statistics bulletin on 27 November 2013](#). More detailed figures are available via the on-line database NOMIS. Additionally, the [Business Population Estimates for the UK and Regions](#) report, published by BIS, estimates the total number of private sector businesses in the United Kingdom at the start of 2013 at 4.9 million.

29. Information concerning insolvency legislation, policy evaluation and research in England and Wales may be obtained from the Insolvency Service website at [Insolvency legislation, policy, evaluation and research](#).

30. The adult (18+) population data for England and Wales are created using annual mid-year population estimates by single year of age sourced from the ONS Population Estimates Unit: <http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Population+Estimates>





National Statistics

The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

Designation can be broadly interpreted to mean that the statistics:

- meet identified user needs;
- are well explained and readily accessible;
- are produced according to sound methods, and
- are managed impartially and objectively in the public interest.

Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.

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