



## Insolvency Statistics – October to December 2016 (Q4 2016)

### Coverage

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Scotland  
Northern Ireland

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### Related statistics

Annual statistics covering the outcomes of individual voluntary arrangements (IVAs), and the number of new IVAs registered by each provider, are also available at the website above.

This statistics release contains the latest data on **company insolvency** (companies which are unable to pay debts and enter liquidation, or enter administration or other company rescue process) and **individual insolvency** (people who are unable to pay debts and enter formal procedures).

Statistics are presented separately for England and Wales, Scotland, and Northern Ireland because of differences in legislation and policy.

## Main messages

### Companies in 2016

- The total number of company insolvencies was higher in 2016 than the previous year, primarily caused by 1,796 connected personal service companies entering liquidation on the same date following changes to claimable expenses rules.
- The underlying number of company insolvencies was broadly unchanged in 2016 compared with 2015.

### People in 2016

- Total individual insolvencies rose in 2016, but were at the second-lowest level in 11 years.
- The increase in 2016 was driven primarily by an increase in individual voluntary arrangements, which returned to the level seen from 2009 to 2014.
- Bankruptcies fell in 2016, but debt relief orders rose because of a change to eligibility criteria.

### Latest quarter (Q4 2016)

- The underlying number of company insolvencies rose compared with the previous quarter, and with Q3 2015, driven by an increase in compulsory liquidations.
- Individual insolvencies decreased compared with the previous quarter but were higher than in Q3 2015, driven by individual voluntary arrangements and debtor application bankruptcies.

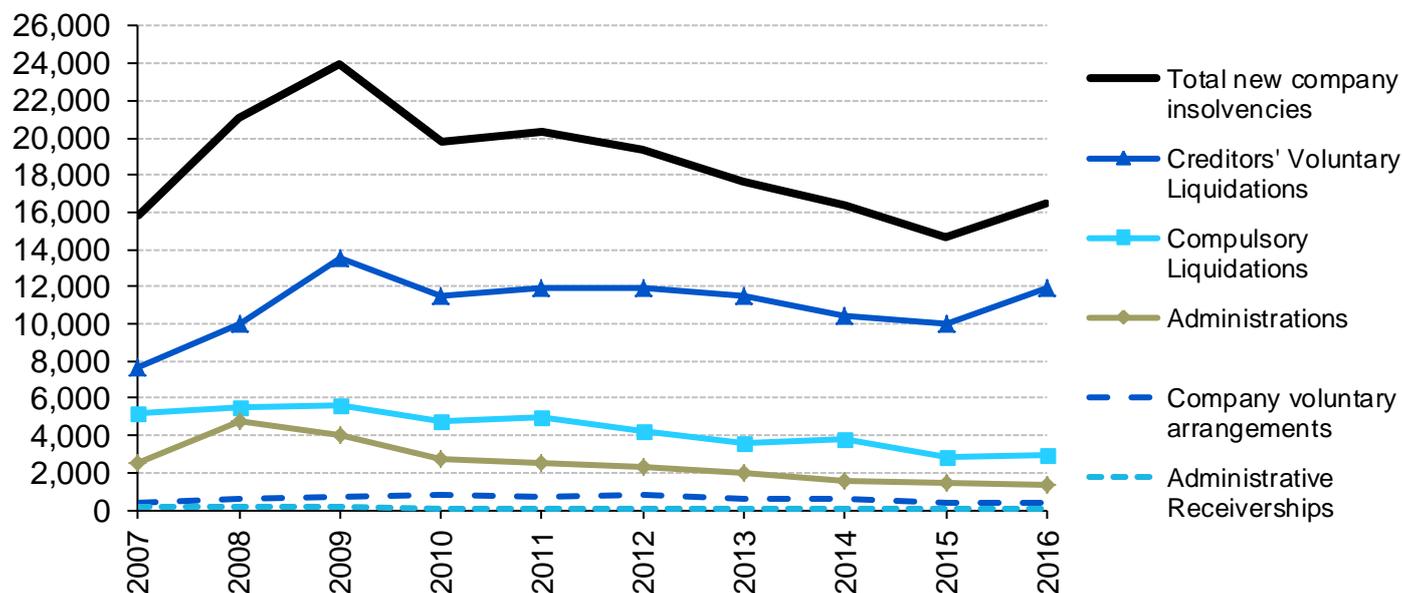
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# 1 Summary for 2016

## 1.1 Company insolvency in England and Wales *(Further information: section 3)*

Figure 1: Company insolvencies in England and Wales (annual data)



Source: Insolvency Service and Companies House. Excludes CVLs following administration.

### Key findings for 2016

#### Company insolvencies increased overall because of 1,796 connected personal service companies

An estimated total of 16,502 companies entered insolvency in 2016, a rise of 12.6% on the year before. This was due to 1,796 connected personal service companies (PSCs) entering creditors' voluntary liquidation (CVL) in Q4 following changes to claimable expense rules.

#### The underlying number of company insolvencies was broadly unchanged, but liquidations increased

Excluding these PSCs, 14,706 companies entered insolvency in 2016, a rise of 0.3% on 2015. This was driven by a 1.1% rise in the underlying number of CVLs and a 0.7% rise in compulsory liquidations.

#### All other types of company insolvency fell

Administrations in 2016 fell by 3.8% compared with 2015, company voluntary arrangements by 6.9% and receiverships by more than half.

#### Most company insolvencies are resolved using creditor voluntary liquidations

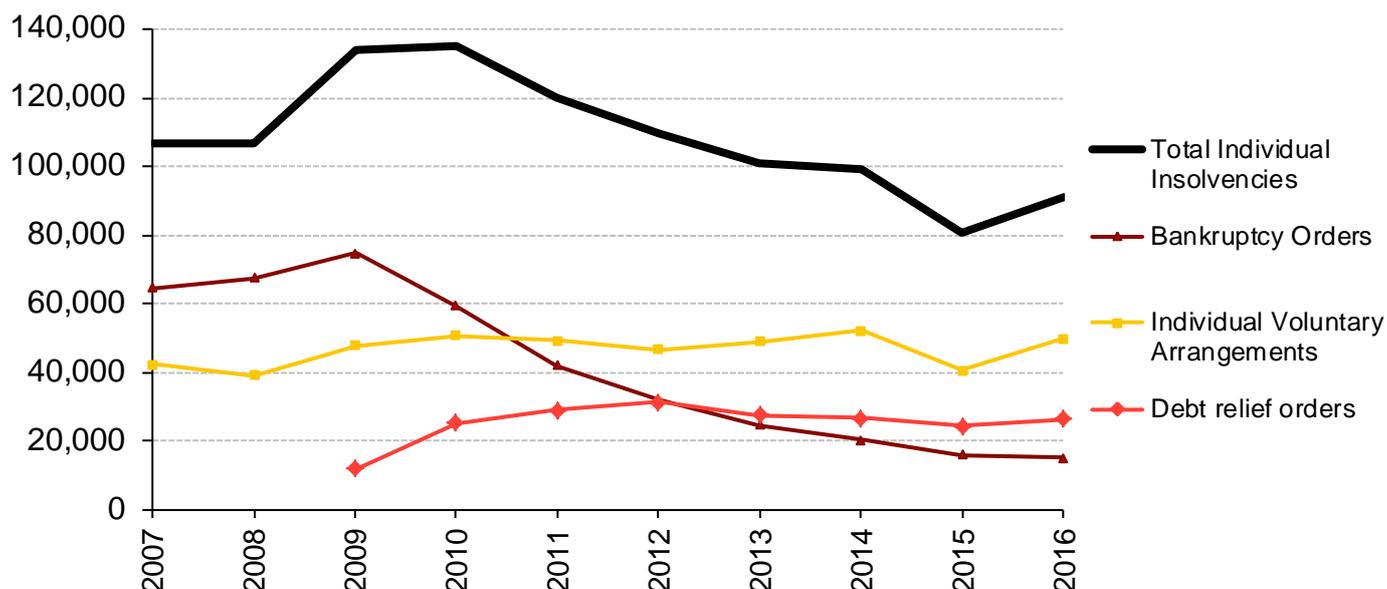
Of the 16,502 companies that entered insolvency in 2016, there were 11,900 creditor voluntary liquidations (72.1% of total insolvencies), 2,910 compulsory liquidations (17.6%), 1,349 administrations (8.2%), 338 company voluntary arrangements (2.0%) and five receiverships (less than 0.1%).

#### The year-end liquidation rate increased for the first time since 2009

The estimated liquidation rate in 2016 was 0.47% of active companies, compared with 0.44% in 2015.

## 1.2 Individual insolvency in England and Wales *(Further information: section 4)*

Figure 2: Individual insolvencies in England and Wales<sup>1</sup> (annual data)



Source: Insolvency Service.

### Key findings for 2016

#### Total individual insolvencies had an annual rise for the first time since 2010

The number of people who became insolvent in England and Wales in 2016 was 90,930, a 13.1% rise on 2015 but still lower than the figure each year from 2006 to 2014.

#### This was driven by an increase in individual voluntary arrangements (IVAs)

There were 49,745 IVAs in 2016. Having fallen in 2015, IVAs rose by 23.2% in 2016 to return to the level seen from 2009 to 2014.

#### The number of debt relief orders (DROs) increased

There were 26,196 DROs in 2016, which was an increase of 8.4% compared with 2015. This increase was because of a change to eligibility criteria effective October 2015: about a quarter of DROs in 2016 involved qualifying debts greater than the previous threshold of £15,000.

#### Bankruptcies decreased, but this varied by application type

There were 14,989 bankruptcy orders in 2016, a 5.4% decrease on 2015. Orders on the application or petition of the debtor decreased by 2.6%, while those on the petition of the creditor fell 12.6%.

#### IVAs were the most common insolvency procedure

Of the 90,930 people who became insolvent in 2016, 54.7% had IVAs, 28.8% had DROs and 16.5% had bankruptcy orders.

#### The year-end insolvency rate increased for the first time since 2009

1 in 506 adults (0.20% of the adult population) became insolvent in 2016, up from 0.18% in 2015.

### 1.3 Summary tables: annual comparisons

**Table 1: New company insolvencies in England and Wales<sup>1,2</sup>**

	Number of insolvencies					% change – 2015 to 2016
	2012	2013	2014	2015	2016e	
<b>Total new company insolvencies</b>	<b>19,349</b>	<b>17,682</b>	<b>16,319</b>	<b>14,657</b>	<b>16,502</b>	<b>12.6</b>
Compulsory liquidations	4,261	3,632	3,755	2,889	2,910	0.7
Creditors' voluntary liquidations <sup>2</sup>	11,906	11,453	10,401	9,992	11,900	19.1
Administrations	2,334	2,009	1,587	1,402	1,349	-3.8
Company voluntary arrangements	816	571	554	363	338	-6.9
Receiverships	32	17	22	11	5	-54.5

Source: Insolvency Service and Companies House.

p = provisional, r = revised, e = estimated.

<sup>1</sup> Longer series back to 2007 are presented in the accompanying detailed tables.

<sup>2</sup> Excludes creditors' voluntary liquidations following administration (see section 3.1).

**Table 2: Individual insolvencies in England and Wales<sup>1</sup>**

	Number of insolvencies					% change – 2015 to 2016
	2012	2013	2014	2015	2016p	
<b>Total individual insolvencies</b>	<b>109,640</b>	<b>100,998</b>	<b>99,223</b>	<b>80,404</b>	<b>90,930</b>	<b>13.1</b>
Bankruptcy orders	31,787	24,571	20,345	15,845	14,989	-5.4
Debt relief orders	31,179	27,546	26,688	24,175	26,196	8.4
Individual voluntary arrangements	46,674	48,881	52,190	40,384	49,745	23.2

Source: Insolvency Service

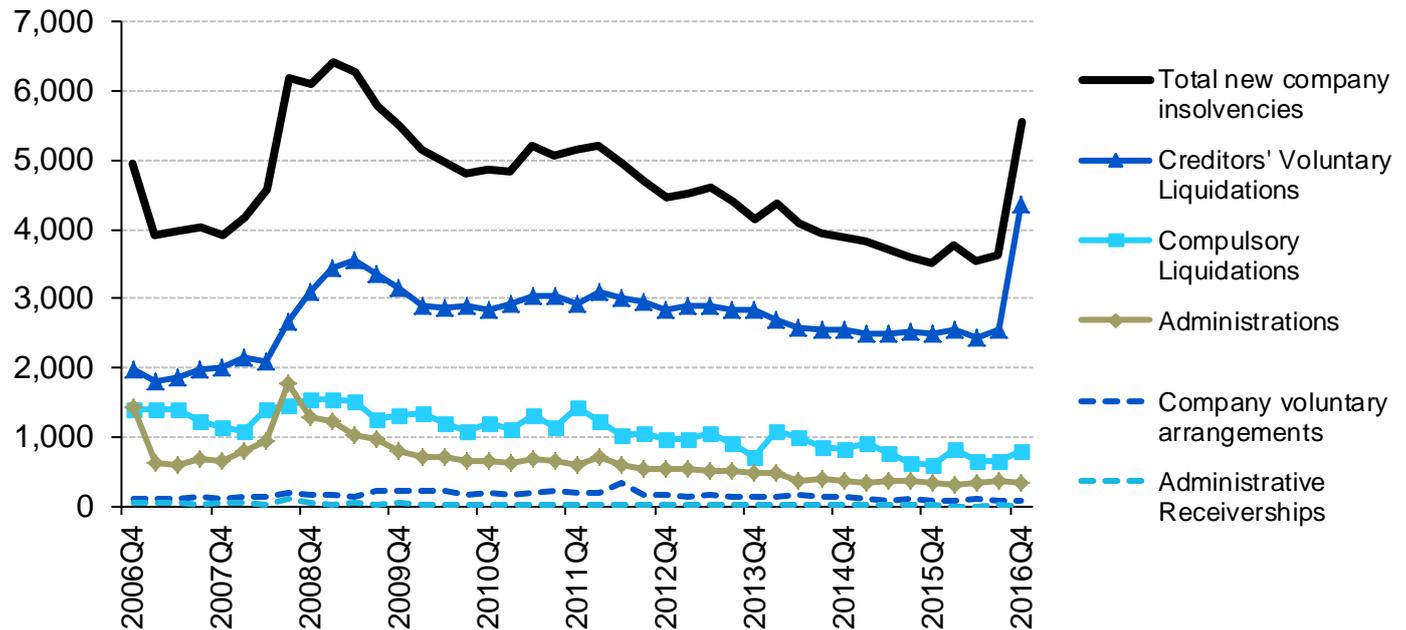
p = provisional, r = revised.

<sup>1</sup> Longer series back to 2007 are presented in the accompanying detailed tables.

## 2 Summary for Q4 2016

### 2.1 Company insolvency in England and Wales *(Further information: section 3)*

Figure 3: Company insolvencies in England and Wales (quarterly data, seasonally adjusted)



Source: Insolvency Service and Companies House. Excludes CVLs following administration.

### Key findings for Q4 2016

#### Company insolvencies increased this quarter due to 1,796 personal service companies

An estimated 5,564 companies entered insolvency in 2016 Q4, an increase of 53.8% compared to Q3 2016, and 58.8% compared to Q4 2015. This was caused by 1,796 connected personal service companies (PSCs) entering creditors' voluntary liquidation (CVL) following changes to claimable expense rules.

#### The underlying number of company insolvencies rose this quarter

The estimated underlying number of companies entering insolvency (when the effect of 1,796 PSCs is excluded) rose by 4.2% compared to the previous quarter, and by 7.6% compared with the same quarter in 2015.

#### This was driven by a rise in compulsory liquidations

The number of companies subject to compulsory liquidation in Q4 2016 rose by 26.0% compared with 2016 Q3, and by 34.7% on 2015 Q4.

#### The underlying number of CVLs remained fairly stable

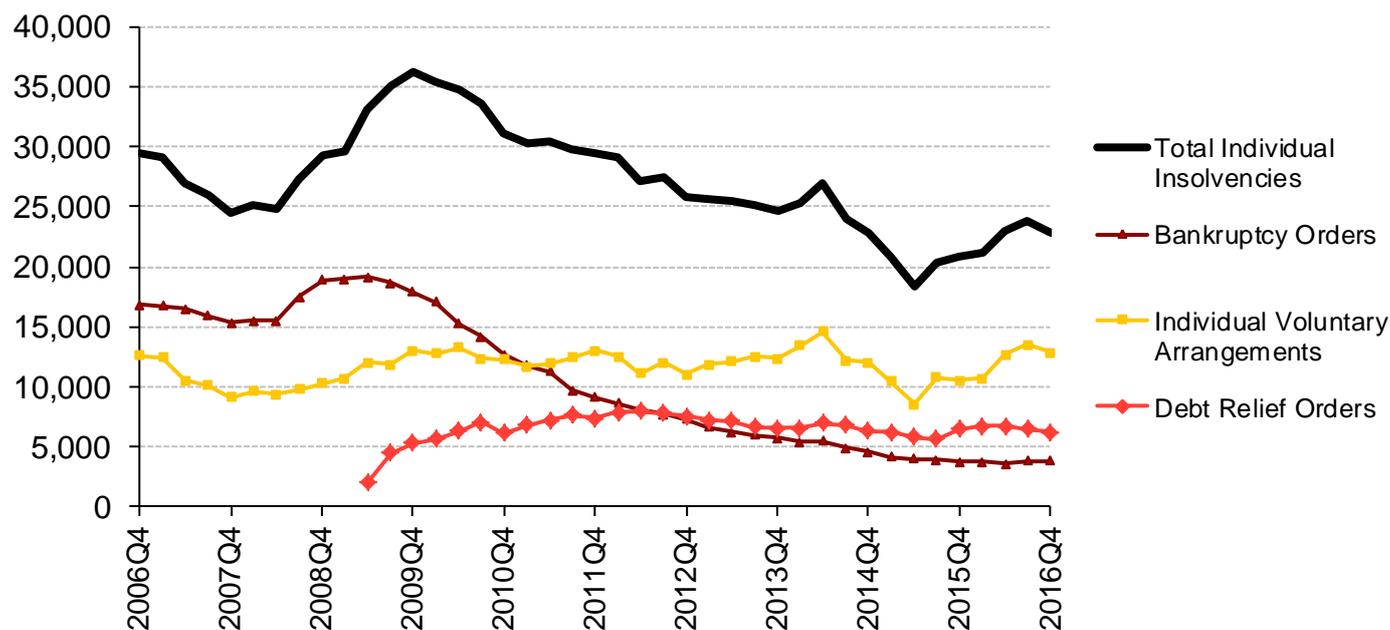
Excluding those 1,796 PSCs, CVLs increased by an estimated 0.7% in Q4 2016 compared with 2016 Q3, and by 3.1% compared with 2015 Q4 – but was still in line with a fairly stable trend since early 2014.

#### Other types of company insolvency also remained in line with medium term trends

There were an estimated 327 administrations in Q4 2016, a decrease of 10.0% compared to the previous quarter. There were an estimated 78 company voluntary arrangements, which was an increase of 14.7% on Q3 2016; and no administrative receiverships in Q4 2016.

## 2.2 Individual insolvency in England and Wales *(Further information: section 4)*

Figure 4: Individual insolvencies in England and Wales<sup>1</sup> (quarterly data, seasonally adjusted)<sup>2</sup>



Source: Insolvency Service.

### Key findings for Q4 2016

#### Individual insolvencies decreased this quarter but increased on the year

There were 22,852 individual insolvencies in Q4 2016, which was 4.3% lower than in the previous quarter but 9.8% higher than the same quarter the previous year.

#### This was driven by changes in individual voluntary arrangements (IVAs)

There were 12,823 IVAs in 2016 Q4, a 5.1% fall compared with 2016 Q3 but a 21.7% increase compared with 2015 Q4.

#### Debt relief orders (DROs) and bankruptcies decreased

There were 6,243 DROs in 2016 Q4, a decrease of 3.8% on the quarter, and 4.0% on the year. There were 3,786 bankruptcies, a fall of 2.1% on 2016 Q3 but an increase of 0.1% on 2015 Q4.

#### Bankruptcies on debtors' application decreased, but were higher than a year ago

The quarterly decrease in bankruptcies was driven by 4.3% fall in debtor application bankruptcies – however, these rose by 9.3% compared to 2015 Q4 following changes to the application process.

#### There was a rise in creditor petition bankruptcies

Creditor petition bankruptcies rose by 6.2% last quarter but were down 16.2% on the same quarter in 2015.

## 2.3 Summary tables

**Table 3: New company insolvencies in England and Wales<sup>1,2</sup> (seasonally adjusted)<sup>3</sup>**

	Number of insolvencies					% change – 2016 Q4 on:	
	2015 Q4	2016 Q1 p	2016 Q2 p	2016 Q3 p	2016 Q4 e	2016 Q3	2015 Q4
<b>Total new company insolvencies</b>	<b>3,503</b>	<b>3,773</b>	<b>3,548</b>	<b>3,617</b>	<b>5,564</b>	<b>53.8</b>	<b>58.8</b>
Compulsory liquidations	594	813	662	635	800	26.0	34.7
Creditors' voluntary liquidations <sup>2</sup>	2,486	2,561	2,435	2,546	4,359	71.2	75.3
Administrations	340	315	343	364	327	-10.0	-3.8
Company voluntary arrangements	81	84	108	68	78	14.7	-3.7
Receiverships	2	0	0	5	0	-100.0	-100.0

Source: Insolvency Service and Companies House.

p = provisional, r = revised, e = estimated.

<sup>1</sup> Longer series back to 2007 are presented in the accompanying detailed tables.

<sup>2</sup> Excludes creditors' voluntary liquidations following administration (see section 3.1).

<sup>3</sup> The series for compulsory liquidations, company voluntary arrangements and receiverships do not require seasonal adjustment.

**Table 4: Individual insolvencies in England and Wales (seasonally adjusted)<sup>1,2</sup>**

	Number of insolvencies					% change – 2016 Q4 on:	
	2015 Q4	2016 Q1	2016 Q2 p	2016 Q3 p	2016 Q4 p	2016 Q3	2015 Q4
<b>Total individual insolvencies</b>	<b>20,820</b>	<b>21,156</b>	<b>23,054</b>	<b>23,868</b>	<b>22,852</b>	<b>-4.3</b>	<b>9.8</b>
Bankruptcy orders	3,782	3,748	3,588	3,867	3,786	-2.1	0.1
Debt relief orders	6,501	6,722	6,741	6,490	6,243	-3.8	-4.0
Individual voluntary arrangements	10,538	10,686	12,725	13,511	12,823	-5.1	21.7

Source: Insolvency Service

p = provisional, r = revised.

<sup>1</sup> Longer series back to 2007 are presented in the accompanying detailed tables.

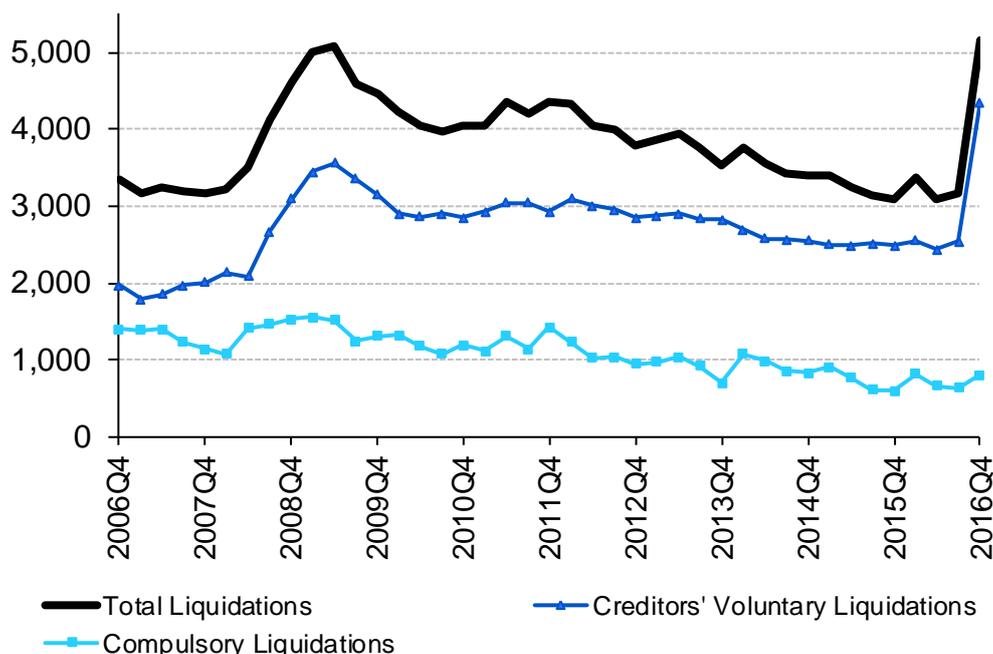
<sup>2</sup> The series for debt relief orders does not require seasonal adjustment.

### 3 Company insolvency in England and Wales

These statistics relate to **incorporated companies (including limited liability partnerships)** – a specific legal form of business that is registered at [Companies House](#). Company insolvency (being unable to pay creditors the money they are owed) can be dealt with through a variety of legal processes, including liquidation (section 3.1) which result in the company ceasing to exist; or through company rescue procedures such as administration (section 3.2).

#### 3.1 Company liquidations

**Figure 5: Company liquidations in England and Wales<sup>1</sup>**  
(quarterly data, seasonally adjusted)<sup>2</sup>



#### Explanation of key terms

**Liquidation** is a legal process in which a liquidator is appointed to 'wind up' the affairs of a limited company. The purpose of liquidation is to sell the company's assets and distribute the proceeds to its creditors. At the end of the process, the company is dissolved – it ceases to exist.

**Compulsory liquidation** – a winding-up order obtained from the court by a creditor, shareholder or director.

**Creditors' voluntary liquidation (CVL)** – shareholders of a company can themselves pass a resolution that the company be wound up voluntarily.

In either case they are said to have been **wound up**.

A third type of winding up, members' voluntary liquidation (MVL), is not included because it does not involve insolvency – all creditors' debts are paid in full. [Companies House](#) produces statistics on MVLs.

Source: Insolvency Service and Companies House.

<sup>1</sup> Where the liquidation was the first insolvency procedure entered into.

<sup>2</sup> Total company liquidations, and creditors' voluntary liquidations, are seasonally adjusted; compulsory liquidations do not require seasonal adjustment.

See Table 1a of the accompanying Excel file for more detail.

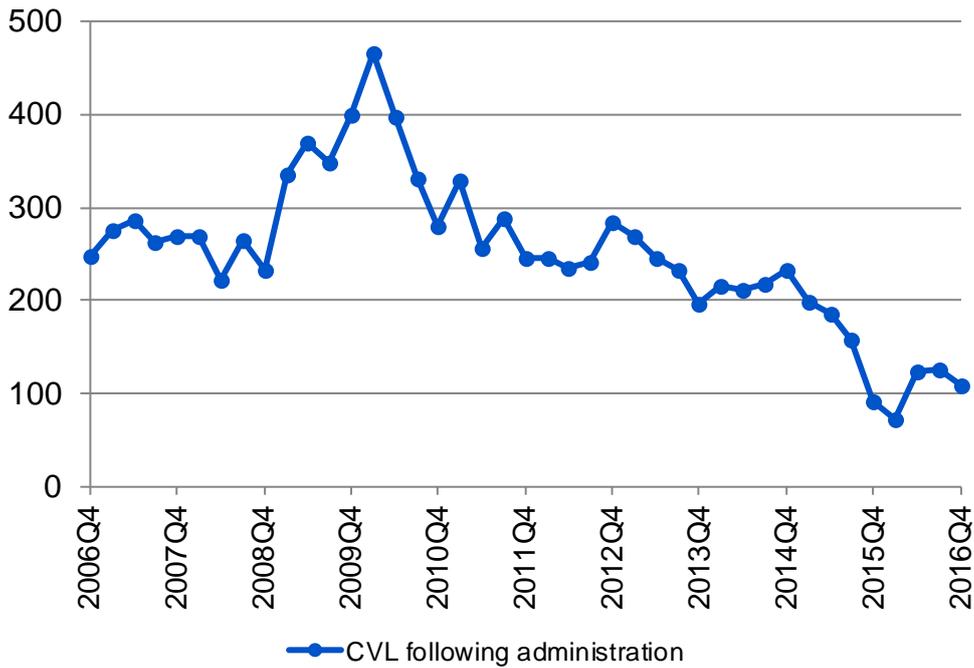
There were an estimated 5,159 insolvent company liquidations in this quarter, comprising 4,359 creditor voluntary liquidations (84.5% of total insolvent company liquidations) and 800 compulsory liquidations (15.5% of total insolvent company liquidations).

In Q4 2016, company liquidations saw a 62.2% rise on the previous quarter and a 67.5% rise on Q4 2015. This increase has been driven by the increase in creditors' voluntary liquidations (CVLs) - 71.2% higher than the previous quarter, and 75.3% higher than the same quarter a year ago. This rise in creditor voluntary liquidations was due to the 1,796 connected personal service companies (PSCs) entering creditors' voluntary liquidation (CVL) following changes to claimable expense rules.

Excluding these 1,796 company liquidations, the underlying total liquidations rose by 5.7% on the previous quarter and 9.2% on the same period last year, while underlying CVLs rose by 0.7% on Q3 2016 and 3.1% on Q4 2015.

Compulsory liquidations in Q4 2016 saw a increase of 26.0% on the previous quarter and 34.7% on the same period a year ago – though these comparison periods had some of fewest compulsory liquidations in the last ten years.

**Figure 6: Creditors' voluntary liquidation following administration in England and Wales** (quarterly data, not seasonally adjusted)



Source: Companies House.

See Table 2 of the accompanying Excel file for more detail.

**Explanation of key terms**

An administration (see section 3.2) can end in a number of ways, one of which is by entering **creditors' voluntary liquidation following administration**.

These are not included in the figures above as they do not represent a new company entering into an insolvency procedure for the first time.

Following administration, companies could alternatively be returned to the control of their directors and management; be dissolved; enter compulsory liquidation; or enter a voluntary agreement. No separate figures are available on these outcomes.

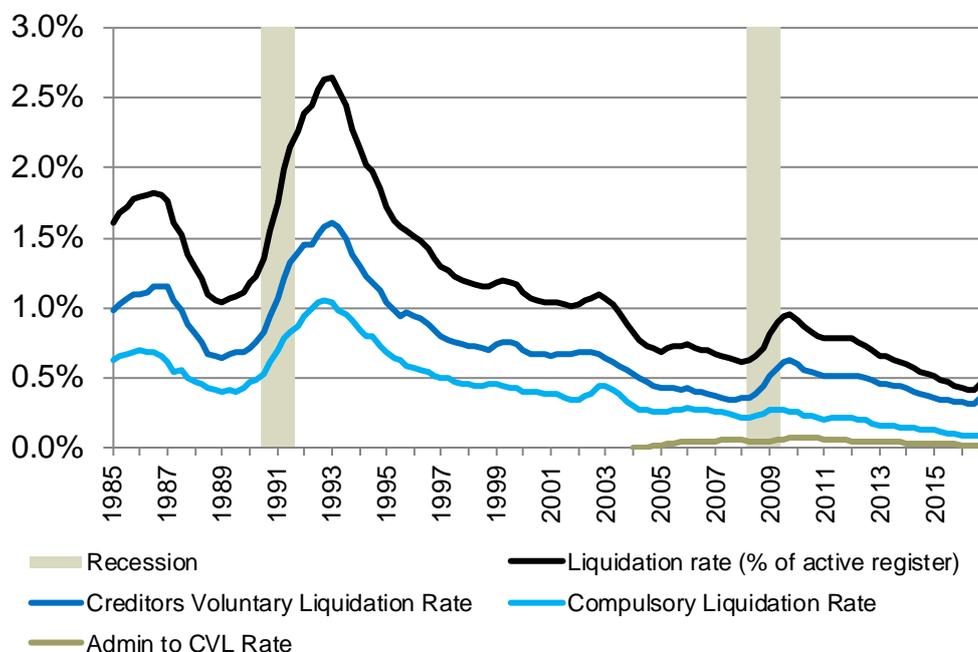
In Q4 2016, an estimated 109 companies entered creditors' voluntary liquidation following administration, an increase of 19.8% on the same quarter of 2015. It should be noted that, because numbers of insolvencies are low, any small changes will result in large percentage changes.

The peak in the number of companies entering creditors' voluntary liquidation following administration was seen in early 2010. This is in contrast to the peak of liquidations as a first insolvency procedure, which was in 2009. This is because the usual length of an administration is one year (though it can be extended for a further six months), and the number of administrations peaked in late 2008 / early 2009 (section 3.2).

## Longer-term perspective

Company liquidations may be expressed as the percentage of active companies, as this takes into account changes over time in the underlying population. As liquidation is a final procedure, meaning there is no risk of double counting companies, creditors' voluntary liquidations following administration are included in the total liquidation rate.

**Figure 7: Company liquidation rate in England and Wales**  
(rolling 12-month rates)



Source: Insolvency Service and Companies House.

See Table 3 of the accompanying Excel file for more detail.

In the 12 months ending Q4 2016, an estimated 1 in 215 active companies (or 0.47% of all active companies) went into liquidation, up from 1 in 244 in the 12 months ending Q3 2016, and 1 in 226 in the 12 months ending Q4 2015. This rise in liquidation rates has been due to the one off increase in creditors' voluntary liquidations in Q4 2016.

Up to Q3 2016, there was a downward trend in the rates from 2011, with the lowest liquidation rate recorded in Q3 2016 since comparable records began in 1984.<sup>1</sup>

Changes in company liquidation rates are related to economic conditions: in periods of economic growth, liquidation rates tend to decrease. The liquidation rate peaked at 2.6% (24,300 companies) in the year ending March 1993, over a year after the end of the 1990s recession. The next sustained increase in the rate coincided with the 2008-09 recession, when 0.9% (19,200 companies) entered liquidation in the year ending December 2009.

Although the number of liquidations was slightly higher in 1993 than in 2009, the rate of liquidations was substantially higher in 1993. This is because the number of active companies more than doubled over this period, so a much smaller proportion of the total number of companies entered liquidation in 2009.

### Explanation of key terms

**Liquidation rate** – the number of company liquidations in the latest twelve month period divided by the average number of active companies in that period.

**Active companies** – all companies which are registered at [Companies House](#), minus those in the process of dissolution or liquidation.

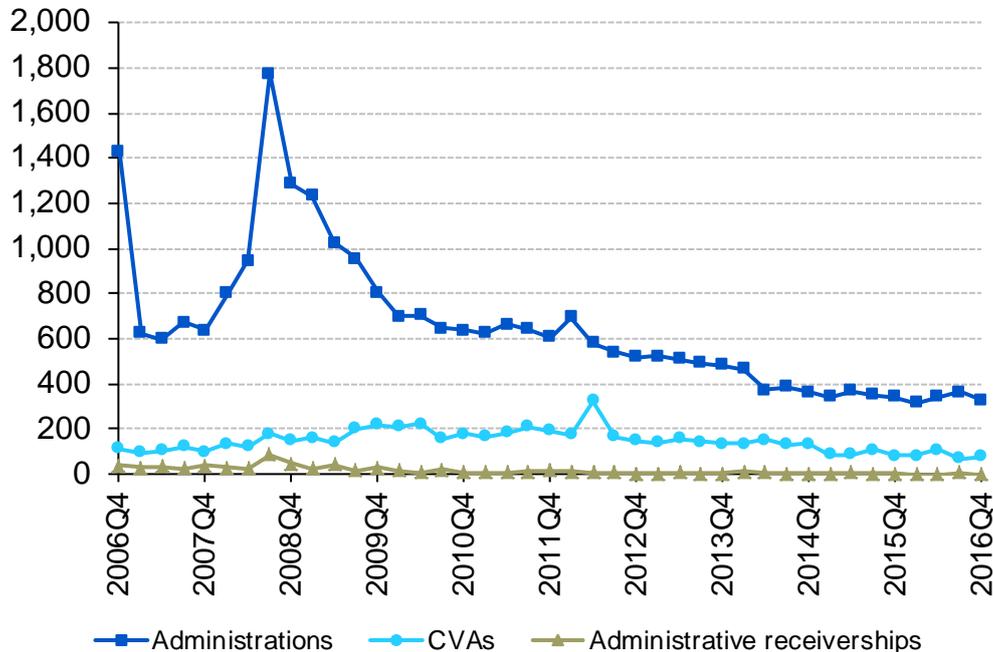
The number of active companies has changed considerably over this period: there were 3.1 million active registered companies in Q3 2015; this compares with only about 900,000 in the early 1990s and fewer than 800,000 in 1986.

<sup>1</sup> Counts of creditors' voluntary liquidations are available on a consistent basis back to 2000Q1. On average, historical data from 2000 to 2015 were revised downwards by 0.5%. It is unlikely that revisions to data before 2000 would bring liquidation rates below current levels.

## 3.2 Administrations, company voluntary arrangements, and receiverships

These statistics relate to other types of company insolvency, where the objective is the rescue of the business rather than its winding up.

**Figure 8: Other company insolvencies in England and Wales**  
(quarterly data, seasonally adjusted)<sup>1</sup>



Source: Companies House.

<sup>1</sup> Administrations are seasonally adjusted; receiverships and company voluntary arrangements are not seasonally adjusted as the data do not exhibit regular patterns.

See Table 1a of the accompanying Excel file for more detail.

### Explanation of key terms

**Administration** is when a licensed insolvency practitioner, 'the administrator', is appointed to manage a company's affairs, business and property for the benefit of the creditors. The objective of administration is the rescue of the company as a going concern, or if this is not possible then to obtain a better result for creditors than would be likely if the company were to be wound up.

**Company voluntary arrangements (CVAs)** are also designed as a mechanism for business rescue. They are a voluntary means of repaying creditors some or all of what they are owed. Once approved by 75% or more of creditors, the arrangement is binding on all creditors. CVAs are supervised by licensed insolvency practitioners.

**Administrative receivership** is where a creditor with a floating charge (often a bank) appoints a licensed insolvency practitioner to recover the money it is owed. Before 2000, receivership appointments also include other, non-insolvency, procedures, for example under the Law of Property Act 1925.

In Q4 2016 there were an estimated 327 administrations, 10.0% lower than Q3 2016 and 3.8% lower than the same period in 2015.

There were an estimated 78 company voluntary arrangements (CVAs) in Q4 2016, 14.7% higher than the previous quarter and 3.7% lower than Q4 2015 – though again it should be noted that, because numbers of insolvencies are low, any small changes will result in large percentage changes.

In Q4 2016 there were no administrative receiverships. Since 2012 there have tended to be fewer than ten cases per quarter, because use of this procedure is restricted to certain types of company or to floating charges created before September 2003.

### 3.3 Total new company insolvencies by industry

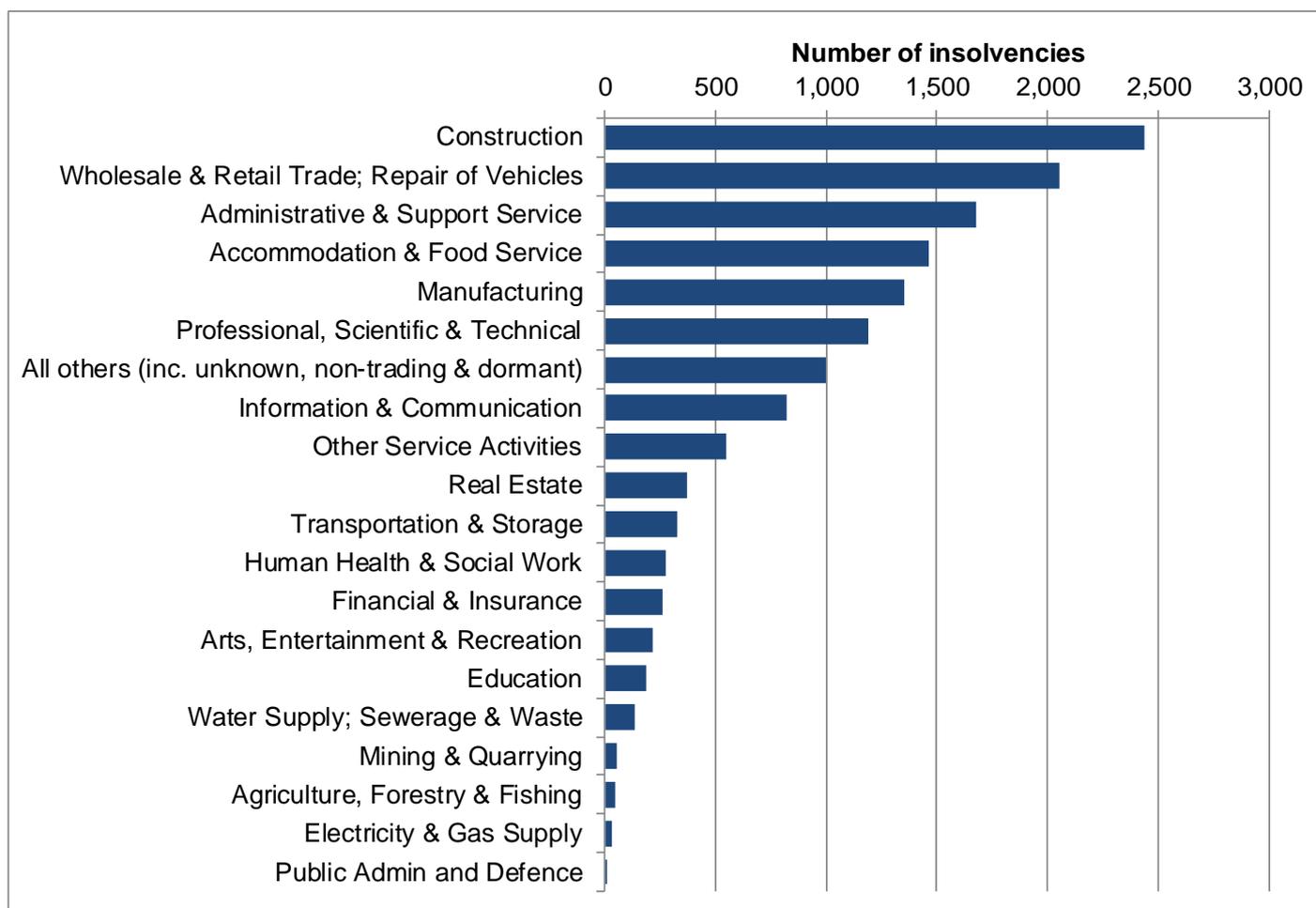
These statistics are presented with a lag of one quarter, because it allows time for more complete data to be collected by industry.

In the twelve months ending Q3 2016, the highest number of new company insolvencies was in the construction sector (2,441 – down 0.5% from the 12 months ending Q2 2016).

The second highest number of new company insolvencies was wholesale and retail trade & repair of motor vehicles and motorcycles sector with 2,052 new company insolvencies in the 12 months ending Q3 2016, which was a decrease of 0.6% compared to the 12 months ending Q2 2016.

In Q3 2016 the five industry sectors with the highest number of new company insolvencies were ‘construction’; ‘wholesale and retail trade; repair of motor vehicles and motorcycles’; ‘administrative and support service activities’; ‘accommodation and food service activities’ and ‘manufacturing’. These five have had the highest numbers of insolvencies (though sometimes in a different order) each quarter since the 12 months ending Q1 2012.

**Figure 9: Total new company insolvencies in England and Wales by broad industry sector, year ending Q3 2016<sup>1</sup>**



Source: Insolvency Service and Companies House

<sup>1</sup> A sector breakdown for company insolvencies is not yet available for 2016 Q4.

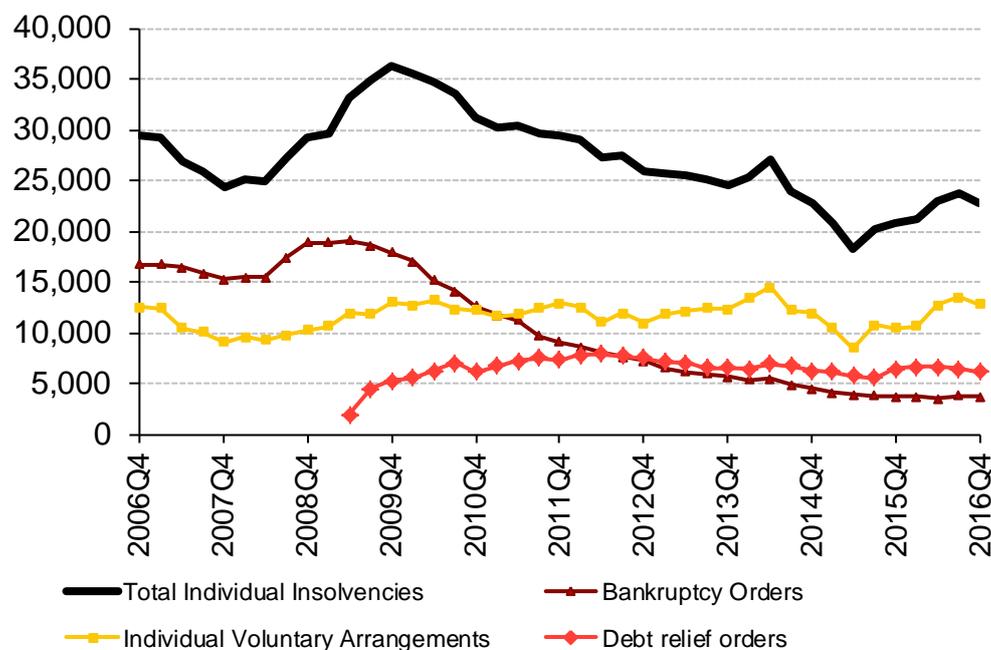
These statistics provide a breakdown of company insolvencies by industry, using the Standard Industrial Classification 2007 (SIC2007) – a harmonised set of industry classifications used in other UK Official Statistics. The Excel file which accompanies this release contains equivalent data broken down by type of company insolvency, and for trading-related bankruptcies, in England and Wales. It also includes industry breakdowns for company insolvencies in Scotland.

## 4 Individual insolvency in England and Wales

These statistics relate to **people**, rather than companies, who have had problems with debt and have entered a formal insolvency procedure. There are other, informal, means for individuals to deal with their debts, for example debt management plans, but no official statistics are collected regarding these.

### 4.1 Bankruptcies, debt relief orders and individual voluntary arrangements

**Figure 10: Individual insolvencies in England and Wales<sup>1</sup>**  
(quarterly data, seasonally adjusted)<sup>2</sup>



#### Explanation of key terms

**Bankruptcy orders** – a form of debt relief available for anyone who is unable to pay their debts. Assets owned will vest in a trustee in bankruptcy who will sell them and distribute the proceeds to creditors. Discharge from debts usually takes place 12 months after the bankruptcy order is granted.

**Debt relief orders (DROs)** – a form of debt relief available to those who have a low income, low assets and less than £20,000 of debt (£15,000 before October 2015). There is no distribution to creditors, and discharge from debts takes place 12 months after the DRO is granted. DROs were introduced in April 2009.

**Individual voluntary arrangements (IVAs)** – a voluntary means of repaying creditors some or all of what they are owed. Once approved by 75% or more of creditors, the arrangement is binding on all. IVAs are supervised by licensed Insolvency Practitioners.

All individuals entering these procedures are listed on the [Individual Insolvency Register](#), and remain on the list until three months after their insolvency ends.

Source: Insolvency Service.

<sup>1</sup> Total individual insolvencies for Q2 2009 onwards include Debt Relief Orders, which came into force on 6 April 2009.

<sup>2</sup> Total individual insolvencies, bankruptcy orders and IVAs are seasonally adjusted. The series for DROs does not require seasonal adjustment.

See Table 4a of the accompanying Excel file for more detail.

There was a total of 22,852 individual insolvencies in England and Wales in Q4 2016, comprising 3,786 bankruptcies (16.6% of total insolvencies), 6,243 debt relief orders or DROs (27.3% of total insolvencies), and 12,823 individual voluntary arrangements or IVAs (56.1% of total insolvencies).

Individual insolvencies decreased 4.3% compared to the previous quarter which was mainly due to the 5.1% decrease in IVAs compared with Q3 2016. DROs and Bankruptcy Orders also had quarter on quarter falls of 3.8% and 2.1% respectively.

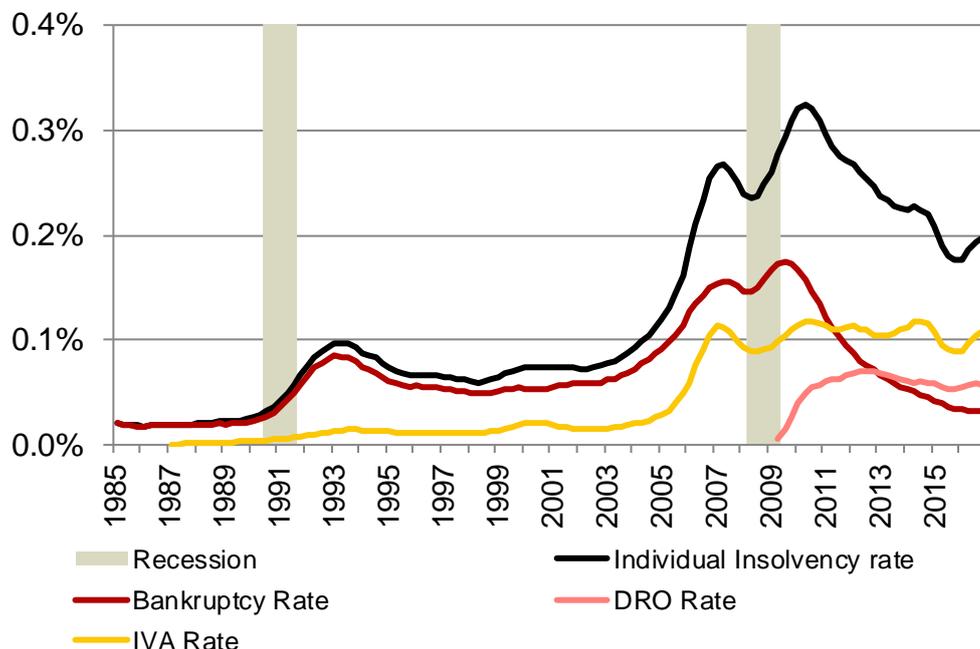
Individual insolvencies increased by 9.8% compared with Q4 2015, driven a 21.7% rise in IVAs to their second highest level since Q2 2014.

DROs decreased by 4.0% compared with Q4 2016 – the quarter in which a [change to eligibility criteria](#) was introduced as DROs became available to people with up to £20,000 debt (up from £15,000) and £1,000 assets (up from £300). Bankruptcy orders were 0.1% higher than in the same period in 2015. These statistics are likely to have been affected by [changes to the process for people making themselves bankrupt](#) (see section 4.2).

### Longer-term perspective

Individual insolvencies can be expressed as a percentage of the adult population, as this takes into account changes over time in the underlying population. In this section, rolling 12-month total individual insolvencies are compared with the estimated adult (18+) population of England and Wales.

**Figure 11: Individual insolvency rate in England and Wales**  
(rolling 12-month rates)



### Explanation of key terms

**Insolvency rate** –the total number of bankruptcies, IVAs and DROs in the latest twelve month period, divided by the average estimated adult (18+) population of England and Wales.

Bankruptcy, IVA and DRO rates are calculated in the same way.

Source: Insolvency Service, Office for National Statistics.  
See Table 5 of the accompanying Excel file for more detail.

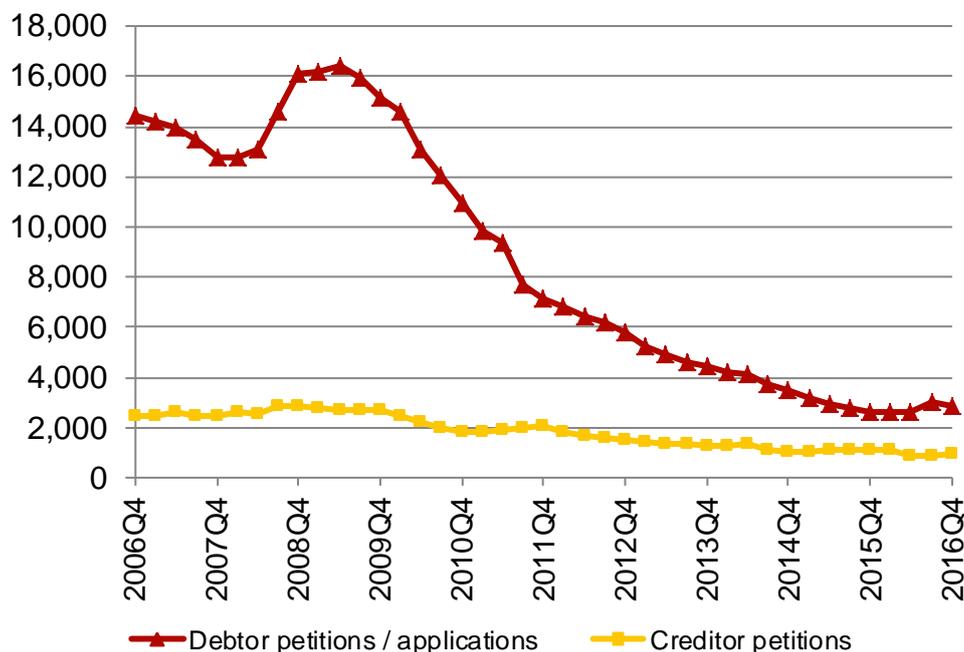
In the 12 months ending Q4 2016, 1 in 506 adults (0.20% of the adult population) became insolvent. This was slightly up from 1 in 515 in the twelve months ending Q3 2016 and the third consecutive increase in the insolvency rate.

Prior to these increases, the individual insolvency rate generally decreased each quarter from mid-2010 to early 2016, which was mainly driven by a fall in the bankruptcy rate. On a rolling 12-month basis, the bankruptcy rate has decreased each quarter since the 12 months ending Q3 2010, the IVA rate increased for the third consecutive rolling 12-month period, and the DRO rate fell for the first time since the 12 months ending Q3 2015.

The individual insolvency rate is related to levels of household debt, and economic growth. The current individual insolvency rate remains elevated compared with rates of less than 0.1% before 2004. In the early- to mid-2000s, there was a large expansion of credit which coincided with a large increase in the individual insolvency rate.

## 4.2 Characteristics of bankruptcies

**Figure 12: Bankruptcies in England and Wales: application type**  
(quarterly data, seasonally adjusted)



Source: Insolvency Service.

See Table 6a of the accompanying Excel file for more detail.

### Explanation of key terms

**Debtor application** – where the individual is unable to pay their debts, and applies online to make themselves bankrupt.

**Creditor petition** – if a creditor is owed £5,000 or more (£750 before October 2015), they can apply to the court to make an individual bankrupt.

Not all petitions to court result in a bankruptcy order. These statistics relate to petitions where a court order was made as a result.

The [Ministry of Justice](#) publishes quarterly National Statistics on the total number of bankruptcy petitions presented to court in England and Wales.

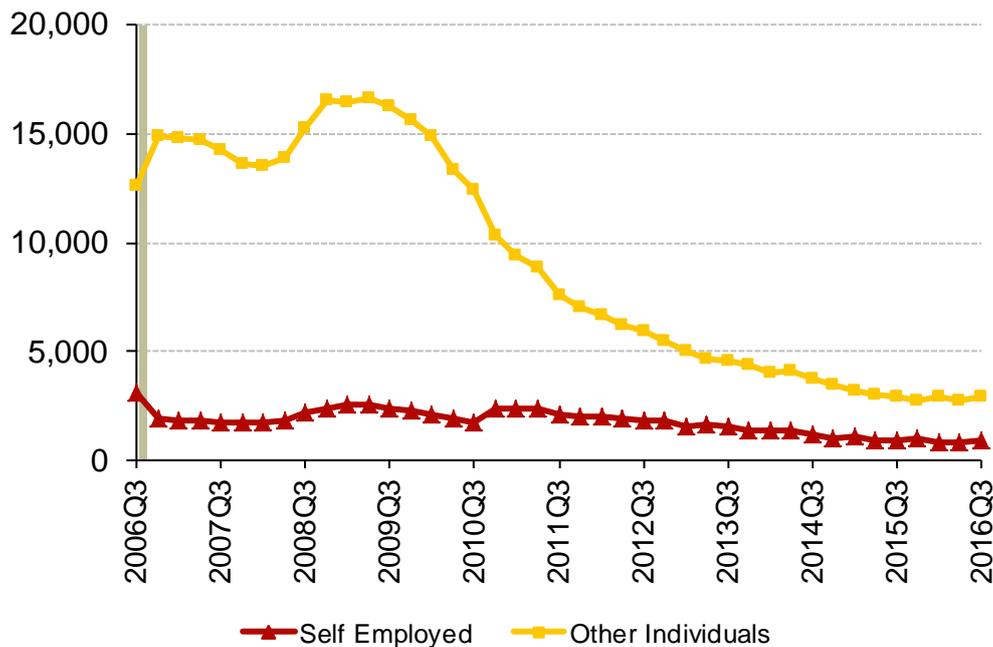
For any particular quarter, seasonally adjusted figures for creditor and debtor petition bankruptcies will not sum to the seasonally adjusted figure for total bankruptcies. This is because they have been adjusted separately using different models. Over a calendar year, the totals will match because of the model chosen.

In Q4 2016, 2,853 bankruptcies were made on the petition or application of the debtor, which was 4.3% lower than the previous quarter but 9.3% more than the same quarter in 2015. This year on year rise is likely to be due to [a change to the process for people making themselves bankrupt](#), which has removed the courts from the process. Since 6 April 2016, applications must be submitted online via the central UK Government website, <https://www.gov.uk/>, to the adjudicator within the Insolvency Service. The process also allows the costs of the application to be made by instalments.

There were 957 creditor petition bankruptcies in Q4 2016, which was 6.2% higher than the previous quarter but 16.2% lower than the same quarter in 2015.

This year on year decrease in creditor petition bankruptcies is likely to be linked to [a change in the minimum debt a creditor must be owed to make someone bankrupt](#), which increased from £750 to £5,000 for petitions presented from 1 October 2015. The impact of such a change on creditor petition bankruptcy statistics is likely to be due to the time lag between when the petition being presented and an order being made at court.

**Figure 13: Bankruptcies in England and Wales: trading status**  
(quarterly data, seasonally adjusted)



Source: Insolvency Service.

See Table 7a of the accompanying Excel file for more detail.

Grey vertical line indicates discontinuity in methods – data from 2006Q4 onwards not directly comparable with previous data.

### Explanation of key terms

**Self-employed** – individuals who have entered bankruptcy, and who have identified themselves as being self-employed.

**Other individuals** – those who were not self-employed at the point at which they became bankrupt, or where this information is unknown.

Changes have been made to the part of the database used to capture information on trading status and industry codes. This is shown by the vertical line in the graph.

The breakdown by trading status from Q4 2006 should not therefore be considered to be entirely consistent with that for the period before this quarter.

For any particular quarter, seasonally adjusted figures for self employed and other bankruptcies will not sum to the seasonally adjusted figure for total bankruptcies. This is because they have been adjusted separately using different models. Over a calendar year, the totals will match because of the model chosen.

These statistics are presented with a lag of one quarter on most other statistics in this release, because it can take a number of weeks for trading status to be recorded following the date of the bankruptcy order.

In Q3 2016, there were 907 bankruptcies where the individual was self-employed, which was 7.4% higher than Q2 2016 but 4.4% less than the same quarter the previous year. This was a continuation of a generally decreasing trend since 2011.

There were 2,956 bankruptcies among other individuals, an increase of 7.3% compared with the previous quarter and 0.2% higher than the same quarter the previous year. This differs from the decreasing trend since late 2009.

The rate of decrease in bankruptcy orders was previously less rapid for self-employed individuals than for others, which meant that the proportion of bankruptcy orders where the individual was self-employed was higher than it has been in earlier years. Since 2013 the proportion of bankrupts that were self-employed has been stable at about a quarter of the total.

**Figure 14: Percentage of bankruptcies in England and Wales resulting in income payment agreements / orders**  
(quarterly data, seasonally adjusted)

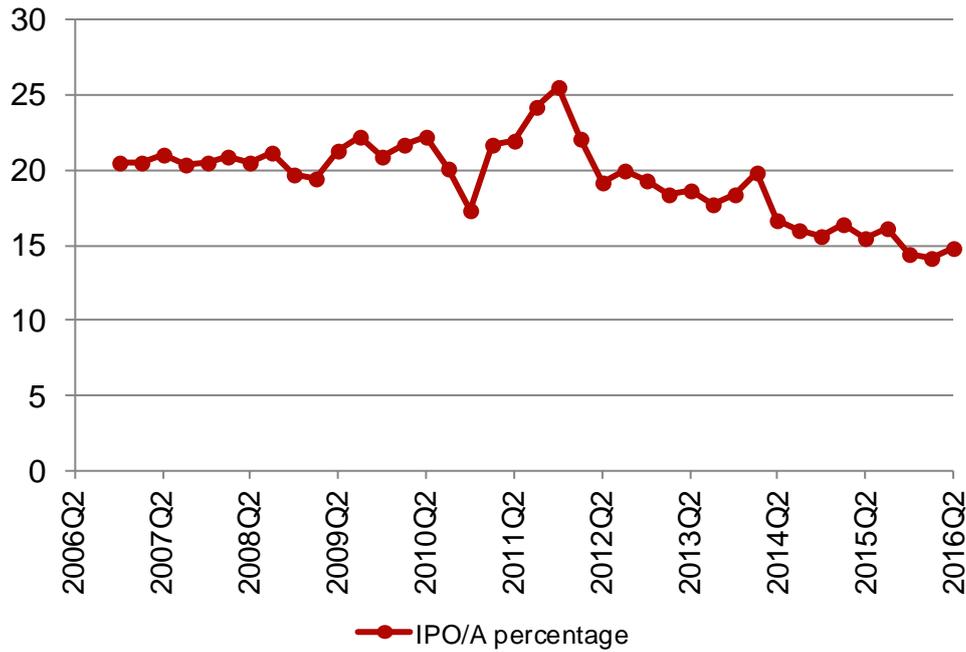
**Explanation of key terms**

Bankrupts who can make reasonable contributions to their debts are required to do so under an **income payments agreement (IPA)**.

If they do not agree, the official receiver or trustee in the bankruptcy will apply to court for an **income payments order (IPO)**.

IPA or IPO payments come from surplus income – money left over from income after reasonable living expenses have been deducted.

An IPA or IPO will normally be payable for 36 months.



Source: Insolvency Service.

See Table 8a of the accompanying Excel file for more detail.

These statistics are presented with a lag of two quarters on most other statistics in this release, because it can take a number of months for income payment agreements (IPAs) or income payment orders (IPOs) to be made, following the date of the bankruptcy order.

In Q2 2016, 14.9% of bankruptcy orders made resulted in an IPA or IPO, which was 0.8 percentage points higher than Q1 2016.

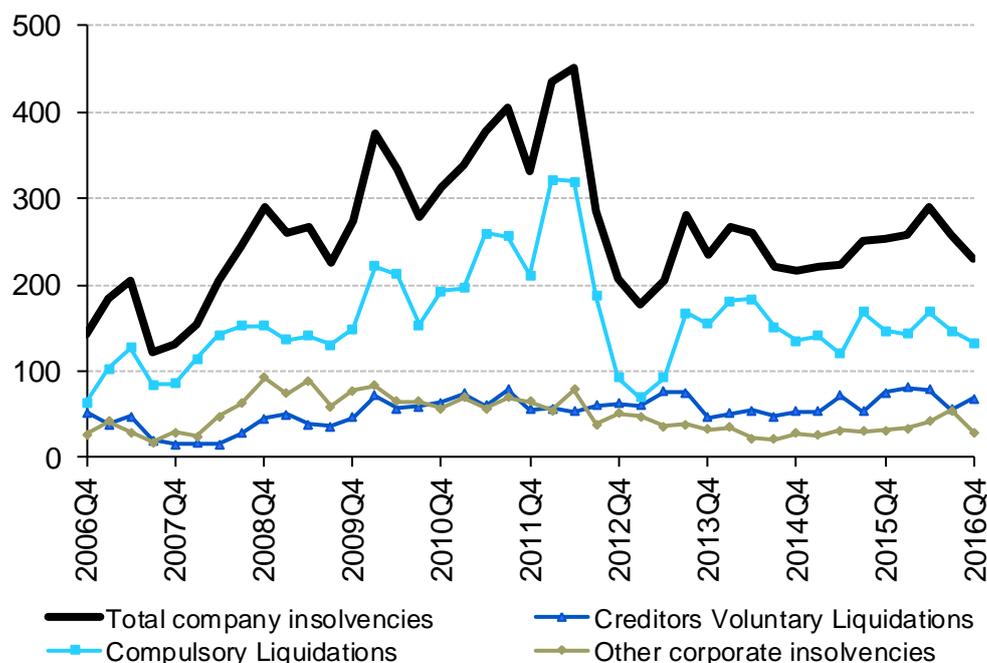
The percentage of bankruptcy orders with an IPA or IPO peaked at 25.5% in Q4 2011 and there has been a general downward trend ever since.

## 5 Insolvency in Scotland

### 5.1 Company insolvency

Company insolvency in Scotland is governed by broadly the same legislation as for England and Wales; however, the development of policy on and the recording of information about liquidations and receiverships is devolved to the Scottish Government, so figures are presented separately.

**Figure 15: Company insolvencies in Scotland**  
(quarterly data, not seasonally adjusted)



Source: Companies House.

See Table 9 of the accompanying Excel file for more detail.

In the Q4 2016, there were an estimated 230 total company insolvencies, a decrease of 9.4% compared to Q4 2015. Of these, 201 were company liquidations – a 9.5% decrease on the same quarter of 2015.

Liquidations were fairly stable until 2009, followed by a generally increasing trend until a period of rapid decrease between Q2 2012 and Q1 2013.

In Q4 2016, there were an estimated 133 compulsory liquidations, a 9.5% decrease since Q4 2015 but in line with the medium term trend of about 120 to 180 cases each quarter since late 2013.

The majority of company liquidations in Scotland are compulsory liquidations. This is in contrast to England and Wales, where the number of creditors' voluntary liquidations (CVLs) account for the majority of company liquidations. This difference may be because in England and Wales, the Insolvency Service manages the initial stage of case administration for all compulsory liquidations, for which a fee is charged.

There were an estimated 68 CVLs. The number of CVLs has remained largely stable, with between 50 and 100 cases in each quarter since 2010.

There were an estimated 29 other company insolvency procedures in the last quarter of 2016 (27 administrations and two company voluntary arrangements). There were no receivership appointments during this period.

#### Explanation of key terms

See section 3 (company insolvency in England and Wales) for further information.

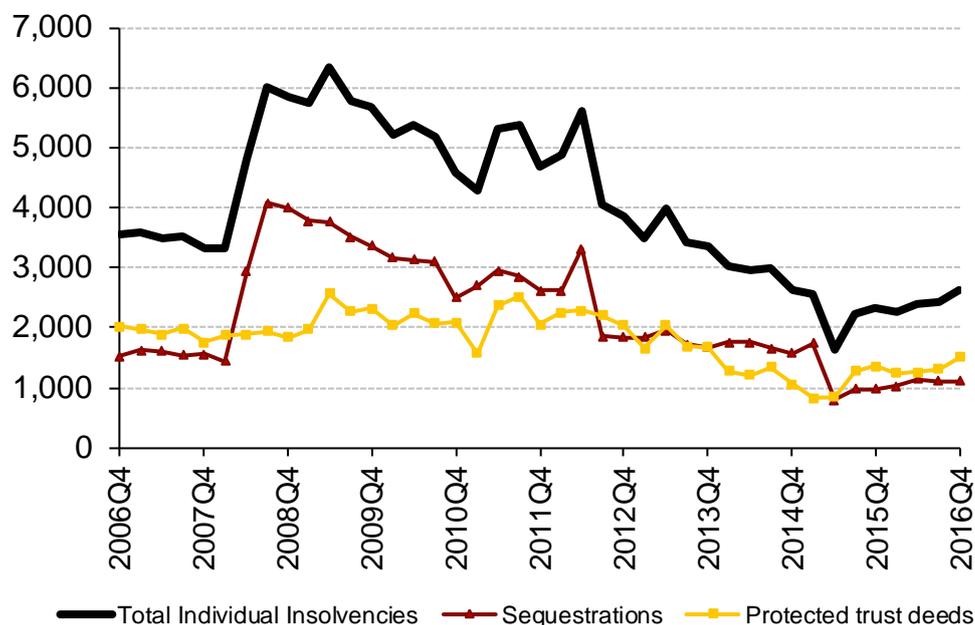
The Excel file which accompanies this release additionally contains statistics on the number of administrations, receiverships and CVAs in Scotland.

The [Accountant in Bankruptcy](#) (AiB), Scotland's Insolvency Service, publishes quarterly Official Statistics on company liquidations. These are based on AiB's administrative records, and are not coherent with these statistics, which are based on data from Companies House.

## 5.2 Individual insolvency

Legislation relating to individual insolvency in Scotland is devolved. The [Accountant in Bankruptcy](#), Scotland's Insolvency Service, administers individual insolvency in Scotland.

**Figure 16: Individual insolvencies in Scotland**  
(quarterly data, not seasonally adjusted)



Source: [Accountant in Bankruptcy \(AiB\)](#).

The sequestration figures include LILA (Low Income, Low Assets) cases from 1 April 2008, and MAP (Minimal Asset Process) cases from 1 April 2015.

See Table 11 of the accompanying Excel file for more detail.

### Explanation of key terms

**Sequestration** fulfils much the same role as bankruptcy in England and Wales.

In April 2008, the law was changed to offer a new route into sequestration for individuals with **low income and low assets** (LILA), which resulted in a large increase in the number of sequestrations in Scotland.

In April 2015, the Minimal Asset Process replaced LILA, and other changes affected sequestrations, resulting in a large decrease.

**Protected trust deeds** are voluntary arrangements in Scotland and fulfil much the same role as IVAs in England and Wales. However there are differences in the way they are set up and administered, meaning the figures shown here are not consistent with those provided for England and Wales or Northern Ireland.

These statistics do not include debt payment programmes under the [debt arrangement scheme](#), which are not formal insolvencies.

In Q4 2016, there were 2,616 individual insolvencies in Scotland, 12.4% higher than the same quarter in 2015.

There were 1,116 sequestrations in Q4 2016, an increase of 14.8% compared to Q4 2015. Of these, 465 people went into sequestration via the Minimal Asset Process route.

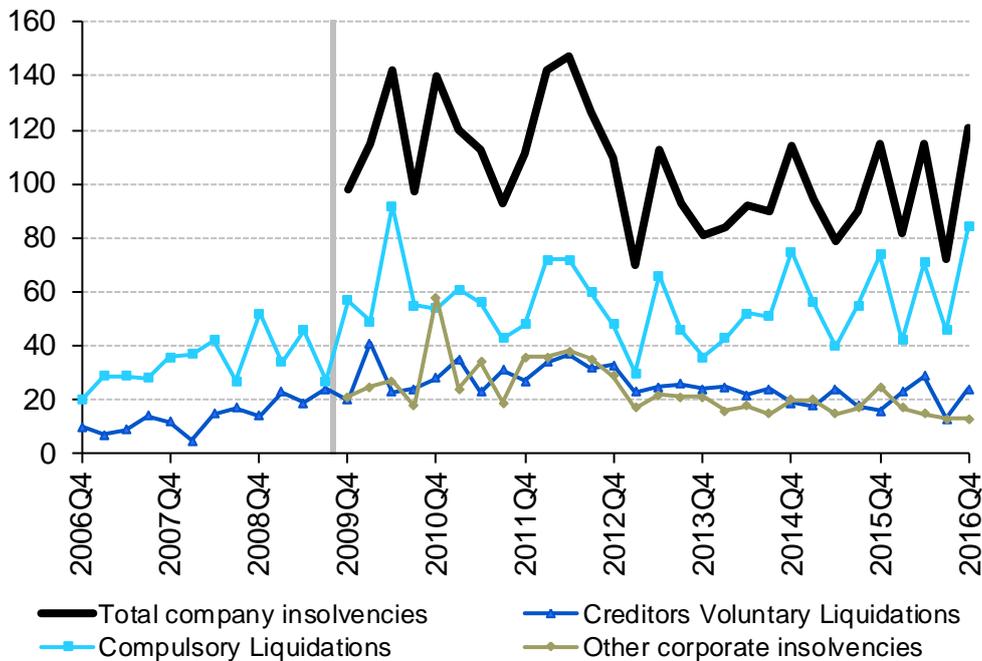
In Q4 2016, there were 1,500 Protected Trust Deeds (PTDs), an increase of 10.6% compared with Q4 2015. Recent changes to insolvency legislation have aligned the minimum periods that individuals are required to contribute to their insolvency estate to four years for both sequestrations and PTDs; prior to this, individuals entering sequestration were required to make contributions for three years. This change is likely to have led to some individuals entering PTDs rather than bankruptcy.

## 6 Insolvency in Northern Ireland

### 6.1 Company insolvency

Company insolvency in Northern Ireland is governed by separate, but broadly similar, legislation to England and Wales, and so figures are presented separately.

**Figure 17: Company insolvencies in Northern Ireland**  
(quarterly data, not seasonally adjusted)



#### Explanation of key terms

See section 3 (company insolvency in England and Wales) for further information.

Sources: Department for Enterprise, Trade and Investment, Northern Ireland; Companies House.

Vertical line indicates discontinuity in methods – data from 2009Q4 not directly comparable with previous data. Creditors' Voluntary Liquidations before 2009 Q4 includes those companies which had previously been in administration.

See Table 12 of the accompanying Excel file for more detail.

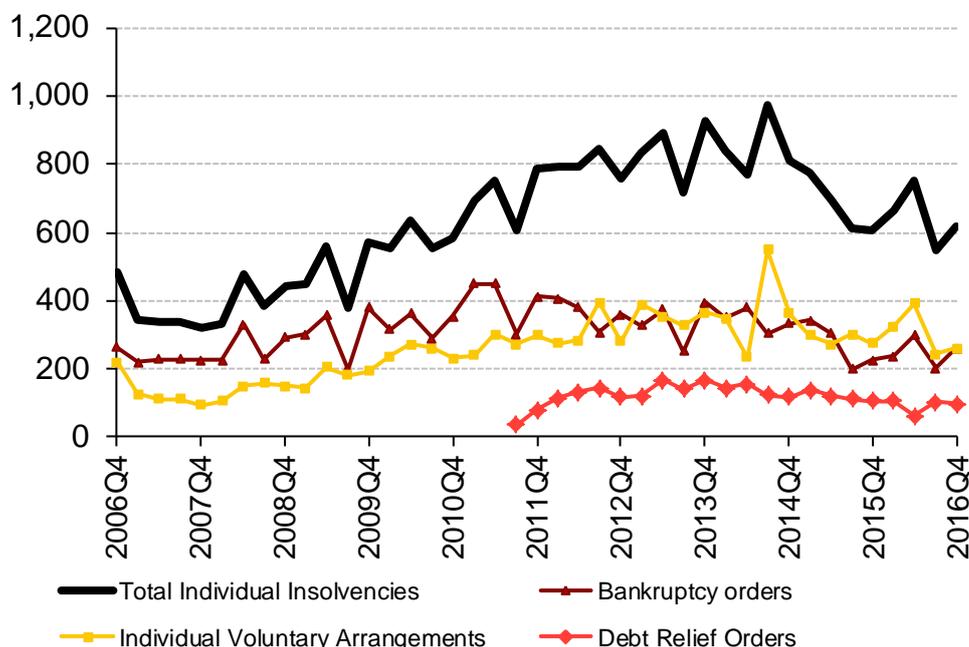
There were an estimated 121 company insolvencies in Northern Ireland in Q4 2016, 5.2% more than the same quarter in 2015. Of these, 84 were compulsory liquidations (up 13.5% on the same quarter last year), and an estimated 24 were creditors' voluntary liquidations (CVLs, up 50.0%).

There were an estimated three administrations, ten company voluntary arrangements and no administrative receivership in Q4 2016.

## 6.2 Individual insolvency

Individual insolvency in Northern Ireland is governed by separate, but broadly similar, legislation to England and Wales, and so figures are presented separately.

**Figure 18: Individual insolvencies in Northern Ireland**  
(quarterly data, not seasonally adjusted)



Source: Department for Enterprise, Trade and Investment, Northern Ireland.  
See Table 14 of the accompanying Excel file for more detail.

### Explanation of key terms

**Bankruptcy orders** – a form of debt relief available for anyone who is unable to pay their debts. Assets owned will vest in a trustee in bankruptcy who will sell them and distribute the proceeds to creditors. Discharge from debts usually takes places 12 months after the bankruptcy order is granted.

**Debt relief orders (DROs)** – a form of debt relief available to those who have a low income, low assets and less than £15,000 of debt. There is no distribution to creditors, and discharge from debts takes place 12 months after the DRO is granted.

DROs were introduced in June 2011.

**Individual voluntary arrangements (IVAs)** – a voluntary means of repaying creditors some or all of what they are owed. Once approved by 75% or more of creditors, the arrangement is binding on all. IVAs are supervised by licensed Insolvency Practitioners.

There were 617 individual insolvencies in Northern Ireland in Q4 2016, 1.8% more than the same quarter in 2015.

In Q4 2016 there were 259 bankruptcies, up 14.6% on the same quarter last year. There were 260 IVAs, a decrease of 5.1% on the same quarter last year. There were 98 DROs, down 7.5% on the same quarter last year.

Though the graph highlights changes, it should be noted that the volatility in the data is because the numbers of insolvencies are low, so any small changes will result in large percentage changes.

## 7 Background notes

Further information can be found in the [Guide to Insolvency Statistics](#), including high-level descriptions of the types of insolvency which apply to companies and people; the data recorded and any associated data quality issues; and legislation coming into effect in the period covered by the statistics, which may affect comparisons over time.

### Data sources and methodology

More details may be found in Insolvency Statistics Methodology, the Statement of Administrative Sources, the Revisions Policy, and Data Quality Assurance and Audit Arrangements, on the [policy and procedures](#) section of the Insolvency Service website.

#### Data sources

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, Energy and Industrial Strategy (BEIS). For Scotland, the company insolvency statistics are derived from administrative records at Companies House, while 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 Department for the Economy's Insolvency Service and from Companies House. The adult (18+) population data for England and Wales (used in the calculation of individual insolvency rates) are created using annual mid-year population estimates by single year of age sourced from the [Office for National Statistics](#)

#### Methodology

The statistics are produced via tabulation of raw data collected from the various sources. More information is available in a separate [methodology](#) document.

The methods used to produce breakdowns by industry are described in more detail in the accompanying Excel file.

Seasonal adjustment is performed on certain data series. The X13-ARIMA-SEATS program (developed by the US Census Bureau) is used for the seasonal adjustment of the *Insolvency Statistics*, this being the recommended program within UK National Statistics. Seasonal adjustment models are reviewed annually: the most recent review was completed in April 2016 with the outcome published on the [policy and procedures](#) section of the Insolvency Service website.

#### Revisions

These statistics are subject to scheduled revisions, as set out in the published [revisions policy](#). The latest quarter's data sourced from Companies House are adjusted to predict late registrations, then revised the following quarter to reflect cases being entered on to the administrative system at a later date. The size of such revisions will vary. More information can be found in the [analysis of estimation accuracy](#).

Other revisions tend to be made as a result of data being entered onto administrative systems after the cut-off date for data being extracted to produce the statistics. Such revisions tend to be small in the context of overall totals; nonetheless all figures in this release that have been revised since the previous edition have been highlighted in the relevant tables.

A new method for producing statistics on company insolvencies was introduced in 2015. A revised historical time series using the new method was provided back to 2000Q1 for England and Wales, and for Scotland. For Northern Ireland, the data required were only available back to 2009Q4. However, it should also be noted that because the revised counts have been run against a live database, which includes subsequent corrections, they may not exactly reflect the original numbers of new cases that would have been reported at the time. More information can be found in the [analysis of historical revisions](#).

## Quality

This section provides information on the quality of the *Insolvency Statistics*, to enable users to judge whether or not the data are of sufficient quality for their intended use. The section is structured in terms of the six quality dimensions of the [European Statistical System](#). Further information can be found in the [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)*

The *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.

Key users of the *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 national, regional and specialist media on the day of release.

The statistical production team welcomes 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, the results of which can be found here:

[Summary of User Feedback on Insolvency Statistics](#)

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

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.

Generally speaking, numbers of cases are based on the date of the order or agreement of the insolvency procedure, not on the date it was registered on the administrative recording system. The implication of this is that the published figures will be influenced by, for example, the late reporting of orders made leading to missing data. The exceptions for England and Wales are: compulsory liquidations and bankruptcy orders before Q2 2011; individual voluntary arrangements; and corporate insolvencies before Q1 2000 (when the methodology changed). This should be noted when making comparisons of trends over time. Checks are in place to identify 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)*

The Insolvency Service also publishes individual insolvency statistics by location, age and gender, 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.

[Companies House](#) produces monthly official statistics on company insolvencies registered each week, and totals for the period covered by the publication (either four or five weeks). These are not consistent with the *Insolvency Statistics*, which cover calendar quarters. There are also differences in counting rules.

The [Accountant in Bankruptcy](#) (AiB) is required to be notified of all company liquidations and receiverships in Scotland, and publishes quarterly official statistics based on its own administrative records. These differ

from the *Insolvency Statistics*, which use data from Companies House as the source. Differences are due to the Accountant in Bankruptcy using its own administrative system's date rather than the start date of the insolvency. AiB does not publish information on the number of company voluntary arrangements or administrations, which are a reserved matter for the UK government.

AiB also publishes quarterly statistics on the number of individual insolvencies, which are reproduced in the *Insolvency Statistics*.

The [Office for National Statistics](#) produces annual statistics on business "deaths" in its [Business Demography](#) publication. These statistics relate to all registered businesses, whereas the *Insolvency Statistics* relate to companies on the Companies House register. Not all business deaths are because of insolvency.

**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.*)

The *Insolvency Statistics* are usually published on the 29th of the 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. The exception to this is where the 29th falls on a weekend or a Monday, when the statistics will be delayed until the following Tuesday, or brought forward to an earlier date if possible.

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*)

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](#).

Historic data are also published for the key series, on the [National Archives website](#).

Views on the clarity of the publication are welcomed via the contact details on the cover page of this release.

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

Changes in legislation and policy can affect the extent to which comparisons can be made over time for individual data series. Where such changes are known, they have been highlighted in explanatory notes at the bottom of the tables in the accompanying Excel file.

Company insolvency statistics after 2000 Q1 (England and Wales, and Scotland) and 2009 Q4 (Northern Ireland) are not directly comparable with earlier periods because of a change to methods.

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.

See also the [Guide to Insolvency Statistics](#) for additional specific aspects relevant to comparability.

## 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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