Insolvency Statistics – July to September 2018 (Q3 2018)

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Scotland
Northern Ireland

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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 for England and Wales

Companies

- **The underlying number of insolvencies increased in Q3 2018, both on the previous quarter and on the same quarter in 2017.**
- **This was driven by a rise in underlying creditors' voluntary liquidations which increased to their highest level since Q1 2012.**

People

- **Total individual insolvencies fell in Q3 2018 from a six-year high in Q2 2018.**
- **This was driven by a decrease in individual voluntary arrangements, and was partially offset by increases in bankruptcies and debt relief orders.**

Proposed changes to the Quarterly Insolvency Statistics release

We endeavour to provide the most relevant statistical information to meet our user's needs. As such we are proposing to split the publication into two distinct products: quarterly statistics for individual insolvency and quarterly statistics for company insolvency. The aim is to target the release to the specific needs of the user and include more quality analysis in each section. The new publications aim to be more concise, focusing on recent trends and changes in insolvencies, and including methodology separately for expert users.

If you have any views or comments regarding this proposed change, please complete our online survey at https://www.surveymonkey.co.uk/r/YQPQ2N2

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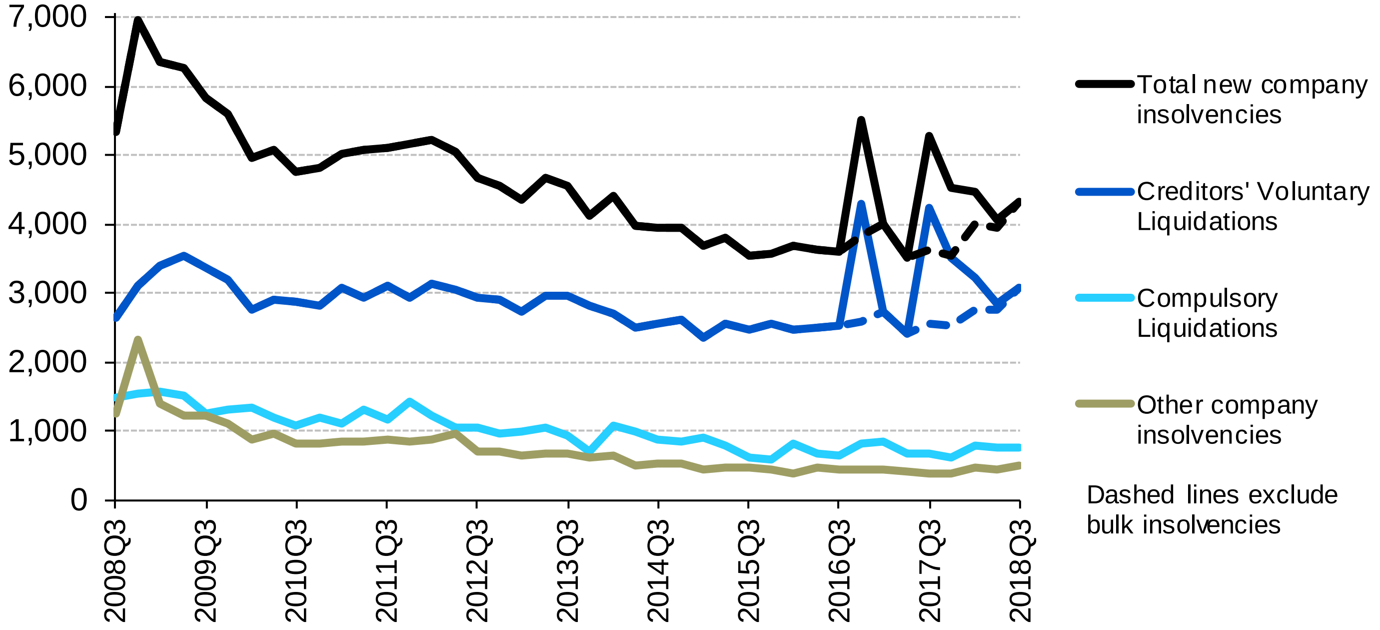


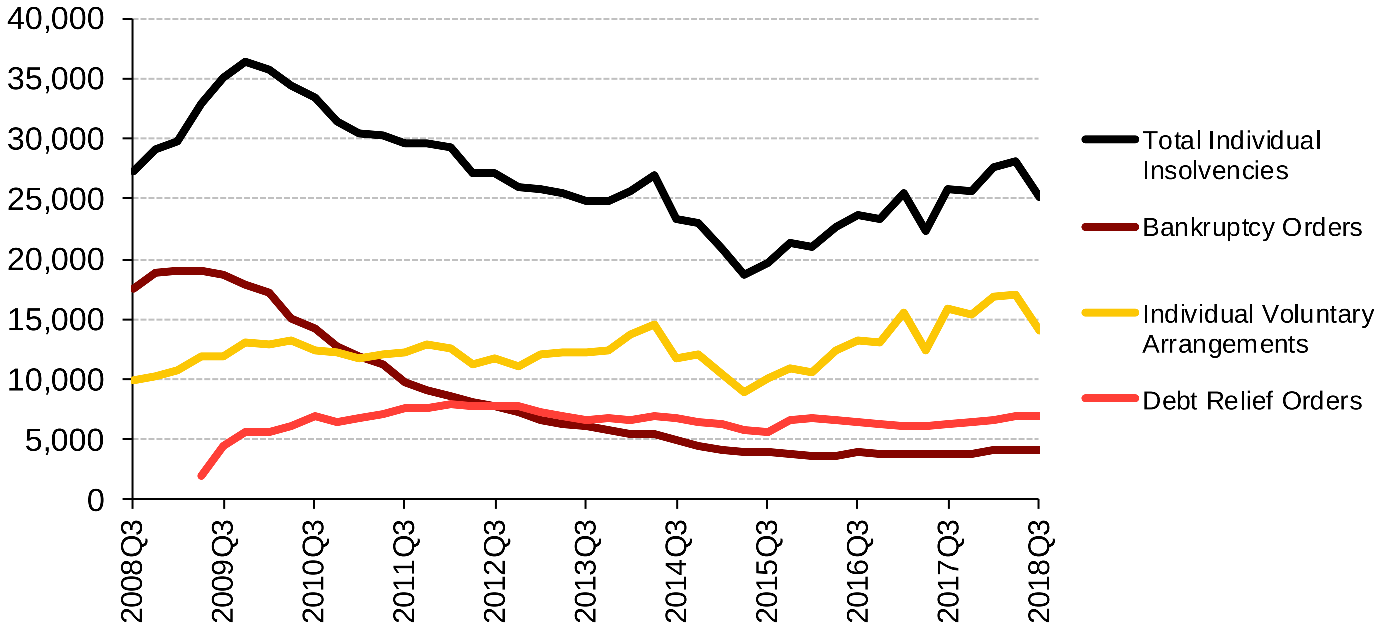
Source: Insolvency Service and Companies House. Excludes CVLs following administration.

Key findings

The majority of company insolvencies were creditors' voluntary liquidations (CVLs)	A total of 4,308 companies entered insolvency in Q3 2018, consisting of 3,083 creditors' voluntary liquidations (71.6% of all insolvencies), 741 compulsory liquidations (17.2%) and 484 other insolvencies (11.2%).
Company insolvencies increased this quarter...	Total underlying company insolvencies increased by 8.9% compared to Q2 2018. When compared to the same quarter last year, the underlying number of company insolvencies increased by 19.3%.
…driven by an increase in CVLs	The underlying number of CVLs in Q3 2018 was 3,083, an increase of 20.7% on Q2 2018, and the highest quarterly level since Q1 2012.
Compulsory liquidations decreased compared to Q2 2018	The number of compulsory liquidations in Q3 2018 fell by 2.5% on the previous quarter, but increased by 11.1% compared to Q3 2017.
Company insolvency by industry	The construction industry had the highest number of insolvencies in the 12 months ending Q3 2018, followed by the wholesale and retail trade & repair of vehicles industrial grouping.

1.2 Individual insolvency in England and Wales *(Further information: section 3)*

Figure 2: Individual insolvencies in England and Wales (quarterly data, seasonally adjusted)



Source: Insolvency Service.

Key findings

The majority of individual insolvencies were IVAs	There were 25,551 individual insolvencies in Q3 2018, 55.8% of which were IVAs, 27.7% were debt relief orders and 16.5% were bankruptcies.
Individual insolvencies decreased this quarter	Total individual insolvencies in Q3 2018 were 10.5% lower than in the previous quarter and 2.5% lower than in the same quarter the previous year.
Individual Voluntary Arrangements (IVAs) fell from a record high	The number of Individual Voluntary Arrangements in Q3 2018 fell 18.0% compared with a record high in Q2 2018.
Bankruptcies increased this quarter	Bankruptcies increased by 1.7% on the quarter and by 12.0% on the same quarter in 2017.
Debt relief orders (DROs) increased this quarter	DROs increased by 0.7% on the quarter and by 11.3% on the same quarter in 2017.
The insolvency rate decreased	In the 12 months ending Q3 2018, the rate of insolvency was 23.0 per 10,000 adults (1 in 434 adults).

1.2 Summary tables

Table 1: New company insolvencies in England and Wales[1,2] (seasonally adjusted)[3]

	Number of insolvencies					% change – 2018 Q1 on:	
	2017 Q3	2017 Q4	2018 Q1	2018 Q2 p	2018 Q3 p	2018 Q2	2017 Q3
Total new company insolvencies	**5,290**	**4,515**	**4,471**	**4,049**	**4,308**	**6.4**	**-18.6**
Underlying total insolvencies[4]	***3,612***	***3,528***	***3,996***	***3,957***	***4,308***	***8.9***	***19.3***
Compulsory liquidations	667	620	783	760	741	-2.5	11.1
Creditors' voluntary liquidations[2]	4,232	3,523	3,220	2,850	3,083	8.2	-27.1
Underlying CVLs	*2,554*	*2,536*	*2,745*	*2,758*	*3,083*	*11.8*	*20.7*
Administrations	310	317	365	346	390	12.9	25.9
Company voluntary arrangements	81	55	102	94	94	0.0	16.0
Receiverships	0	0	1	0	0	n.a.	n.a.

Source: Insolvency Service and Companies House.

p = provisional, r = revised, n.a. = not applicable

[1] Longer series back to 2008 are presented in the accompanying detailed tables.

[2] Excludes creditors' voluntary liquidations following administration (see section 2.1).

[3] The series for compulsory liquidations, company voluntary arrangements and receiverships do not require seasonal adjustment.

Table 2. Individual Insolvencies in England and Wales (seasonally adjusted) [1]

	Number of insolvencies					% change – 2018 Q3 on:	
	2017 Q3	2017 Q4	2018 Q1	2018 Q2 p	2018 Q3 p	2018 Q2	2017 Q3
Total individual insolvencies	**25,784**	**25,698**	**27,589**	**28,108**	**25,151**	**-10.5**	**-2.5**
Bankruptcy orders	3,702	3,802	4,150	4,074	4,145	1.7	12.0
Debt relief orders	6,245	6,452	6,577	6,920	6,965	0.7	11.5
Individual voluntary arrangements	15,837	15,445	16,862	17,114	14,040	-18.0	-11.3

Source: Insolvency Service

p = provisional, r = revised

[1] Longer series back to 2008 are presented in the accompanying detailed tables.

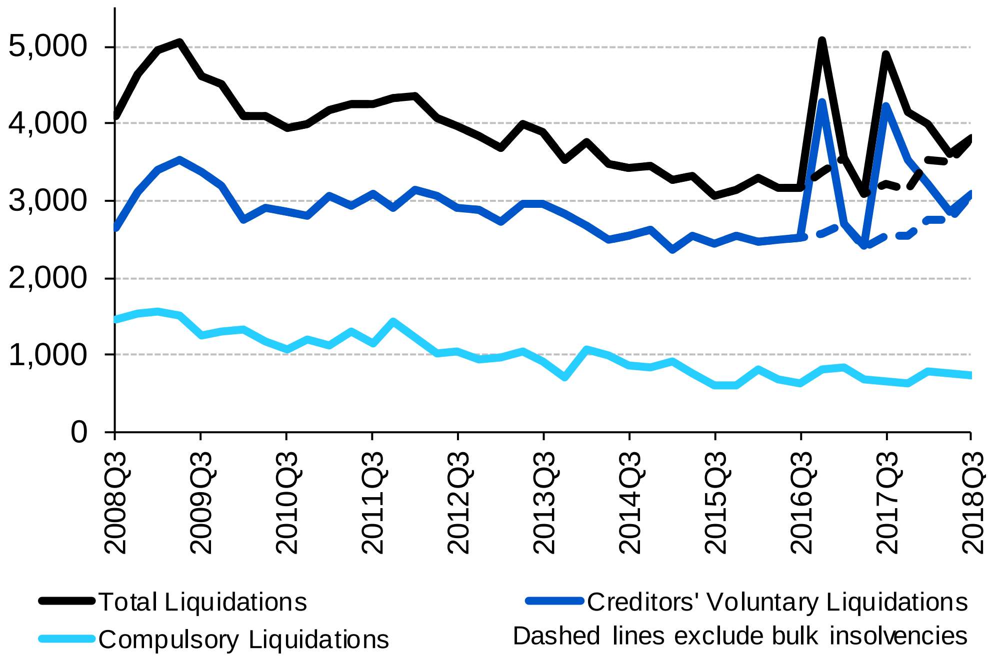
2 Company insolvency in England and Wales

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. This includes liquidation (section 2.1) which results in the company ceasing to exist; or through company rescue procedures such as administration (section 2.2).

> **Bulk Insolvencies and underlying numbers-** IR35' rules are intended to prevent the avoidance of tax and National Insurance Contributions (NICs) using personal service companies (PSC) and partnerships. From April 2016, following changes to the IR35 rules and/or changes in VAT flat rate, some directors of PSCs have cited these changes as the primary reason that their company's activities have become unviable, therefore leading to liquidation. Underlying numbers exclude these bulk insolvencies to enable comparison between quarters.

2.1 Company liquidations

Figure 3: Company liquidations in England and Wales[1]
(quarterly data, seasonally adjusted)[2]



Source: Insolvency Service and Companies House.

[1] Where the liquidation was the first insolvency procedure entered into.

[2] 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.

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.

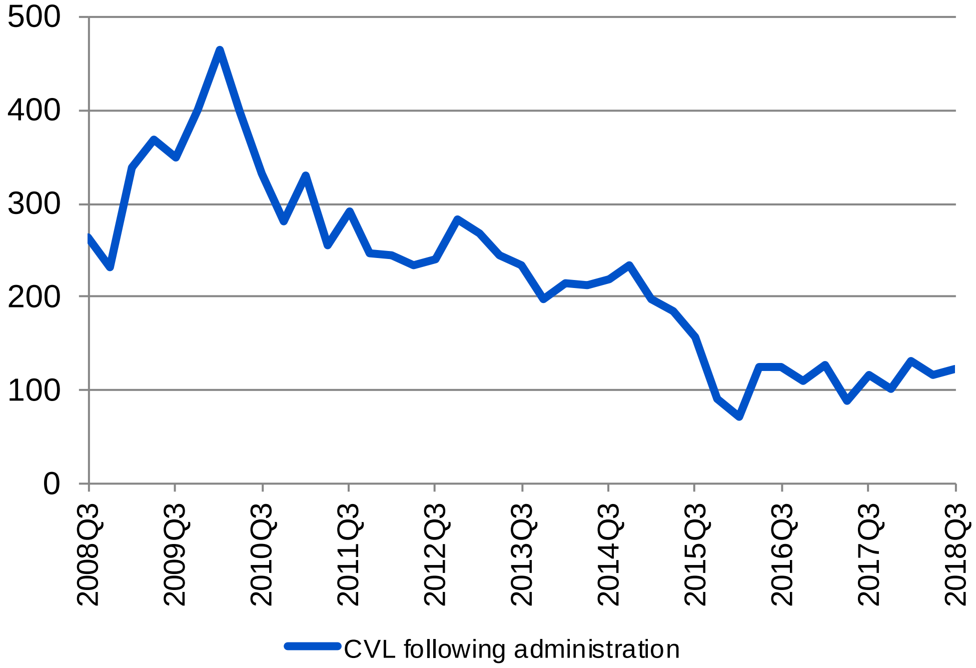
There were 3,824 liquidations in this quarter, comprising 3,083 creditor voluntary liquidations (CVLs, 81% of total insolvent company liquidations) and 741 compulsory liquidations (19% of the total). No new bulk insolvencies were recorded for CVLs in Q3 2018. Excluding bulk insolvencies this is the highest number of company liquidations since Q3 2013 and the highest number of CVLs since Q1 2012.

In comparison to Q2 2018 underlying CVLs increased by 11.8% and compulsory liquidations fell by 2.5%.

Underlying CVLs and compulsory liquidations have both risen against the same quarter in 2017, CVLs by 20.7% and compulsory liquidations by 11.1%. This has led to an 18.7% increase in total liquidations since

Q3 2017. Excluding bulk insolvencies the number of CVLs recorded per quarter had remained broadly flat between Q2 2015 and Q3 2017 but has now risen for four consecutive quarters.

Figure 4: 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 2.2) 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.

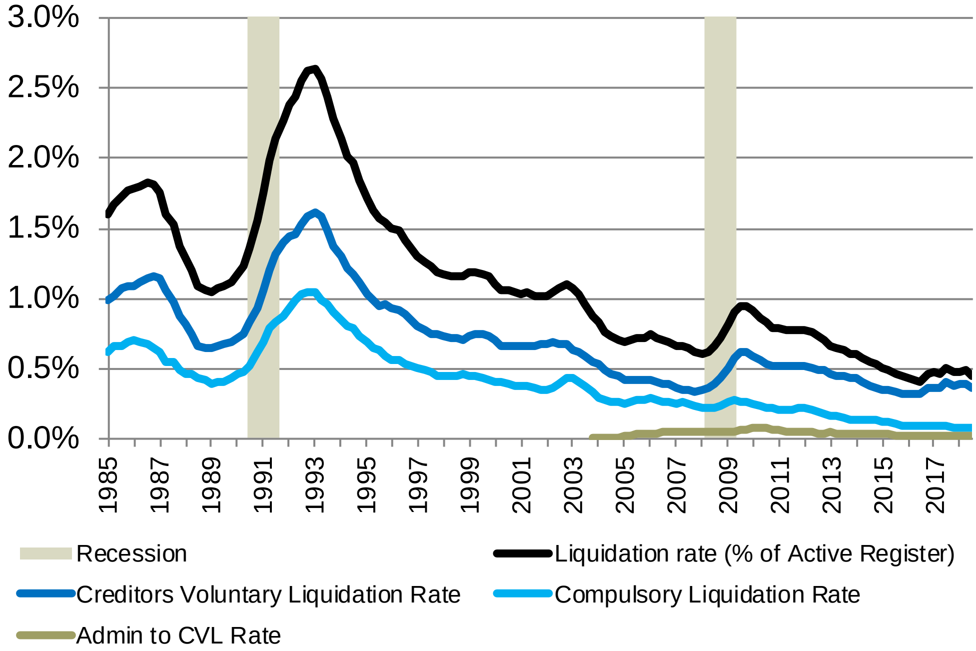
In Q3 2018, 122 companies entered creditors' voluntary liquidation following administration, an increase of 5.2% on the same quarter of 2017.

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 2.2).

Longer-term perspective

Company liquidations may be expressed as a 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 5: 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.

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.

In the 12 months ending Q3 2018, 0.45% of active companies (or 1 in 221 of all active companies) went into liquidation, down from 0.49% in the 12 months ending Q2 2018.

Up until Q3 2016, there had been a downward trend in the rates from 2011, with the lowest liquidation rate recorded in Q3 2016 since comparable records began in 1984.[1] Since Q4 2016 there has been a small increase in the company liquidation rate which was largely driven by bulk insolvencies. Excluding these, the underlying liquidation rate was 0.36%

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% (24,328 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% of companies (19,134) entered liquidation in the year ending December 2009.

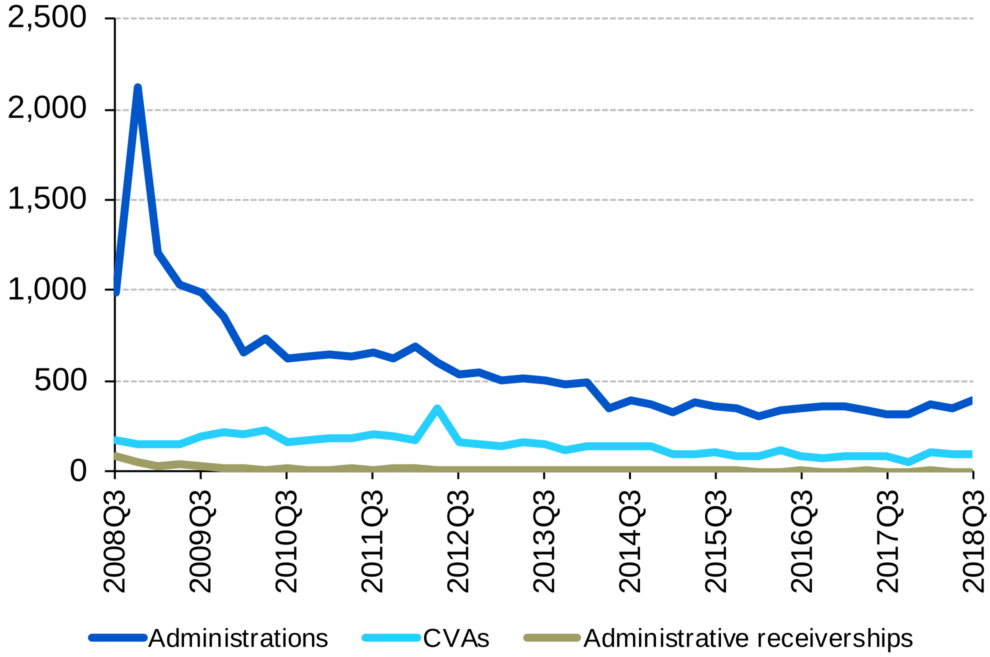
Although the number of liquidations was slightly higher in 1993 than in 2009, the rate of liquidations was substantially higher in 1993. This is because the number of active companies more than doubled over this period, so a much smaller proportion of the total number of companies entered liquidation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

[1] 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.

2.2 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 it's winding up.

Figure 6: Other company insolvencies in England and Wales
(quarterly data, seasonally adjusted)[1]



Source: Companies House.

[1] 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 Q3 2018 there were 390 administrations, 12.9% higher than in Q2 2018 and 25.9% higher than the same period in 2017. Administrations have been fairly flat since Q2 2014, although this quarter saw the highest number of administrations in that period.

There were 94 company voluntary arrangements (CVAs) in Q3 2018, the same as the previous quarter but 16.0% higher than Q3 2017.

In Q3 2018 there were no administrative receiverships. Since 2012 there has tended to be fewer than 10 cases per quarter. This is because use of this procedure is restricted to certain types of company or to floating charges created before September 2003. Any small changes will result in large percentage changes.

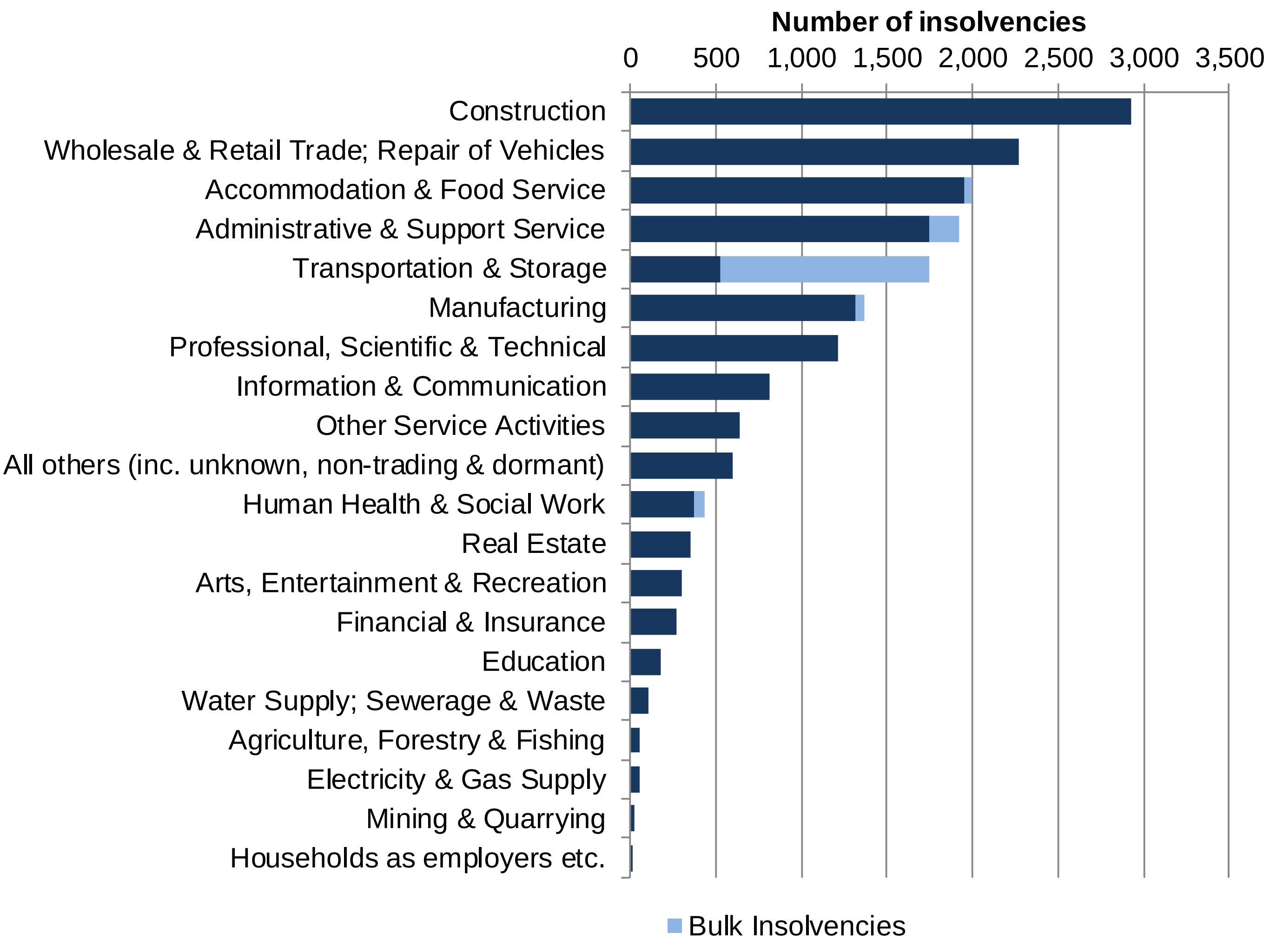
2.3 Company insolvencies by industry

Excluding bulk insolvencies, in the twelve months ending Q3 2018, the highest number of new company insolvencies was in the construction industry with 2,924 insolvencies – up 3.8% from the 12 months ending Q2 2018.

The second highest underlying number of new company insolvencies was the wholesale and retail trade; repair of vehicles industrial grouping with 2,270 new company insolvencies in the 12 months ending Q3 2018. This was up 2.4% compared to the 12 months ending Q2 2018.

Bulk insolvencies have had the greatest effect on the transportation and storage grouping, in the 12 months ending Q3 2018, bulk insolvencies accounted for 70.1% of all insolvencies in this grouping.

Figure 7: Total new company insolvencies in England and Wales by broad industry grouping, 12 months ending Q3 2018



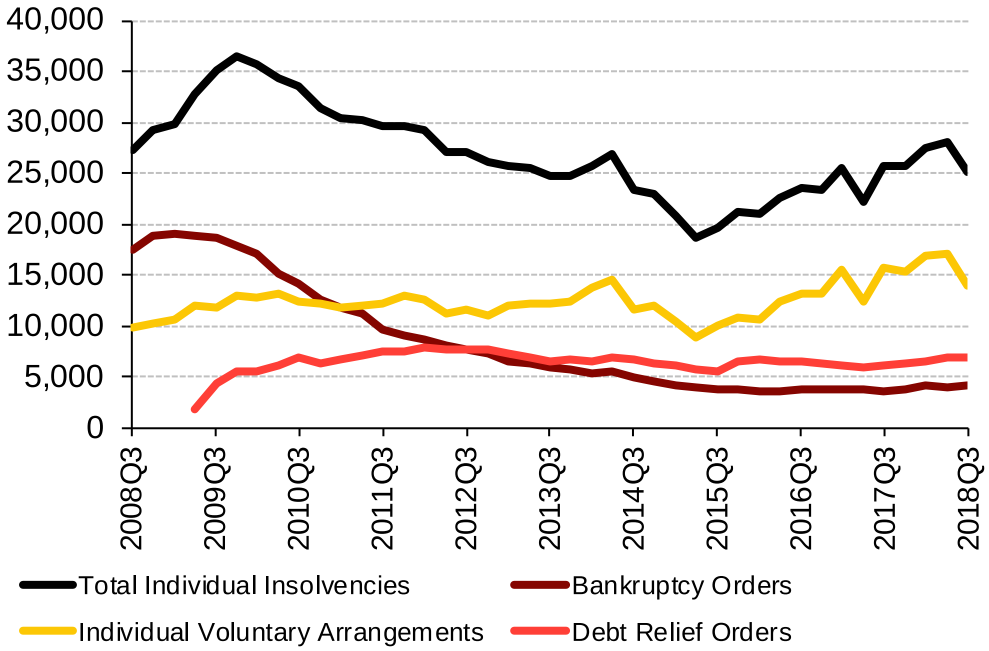
Source: Insolvency Service and Companies House.
These statistics provide a breakdown of company insolvencies by industry, using the Standard Industrial Classification 2007 (SIC2007) – a harmonised set of industry classifications used in other UK Official Statistics and internationally. The Excel file 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.

3 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.

3.1 Bankruptcies, debt relief orders and individual voluntary arrangements

Figure 8: Individual insolvencies in England and Wales[1]
(quarterly data, seasonally adjusted)



Source: Insolvency Service.

[1] Total individual insolvencies for Q2 2009 onwards include Debt Relief Orders, which were introduced on 6 April 2009.

See Table 4a 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 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.

There were 25,151 individual insolvencies in England and Wales in Q3 2018. There were 4,145 bankruptcies (16.5% of total insolvencies), 6,965 debt relief orders (DROs, 27.7% of the total), and 14,040 individual voluntary arrangements (IVAs, 55.8% of the total).

Individual insolvencies fell by 10.5% compared with the previous quarter. This was mainly driven by a decrease in IVAs, which fell by 18.0%. Q2 2018 had seen the highest quarterly level of IVAs since their introduction in 1987. In contrast, in the last quarter DROs increased by 0.7% compared with Q2 2018, as did bankruptcies which increased by 1.7%.

Compared to the same quarter last year, total individual insolvencies decreased 2.5%. IVAs fell by 11.3% but bankruptcies and DROs increased by 12.0% and 11.5% respectively. Until this quarter, there had been a general increasing trend in IVA registrations since Q2 2015, while DROs increased for the fifth consecutive quarter.

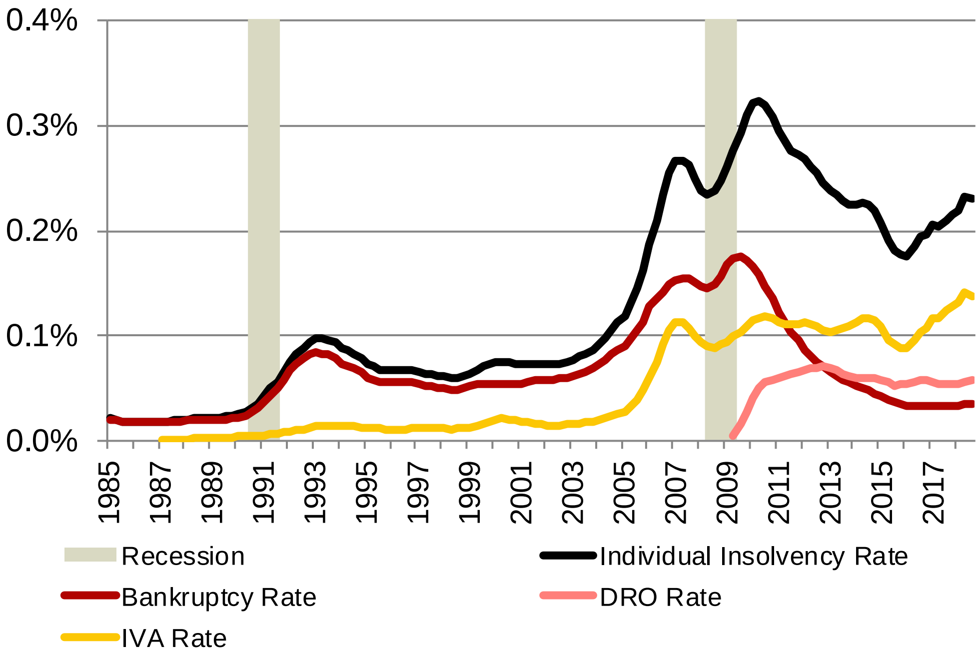
These figures are seasonally adjusted to remove natural, cyclical changes. Before adjustment, IVAs are usually highest in Q3 each year and so are adjusted downwards. In 2018 however, the unadjusted number of IVAs in Q3 was lower than in Q2, and this difference has been increased through the normal process of seasonal adjustment.

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 9: Individual insolvency rate in England and Wales

(rolling 12-month rates)



Source: Insolvency Service, Office for National Statistics.

See Table 5 of the accompanying Excel file for more detail.

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.

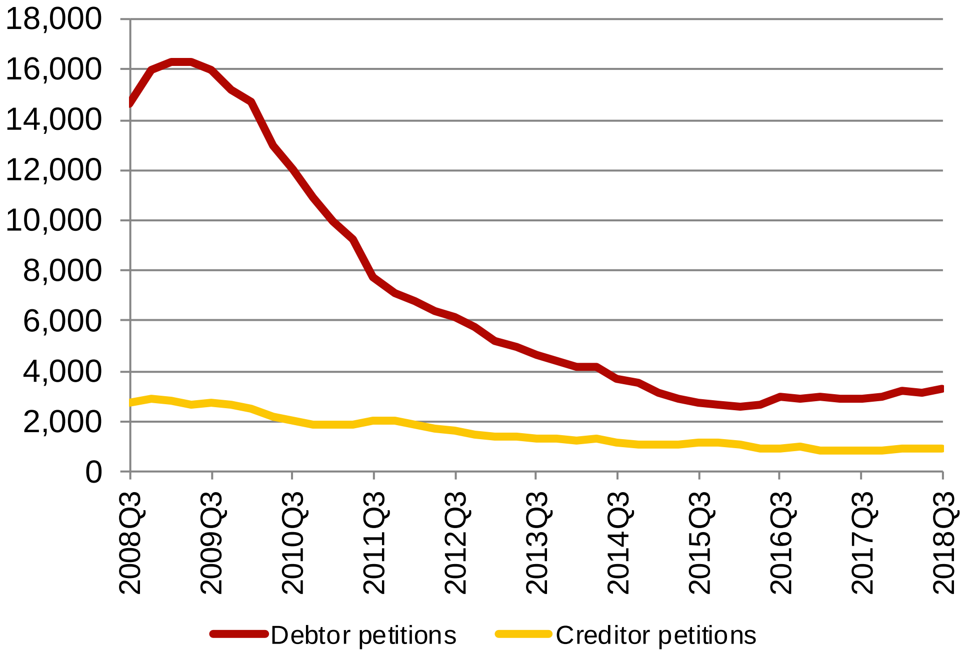
In the 12 months ending Q3 2018, 1 in 434 adults entered insolvency (23.0 insolvencies per 10,000 adults). This was down from 23.2 insolvencies per 10,000 adults in the twelve months ending Q2 2018.

On a rolling 12-month basis, the IVA rate fell for the first time since the 12 months ending Q1 2016. The bankruptcy and DRO rate has been broadly stable since Q1 2016.

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 10 per 10,000 adults 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.

3.2 Characteristics of bankruptcies

Figure 10: 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.

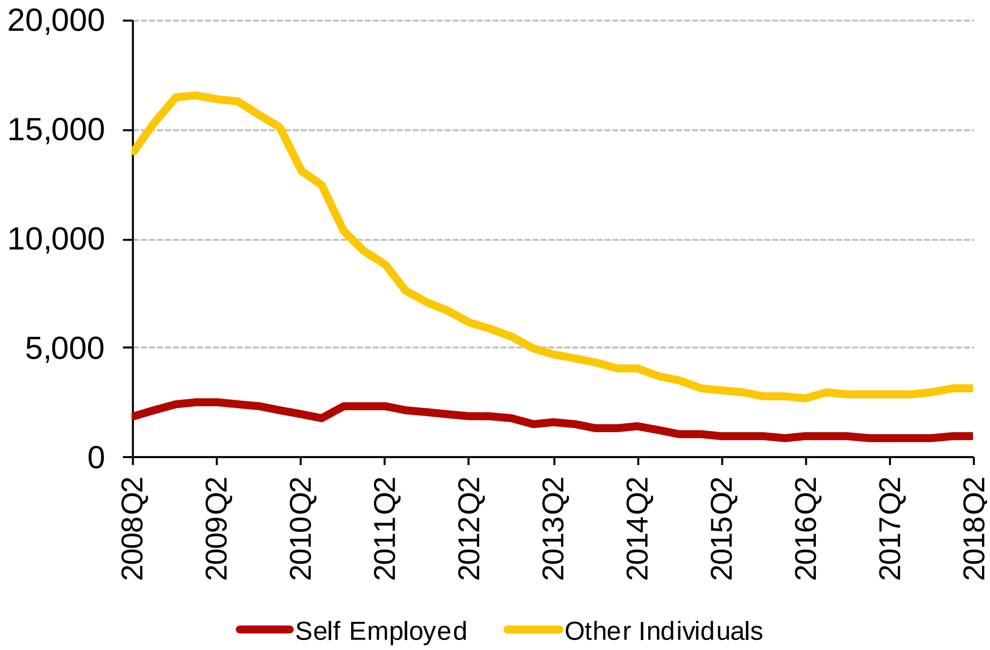
The [Ministry of Justice] publishes quarterly National Statistics on the total number of bankruptcy petitions presented to court in England and Wales.

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 Q3 2018, 3,266 bankruptcies were made on the application of the debtor, which was 3.5% higher than the previous quarter and 11.9% higher than the same quarter in 2017. From 6 April 2016 there was a change to the process for people making themselves bankrupt, which has removed the courts involvement. 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 paid in instalments.

There were 934 creditor petition bankruptcies in Q3 2018, which was 0.7% lower than the previous quarter but 16.0% higher than the same quarter in 2017. In 2015 there was 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. This change has led to a decrease in the number of creditor petition bankruptcies.

Figure 11: 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.

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.

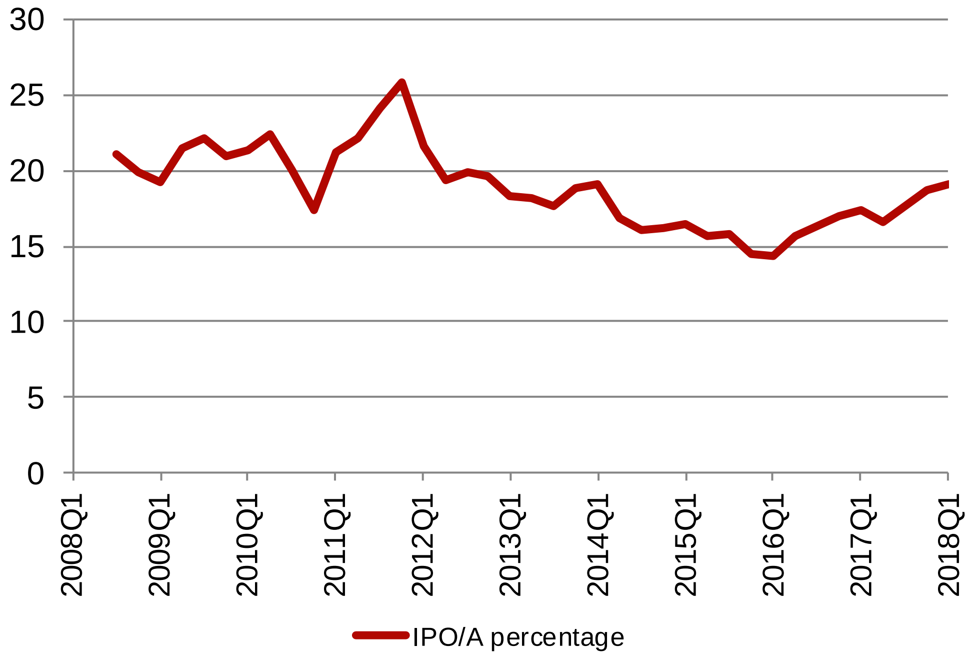
For any particular quarter, seasonally adjusted figures for self employed and other bankruptcies will not sum to the seasonally adjusted figure for total bankruptcies. This is because they have been adjusted separately using different models. Over a calendar year, the totals will match because of the 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 Q2 2018, there were 932 bankruptcies where the individual was self-employed, which was 1.1% lower than Q1 2018 but 6.5% higher than Q2 2017. This has been largely flat since Q2 2015.

There were 3,149 bankruptcies among other individuals in Q2 2018, a decrease of 0.7% compared with the previous quarter but 9.1% higher than the same quarter of the previous year.

Figure 12: Percentage of bankruptcies in England and Wales resulting in income payment agreements / orders
(quarterly data, seasonally adjusted)



Source: Insolvency Service.

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

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.

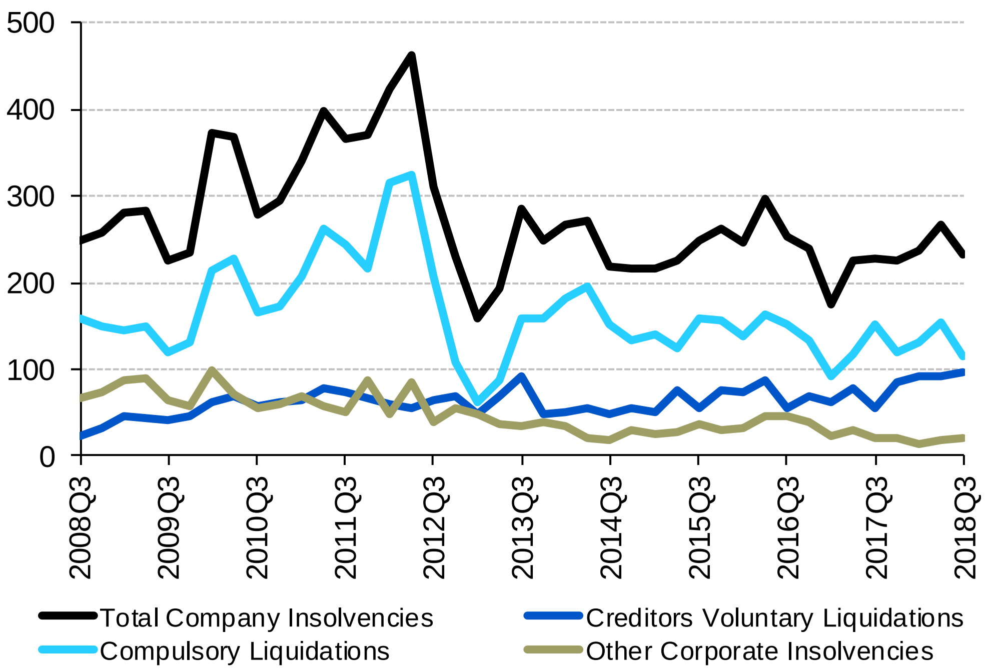
These statistics are presented with a lag of two quarters on most other statistics in this release, because it can take a number of months for income payment agreements (IPAs) or income payment orders (IPOs) to be made. In Q1 2018, 795 bankruptcy orders made resulted in an IPA or IPO (19.2% of total bankruptcies), which was an increase of 11.6% compared with Q4 2017. There has been a general rising trend in IPAs since Q1 2016 with increases in seven of the following eight quarters.

4 Insolvency in Scotland

4.1 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 13: Company insolvencies in Scotland
(quarterly data, not seasonally adjusted)



Source: Companies House.

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

Explanation of key terms

See section 2 (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.

In Q3 2018, there were 232 total company insolvencies, an increase of 1.3% compared to Q3 2017. Of these, 212 were company liquidations, which was a 1.9% increase on the same quarter of 2017.

In Q3 2018, there were 116 compulsory liquidations, a 23.7% decrease since Q3 2017.

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.

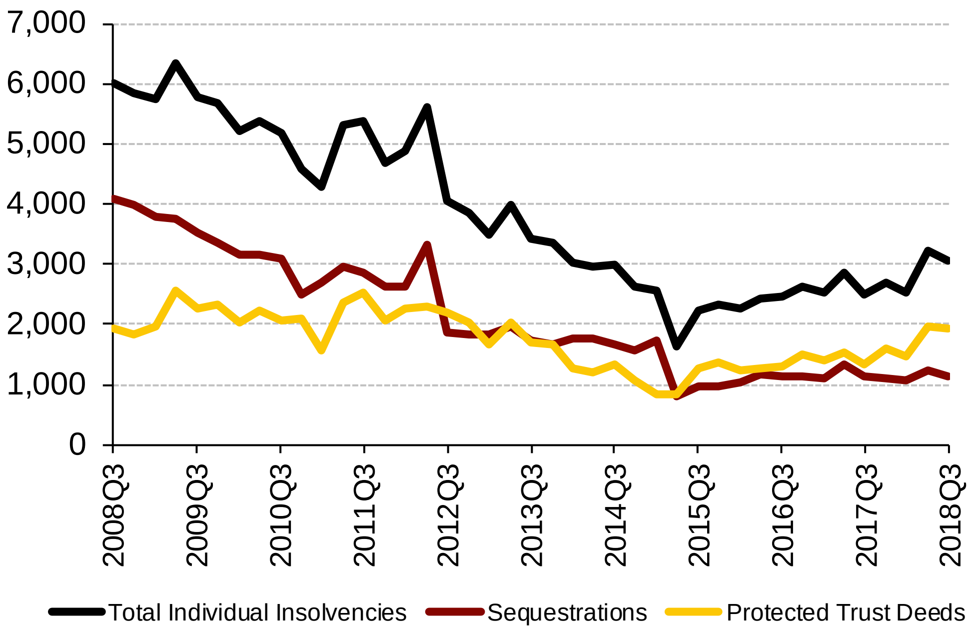
There were 96 CVLs in Q3 2018. The number of CVLs has been increasing as both an absolute number and proportion of all company liquidations in Scotland.

There were 17 administrations in Q3 2018, three company voluntary arrangement and no receivership appointments during this period.

4.2 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 14: 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 Q3 2018, there were 3,067 individual insolvencies in Scotland, which was 23.0% higher than in Q3 2017.

There were 1,150 sequestrations in Q3 2018, an increase of 0.3% compared to Q3 2017. Of these, 551 people went into sequestration via the Minimal Asset Process route.

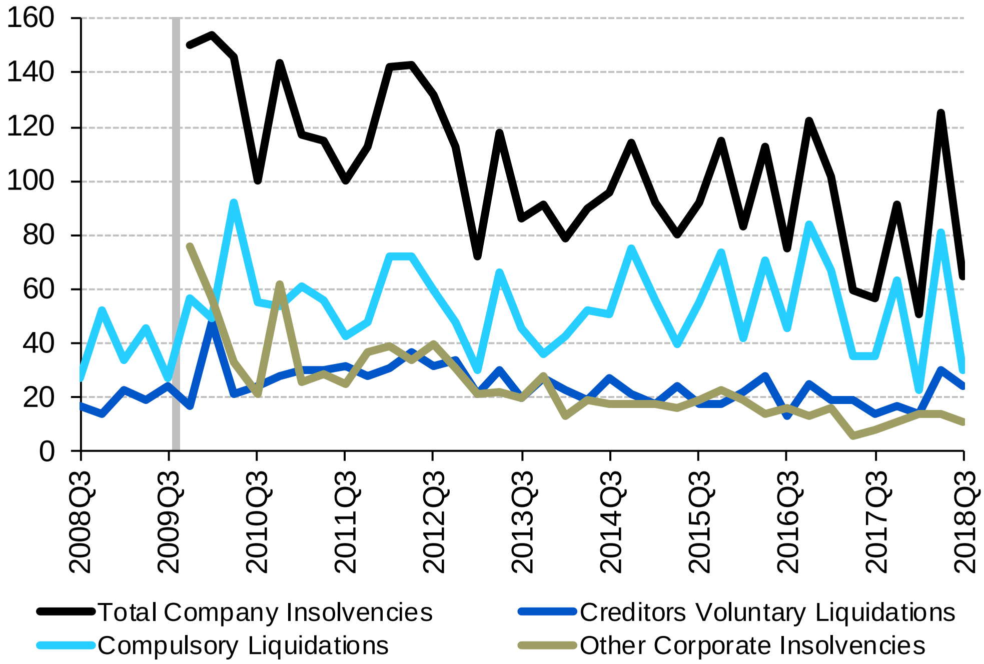
In Q3 2018, there were 1,917 Protected Trust Deeds (PTDs), an increase of 42.3% compared with Q3 2017.

5 Insolvency in Northern Ireland

5.1 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 15: Company insolvencies in Northern Ireland
(quarterly data, not seasonally adjusted)



Sources: Department for the Economy, 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.

Explanation of key terms

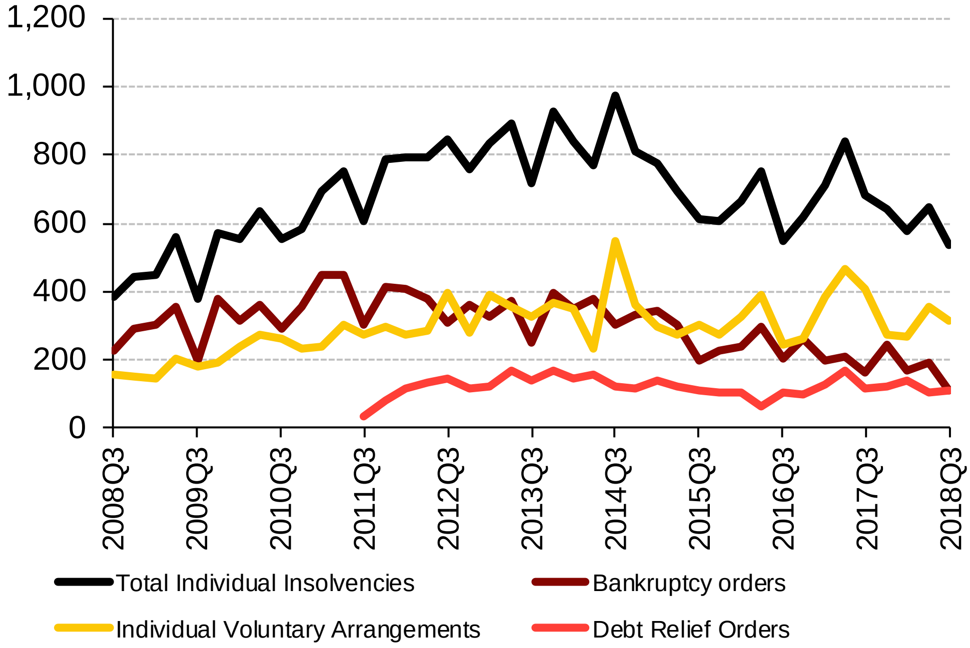
See section 2 (company insolvency in England and Wales) for further information.

There were 65 company insolvencies in Northern Ireland in Q3 2018, 14.0% higher than the same quarter in 2017. Of these, 30 were compulsory liquidations (down from 35 in Q3 2017), and 24 were creditors' voluntary liquidations (CVLs, up from 14 in Q3 2017). There were six administrations, four company voluntary arrangements and one administrative receivership in Q3 2018.

5.2 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 16: Individual insolvencies in Northern Ireland
(quarterly data, not seasonally adjusted)



Source: Department for the Economy, 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 £20,000 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 536 individual insolvencies in Northern Ireland in Q3 2018, a decrease of 21.6% compared with the same quarter in 2017.

In Q3 2018 there were 112 bankruptcies, down 30.9% on the same quarter last year. There has been a general downward trend in the number of bankruptcies per quarter since Q4 2016. This coincided with 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 30 November 2016.

There were 313 IVAs, a decrease of 23.5% on the same quarter last year.

There were 111 DROs, down 1.8% on the same quarter last year. A change to eligibility criteria was introduced on 30 November 2016 with DROs becoming available to people with up to £20,000 debt (up from £15,000) and £1,000 assets (up from £300).

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.

6 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 and projections 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 2017 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. 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 April 2018. 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 statistics for 2000 to 2015 were sourced from 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.

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 it was registered on the administrative recording system, not on the date of the order or agreement of the insolvency procedure. The implication of this is that the published figures will not 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 after Q2 2011; and debt relief orders. 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 quarterly official statistics on company insolvencies registered. These are not consistent with the *Insolvency Statistics*, because of 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, and in the Guide to Insolvency Statistics.

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.

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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