



# Individual Insolvency Statistics, Q4 October to December 2019

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## We are seeking feedback

We endeavour to provide the most accurate and timely statistical information to meet our user's needs.

As such, we are proposing to incorporate some of the age and gender insolvency statistics included in our annual [Individual Insolvency Statistics by Location, Age and Gender](#) publication into this quarterly release. This will mean age and gender statistics will be available each quarter and therefore, on a more timely basis than is currently available.

Additionally, we are modernising our production processes.

As part of this, for some series, this could mean revisions further back in time than is currently set out in our [revisions policy](#) and subsequently will mean changes to the policy. This will also mean improvements to the format of our data tables.

Specifically, for individual voluntary arrangements and debt relief orders we are exploring changing our data source. This will mean some revisions to our back series. The revisions will be published when the changes are implemented.

Feedback on these proposals is welcomed at [statistics@insolvency.gov.uk](mailto:statistics@insolvency.gov.uk).



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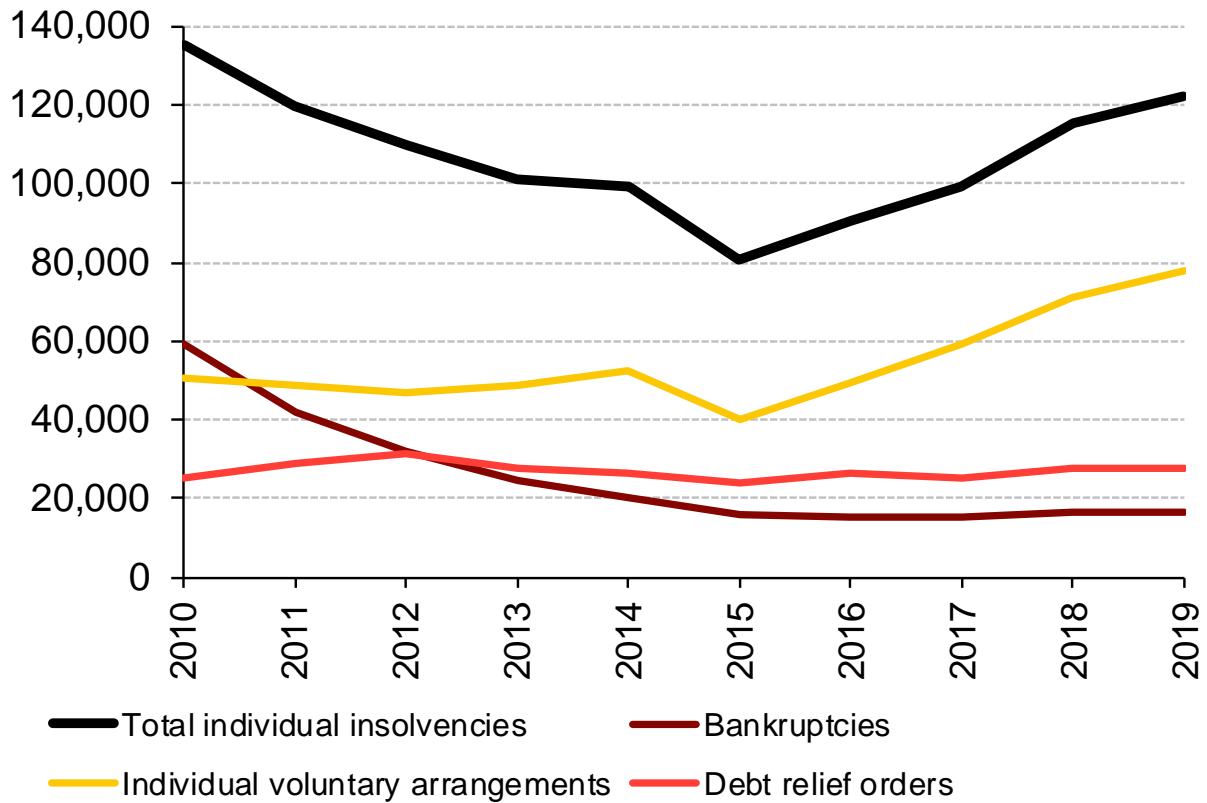
# 1. Main messages for England and Wales

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

## Main messages for 2019

- In 2019, total individual insolvencies increased to their highest annual level since 2010.
- This was largely driven by an increase in individual voluntary arrangements which reached their highest year on record.
- Bankruptcies increased slightly compared to 2018 while debt relief orders decreased slightly.

**Figure 1: Total individual insolvencies increased for the fourth consecutive year**  
England and Wales

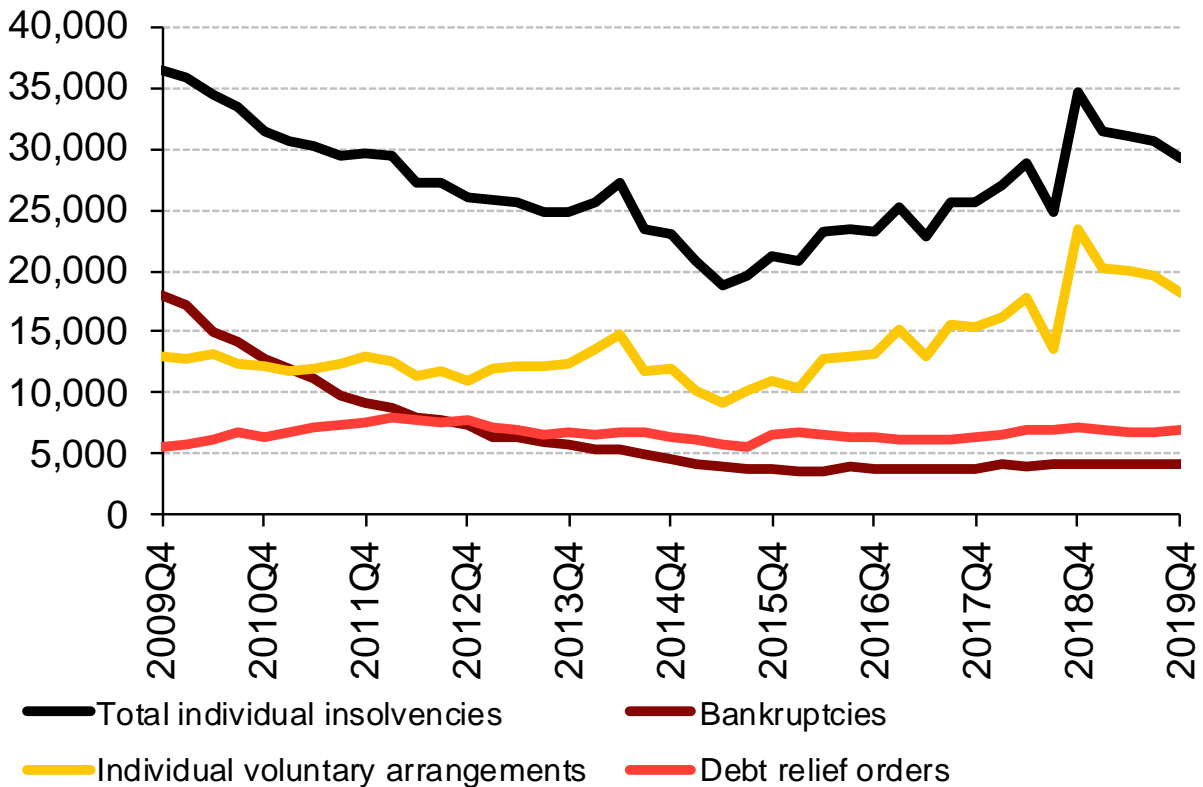


### Main messages for Q4 2019

- Total individual insolvencies decreased in Q4 2019 compared with Q3 2019.
- This was mainly driven by a decrease in individual voluntary arrangements though levels remain elevated.
- Debt relief orders increased in Q4 2019 in comparison to the previous quarter while bankruptcies decreased slightly.

**Figure 2: Total individual insolvencies decreased in Q4 2019, driven by a fall in individual voluntary arrangements**

England and Wales, seasonally adjusted.



## 2. Things you need to know about this release

This statistics release contains the latest data on individual insolvency (people who are unable to pay debts and enter formal procedures).

### Coverage

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

### Methodology and key terms

Table 1: Key terms used in the publication

<b>Individual voluntary arrangements (IVAs)</b>	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.
<b>Debt relief orders (DROs)</b>	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.
<b>Bankruptcy</b>	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. Bankruptcies result from either <b>Debtor application</b> – where the individual is unable to pay their debts, and applies online to make themselves bankrupt, or <b>Creditor petition</b> – if a creditor is owed £5,000 or more (£750 before October 2015), they can apply to the court to make an individual bankrupt. These statistics relate to petitions where a court order was made as a result, although not all petitions to court result in a bankruptcy order.
<b>Sequestration</b>	Fulfils much the same role in Scotland as bankruptcy in England and Wales.
<b>Protected trust deeds</b>	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.



### **Seasonal adjustment**

To aid analysis between quarters the figures are seasonally adjusted to minimise the effect of the time of year and provide a true picture of the trends in insolvency. *Insolvency Statistics Seasonal Adjustment Review – April 2019* provides more information on seasonal adjustment which can be found [here](#).

### **Detailed information**

Detailed methodology and quality information for all insolvency service statistical releases are available [here](#).

### 3. In 2019, total individual insolvencies increased to their highest annual level since 2010

Total individual insolvencies increased for the fourth consecutive year to 122,181, a rise of 6.0% compared to 2018. This was largely driven by a 9.8% increase in IVAs to 77,982, the highest annual level of IVAs recorded since their introduction in 1987.

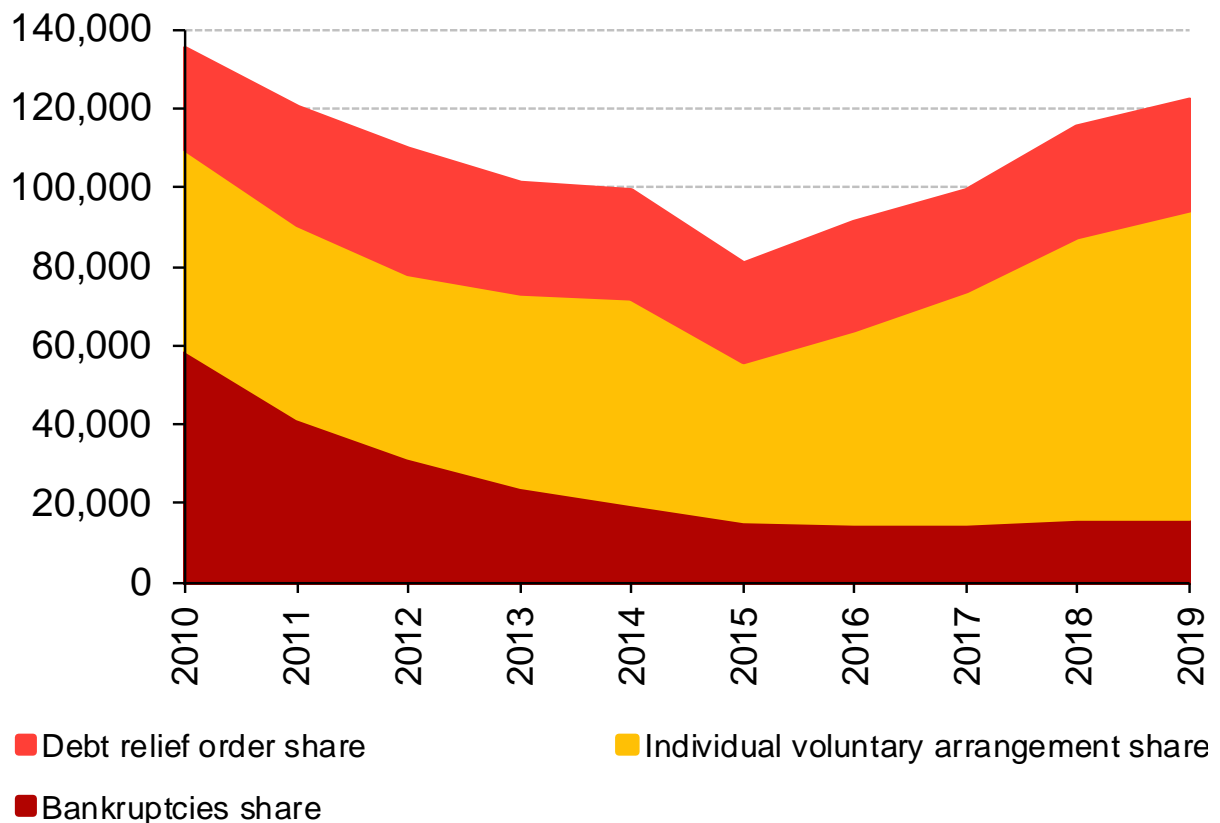
There was a 0.6% increase in bankruptcies between 2018 and 2019, to 16,702. Despite this rise, bankruptcies remain low. After reaching a peak of 74,670 in 2009 they fell year on year until 2016 when there reached 15,044.

DROs fell 0.7% in 2019 to 27,497. After their introduction in 2009, DROs increased to 31,179 in 2012 but subsequently stabilised between 24,000 and 28,000 annually.

In 2019 IVAs accounted for 63.8% of all individual insolvencies in contrast to 2010 when only 37.5% of all insolvencies were IVAs. Over the same period bankruptcies have become less common, falling from over the same period from 43.8% of all individual insolvencies in 2010 to 13.7% in 2019.

**Figure 3: Since 2010 individual voluntary arrangements have become the most common type of individual insolvency while bankruptcies have become the least common**

England and Wales





There were 29,261 individual insolvencies in Q4 2019, 4.3% lower than in Q3 2019. In comparison to the same quarter in 2018 there has been a decrease of 15.6%.

**Table 2: In Q4 2019, individual voluntary arrangements have driven the decrease in total individual insolvencies**

England and Wales, seasonally adjusted

	Total individual insolvencies	Bankruptcies	Debt relief orders	Individual voluntary arrangements
Q1 2018	26,996	4,157	6,551	16,288
Q2 2018	28,822	4,061	6,999	17,762
Q3 2018	24,813	4,169	7,012	13,631
Q4 2018	34,688	4,214	7,121	23,353
Q1 2019	31,367	4,188	6,965	20,214
Q2 2019	30,988	4,251	6,778	19,959
Q3 2019	30,565	4,146	6,807	19,612
Q4 2019	29,261	4,118	6,947	18,197
2018	115,319	16,602	27,683	71,034
2019	122,181	16,702	27,497	77,982

The fall in individual insolvencies in Q4 2019 was mainly driven by a decrease in individual voluntary arrangements. They decreased by 7.2% to 18,197 compared with Q3 2019. Bankruptcies fell slightly, decreasing by 0.7% to 4,118. The fall in individual insolvencies was partially offset by DROs which increased by 2.0% compared to Q3 2019.

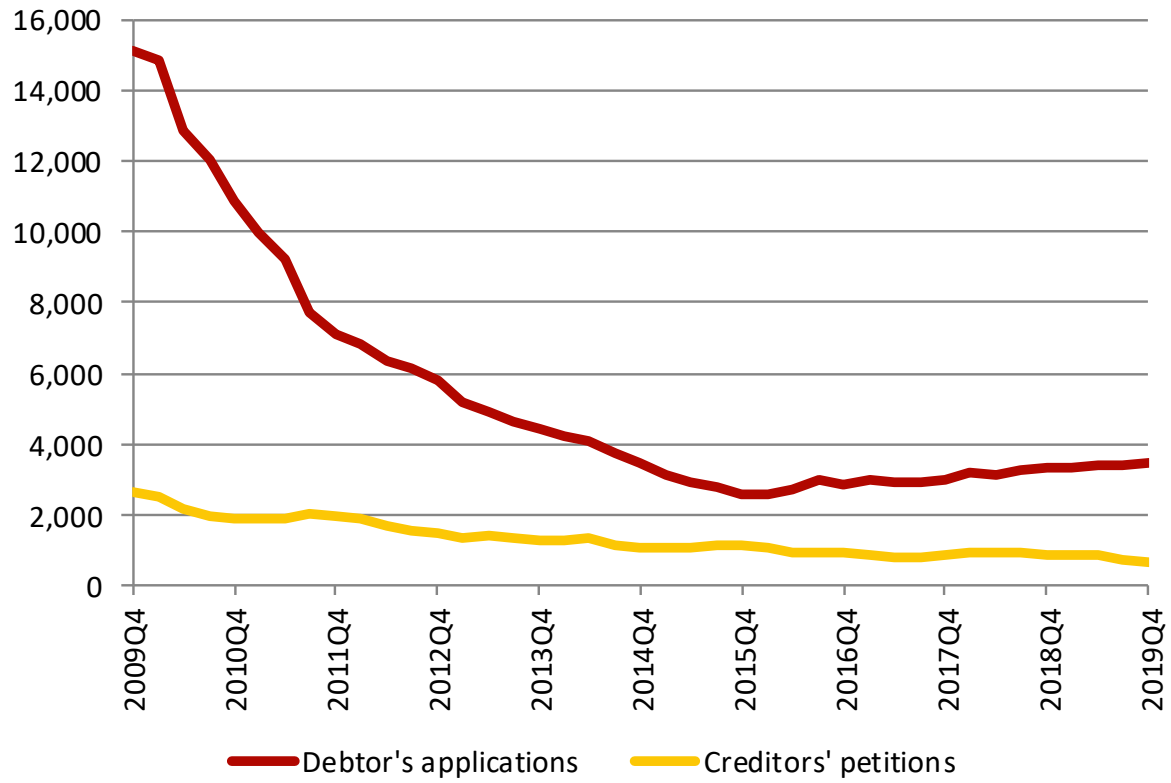
Unlike DROs and bankruptcies, many IVAs are supervised by licensed insolvency practitioners working for firms that specialise in this area and changes in volumes in these firms may be due in part to changes in how these firms operate. Between Q1 2016 and Q4 2019 53.8% of all IVAs have been accounted for by the largest 3 such firms. Changes within a handful of companies can change volumes significantly and cause volatility in any individual quarter. Therefore, it is particularly important to consider longer term trends when making assessments of individual voluntary arrangements.

For more information on IVAs see our [Individual Voluntary Arrangement Outcomes and Providers, 2019](#) release.

In Q4 2019 there were 3,447 bankruptcies made from debtor's application, up 1.4% from Q3 2019. There were 664 bankruptcies made on creditors' petitions, a fall of 9.2% in comparison to Q3 2019. In comparison to the same period last year debtors' applications increased by 2.8% while creditors' petitions fell by 21.2%



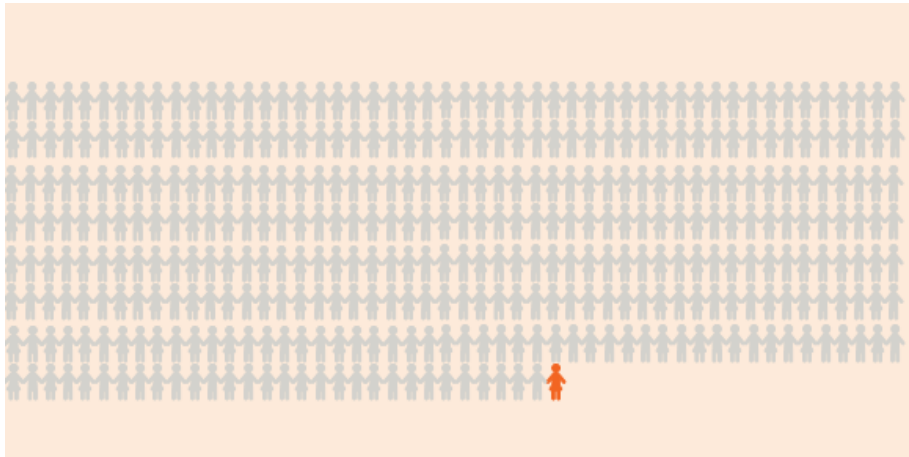
**Figure 4: Bankruptcies made by debtor's application have increased in 6 of the last 8 quarters but remain low**  
England and Wales, seasonally adjusted



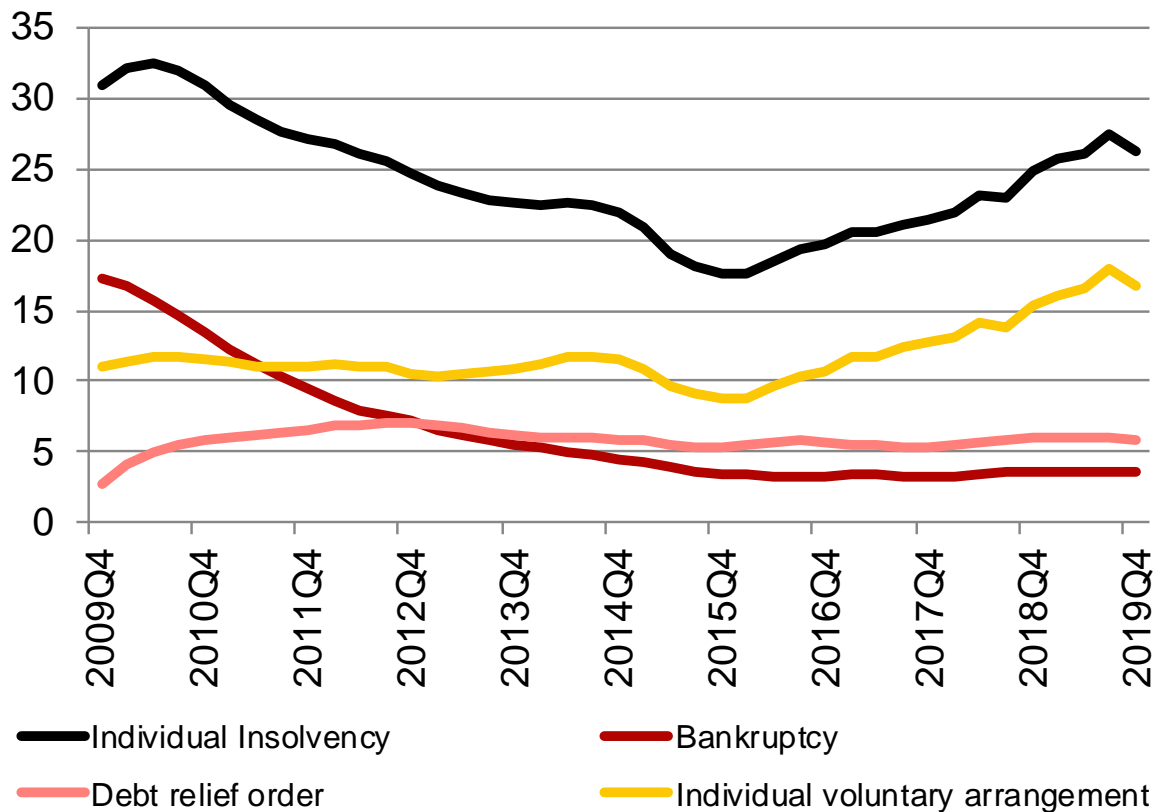
#### 4. The insolvency rate decreased in the 12 months ending Q4 2019

Unlike an absolute number of insolvencies over a period, the insolvency rate gives an indication of the probability of an individual becoming insolvent in the previous 4 quarters.

**Figure 5: In the 12 months ending Q4 2019, 1 in 381 adults became insolvent**  
England and Wales, 4-quarter rolling rate



**Figure 6: The decrease in individual insolvency rate was driven by a decrease in the individual voluntary arrangement rate**  
England and Wales, 4-quarter rolling rate per 10,000 adults





In the 12 months ending Q4 2019, for every 10,000 adults in England and Wales, 26.2 entered insolvency. This was down from 27.4 per 10,000 in the 12 months ending Q3 2019.

The IVA insolvency rate decreased to 16.8 per 10,000 in the 12 months ending Q4 2019, from 17.9 per 10,000 in the 12 months ending Q3 2019. This was primarily due to a particularly high volume of individual voluntary arrangements in Q4 2018. In the 12 months ending Q4 2019, bankruptcy and DRO rates remained the same in comparison to last quarter at 3.6 and 5.9 per 10,000 respectively.

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. Since 2015, the insolvency rate has increased due to an increase in the IVA insolvency rate. More information on long term trends can be found in the csv file accompanying this release.

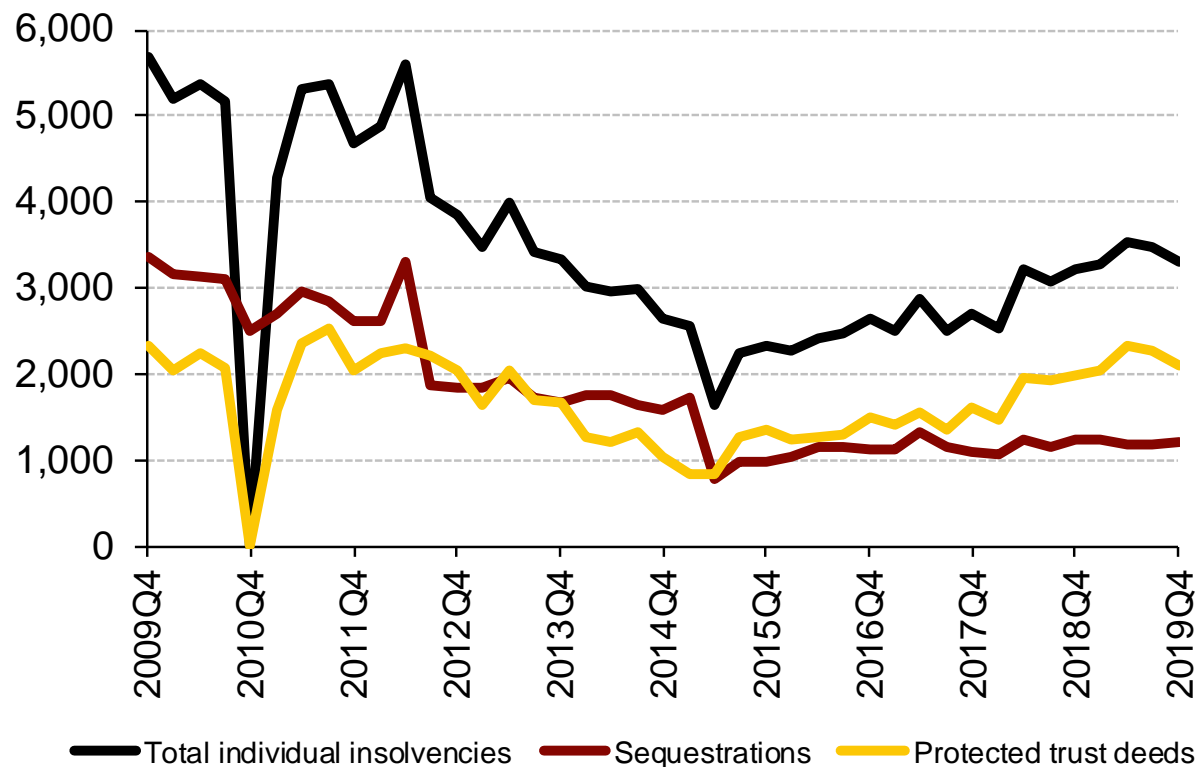
## 5. Individual insolvency in Scotland

Legislation relating to individual insolvency in Scotland is devolved. The **Accountant in Bankruptcy**, Scotland's Insolvency Service, administers individual insolvency in Scotland.

- There were 3,312 individual insolvencies in Scotland Q4 2019.
- This was an increase of 3.1% compared to the same quarter of the previous year.

**Figure 7: Total individual insolvencies increased in Q4 2019 compared to Q4 2018**

Scotland, non-seasonally adjusted



In Q4 2019, there were 3,312 total individual insolvencies in Scotland, a 3.1% increase on the same quarter of 2018. This comprised 1,214 sequestrations (of which 529 went into sequestration via the minimal asset process route) and 2,098 protected trust deeds.

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

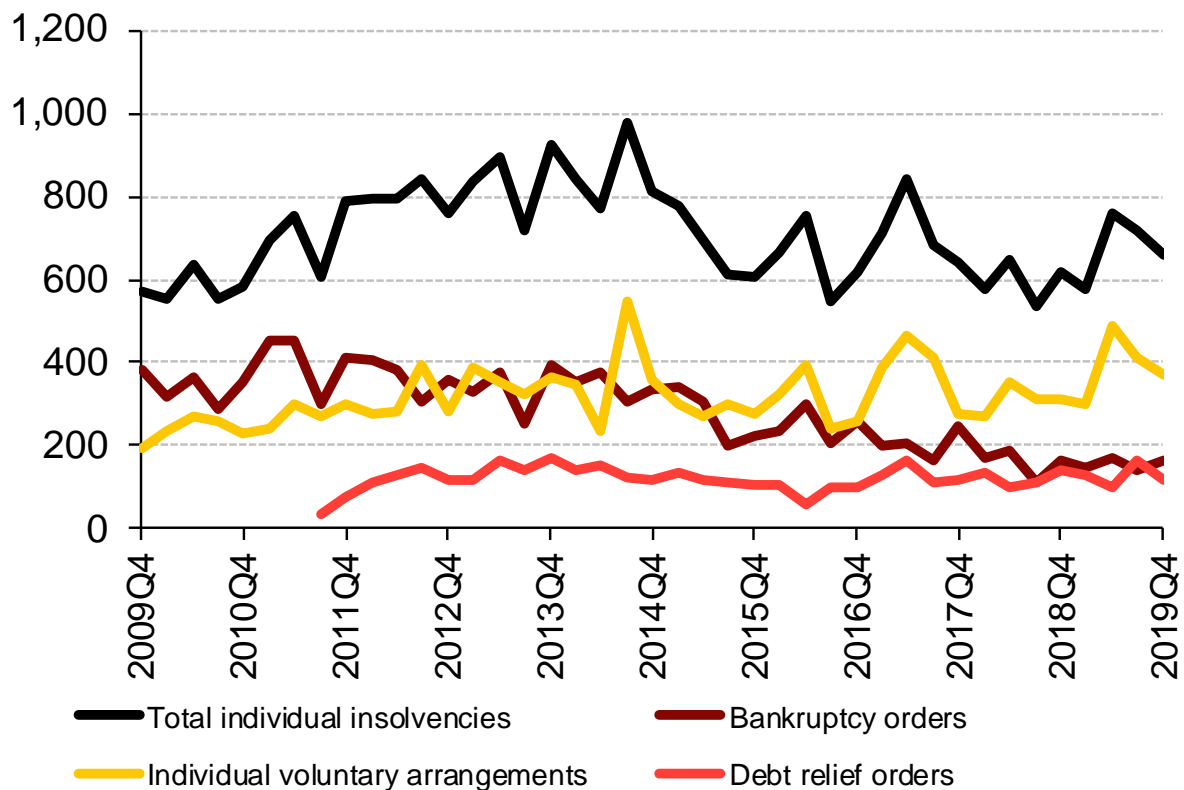
## 6. Individual insolvency in Northern Ireland

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

- There were 656 individual insolvencies in Northern Ireland in Q4 2019
- This was an increase of 6.7% compared with the same quarter of the previous year.

**Figure 8: Total individual insolvencies increased in Q4 2019 compared to Q4 2018**

Northern Ireland, non-seasonally adjusted



In Q2 2019 there were 656 insolvencies, up 6.7% on the same quarter of 2018. This comprised 372 IVAs, 164 bankruptcies and 120 DROs.



## 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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