

Company insolvency statistics, Q4 October to December 2019

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Media enquiries

Michael Gibbs
+44 (0)20 7637 6304

Statistical enquiries

Michael McDaid (author)
statistics@insolvency.gov.uk
Neil Currie (responsible statistician)

We are seeking feedback

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

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.

Feedback on these proposals is welcomed at statistics@insolvency.gov.uk.



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1. Main messages for England and Wales

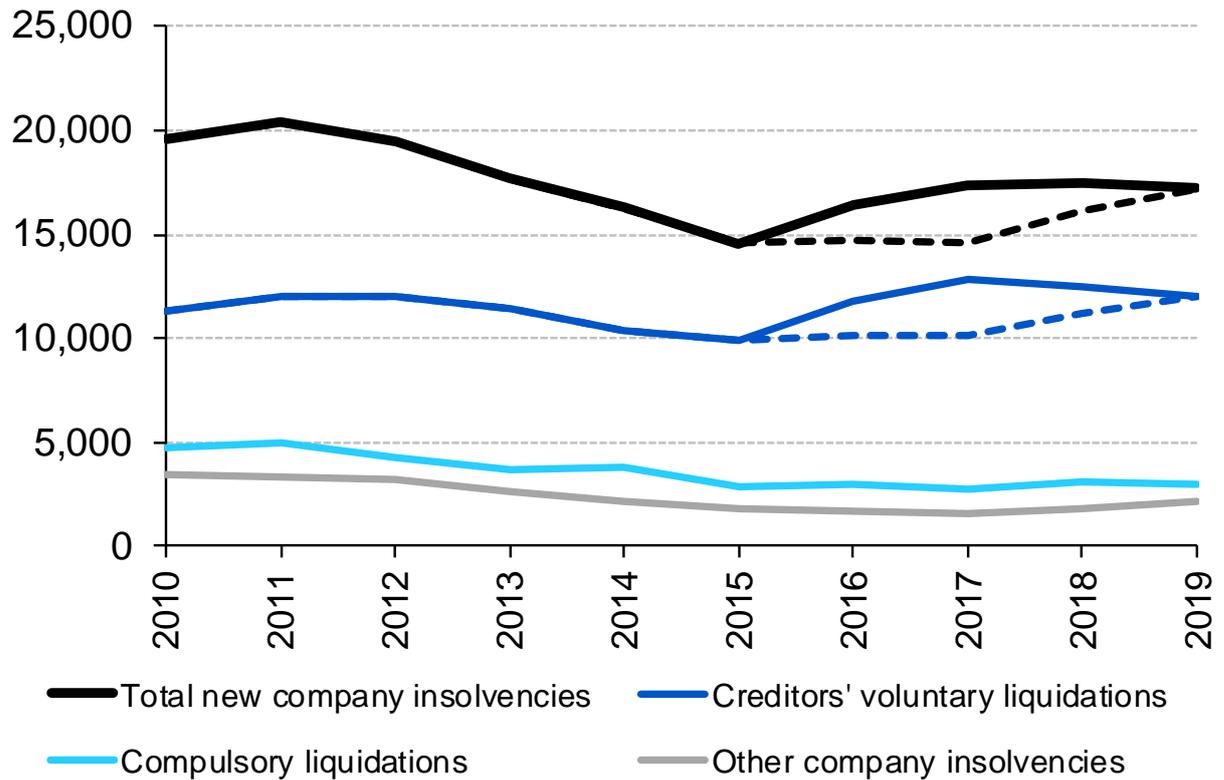
Statistics are presented separately for England and Wales; Scotland; and Northern Ireland because of differences in legislation and policy.

Main messages for 2019

- In 2019, underlying company insolvencies increased to their highest annual level since 2013.
- This was largely driven by an increase in underlying creditors' voluntary liquidations which reached their highest annual level since 2009.
- Administrations increased in 2019 compared to 2018 while compulsory liquidations decreased, and company voluntary arrangements were flat.

Figure 1: Underlying company insolvencies reached their highest annual level for 6 years primarily driven by creditors' voluntary liquidations

England and Wales, dashed lines exclude bulk insolvencies

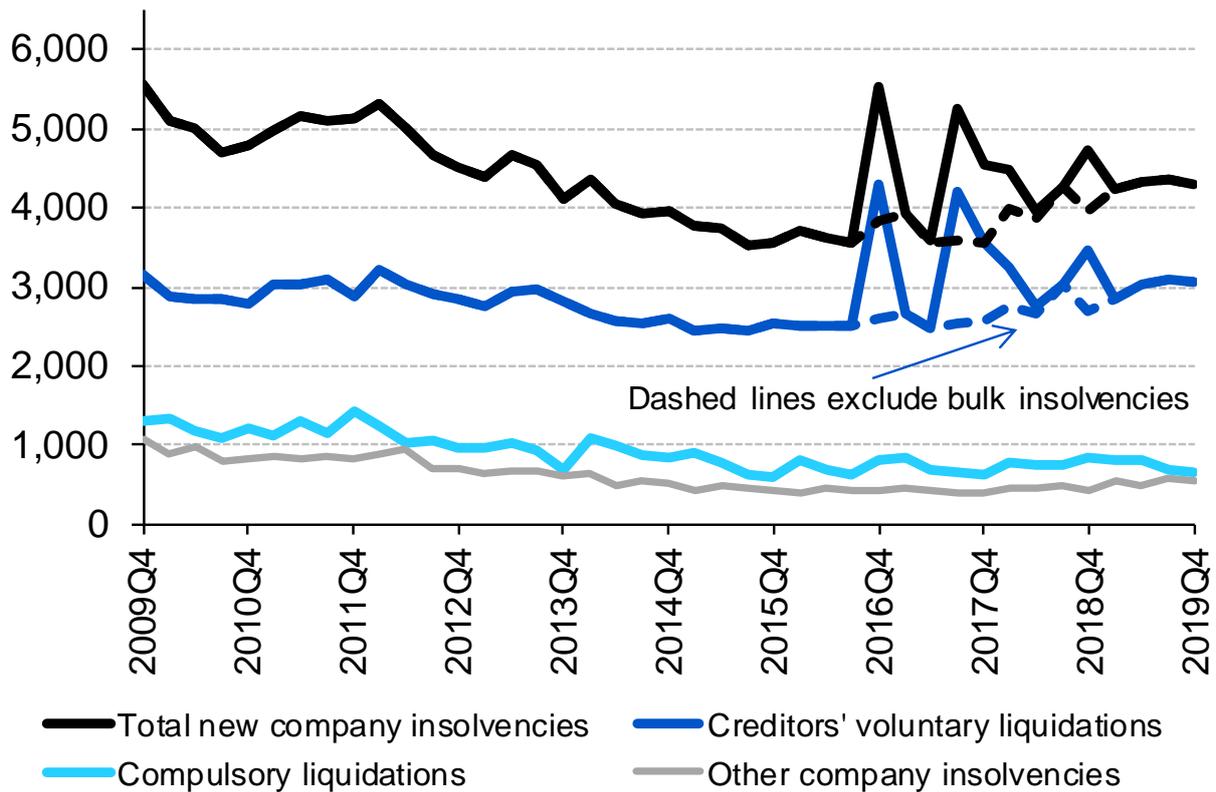


Main messages for Q4 2019

- Underlying company insolvencies decreased in Q4 2019 compared with Q3 2019.
- This was driven by decreases across all main types of company insolvency.
- Total insolvencies were higher in Q4 2019 compared with the same quarter of 2018.
- Compulsory liquidations have fallen for the fourth successive quarter.

Figure 2: Total company insolvencies decreased in Q4 2019 driven by decreases across all insolvency types

England and Wales, seasonally adjusted.





2. Things you need to know about this release

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).

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

Liquidation	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. Statistics on compulsory liquidations and creditors' voluntary liquidations are presented here. A third type of winding up, members' voluntary liquidation, is not included because it does not involve insolvency.
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.
Administration	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. A licensed insolvency practitioner, 'the administrator', is appointed to manage a company's affairs, business and property for the benefit of the creditors.
Company voluntary arrangement (CVA)	CVAs are another 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	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.

Bulk insolvencies and underlying numbers

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

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. Underlying company insolvencies increased to their highest annual level since 2013

There were 17,196 underlying company insolvencies in 2019, a 6.8% increase on 2018 and the highest level of underlying insolvencies since 2013. Both underlying CVLs and administrations increased from 2018: underlying CVLs increased by 8.2% to 12,060 and administrations by 24.0% to 1,814. This was the highest level of underlying CVLs since 2009 and the highest level of administrations since 2013.

Compulsory liquidation fell by 5.4% in 2019 to 2,970, while CVAs fell by 1.1% to 351. There was just one administrative receivership in 2019, unchanged from 2018.

CVLs have grown as share of all underlying company insolvencies since 2010 and now represent 70.1% of all underlying company insolvencies up from 57.9% in 2010. Over the same period, compulsory liquidations have fallen as share of all underlying insolvencies from 24.4% in 2010 to 17.3% in 2019. 10.5% of all underlying company insolvencies were administrations while 2.0% of insolvent companies entered insolvency via a CVA.

Figure 3: CVLs have grown as share of all underlying company insolvencies since 2010

England and Wales

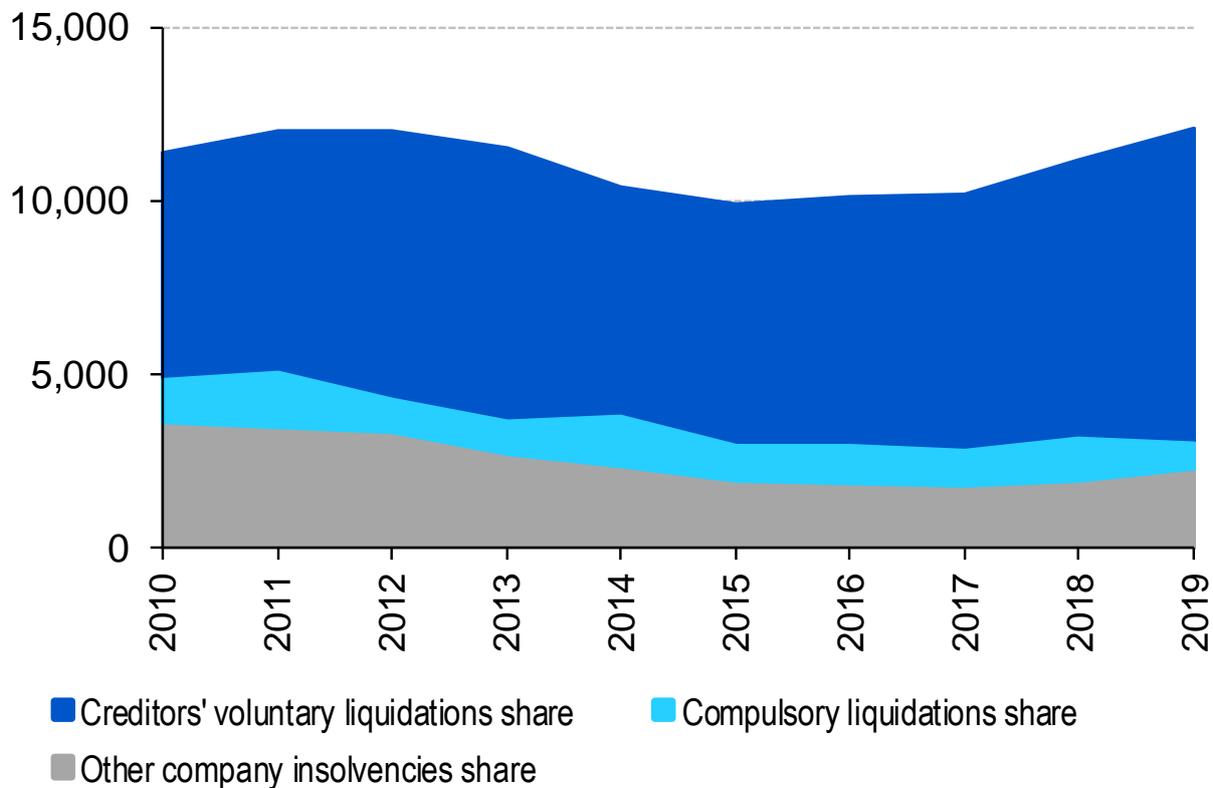


Table 2: The annual increase in total company insolvencies was driven by creditors' voluntary liquidations and administrations¹

England and Wales, seasonally adjusted

	Company insolvencies	Compulsory Liquidations	CVLs	Administrations	CVAs	Receiverships
2018Q1	4,003	783	2,758	359	102	1
2018Q2	3,863	760	2,661	348	94	0
2018Q3	4,274	752	3,045	382	94	0
2018Q4	3,965	845	2,682	373	65	0
2019Q1	4,220	822	2,849	456	93	0
2019Q2	4,328	797	3,039	401	92	0
2019Q3	4,363	690	3,099	484	89	1
2019Q4	4,284	661	3,073	474	77	0
2018	16,105	3,140	11,146	1,463	355	1
2019	17,196	2,970	12,060	1,814	351	1

1. Underlying insolvencies only – excludes bulk insolvencies. See Table 1 for more information.

After rising for three consecutive quarters between Q4 2018 and Q3 2019, total company insolvencies decreased by 1.8% in Q4 2019 to 4,284. Total company insolvencies are 8.1% higher than the same period last year

CVLs fell by 0.9% compared to Q3 2019 to 3,073. Despite the fall CVLs remain high in comparison to recent trends.

Compulsory liquidations decreased for the fourth successive quarter. In comparison to Q3 2019, they had decreased by 4.2% and compared to the same quarter of 2018 they had decreased by 21.8%. There were 77 CVAs in Q4 2019 compared with 89 in Q3 2019 and 65 in the same quarter of the previous year. Quarterly levels of CVAs have remained broadly stable for several years.

Administrations decreased by 2.1% in Q4 2019 to 474. Q3 2019 had been the highest level of administrations since Q1 2014. Administration remain high, 26.9% up on Q4 2018 and the second highest quarterly level in 6 years.

There were no administrative receiverships recorded in Q4 2019. The last quarter in which there was more than one receivership was Q2 2017. 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.

In Q4 2019, 71.7% of all company insolvencies were CVLs, 15.4% were compulsory liquidations and 12.9% were other types of company insolvency.

4. The underlying liquidation rate increased slightly in the 12 months ending Q4 2019

Unlike an absolute number of liquidations over a period, the liquidation rate gives an indication of the probability of a company entering liquidation in the previous 4 quarters.

Figure 4: In the 12 months ending Q4 2019, 1 in 238 companies were liquidated
England and Wales, 4-quarter rolling rate

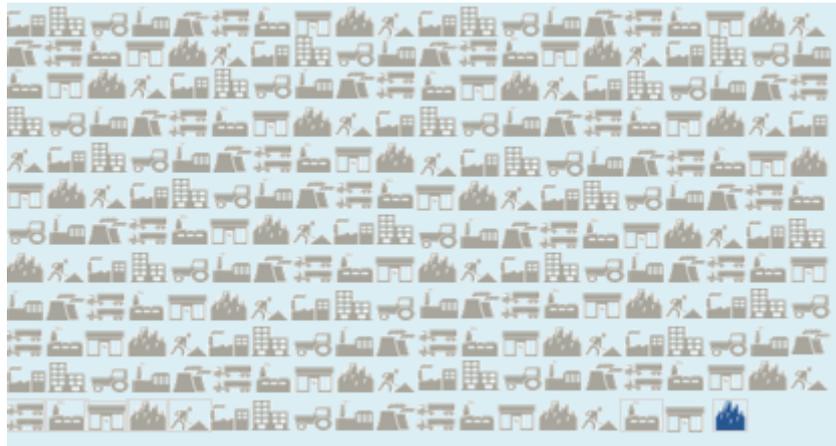
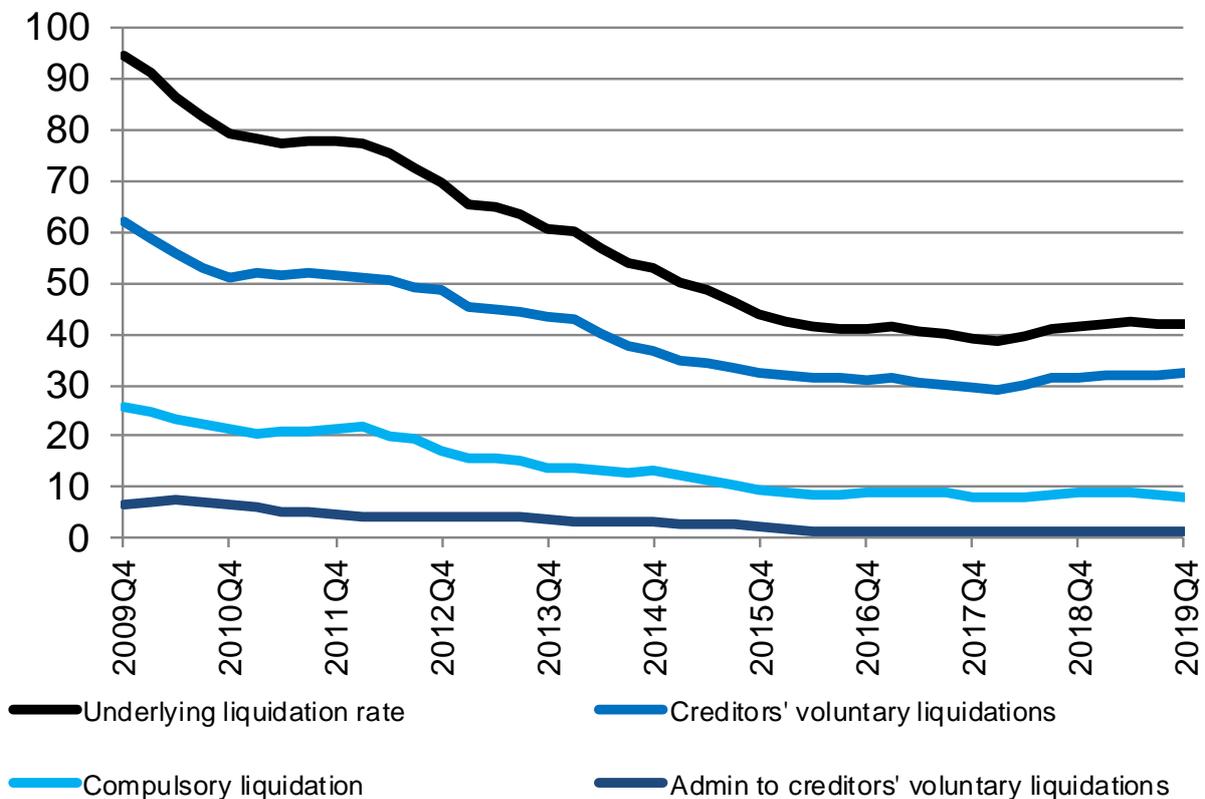


Figure 5: The underlying liquidation rate increased in Q4 2019 but remains low in comparison to historical trends

England and Wales, 4-quarter rolling rate per 10,000 active companies.



Excluding bulk insolvencies, in the 12 months ending Q4 2019, for every 10,000 active



companies in England and Wales, 42.0 were liquidated. This was slightly up from 41.8 per 10,000 in Q3 2019.

The creditors' voluntary liquidations rate increased to 32.6 per 10,000 in the 12 months ending Q4 2019, up from 31.9 per 10,000 in the 12 months ending Q3 2019. The compulsory liquidation rate fell from 8.6 per 10,000 in the 12 months ending Q3 2019 to 8.0 per 10,000 in the 12 months ending Q3 2019.

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 264.7 per 10,000 in the 12 months 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 94.8 per 10,000 active companies entered liquidation in the 12 months 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. More information on long term trends can be found in the csv file accompanying this release.

5. Insolvencies increased in the construction industry grouping

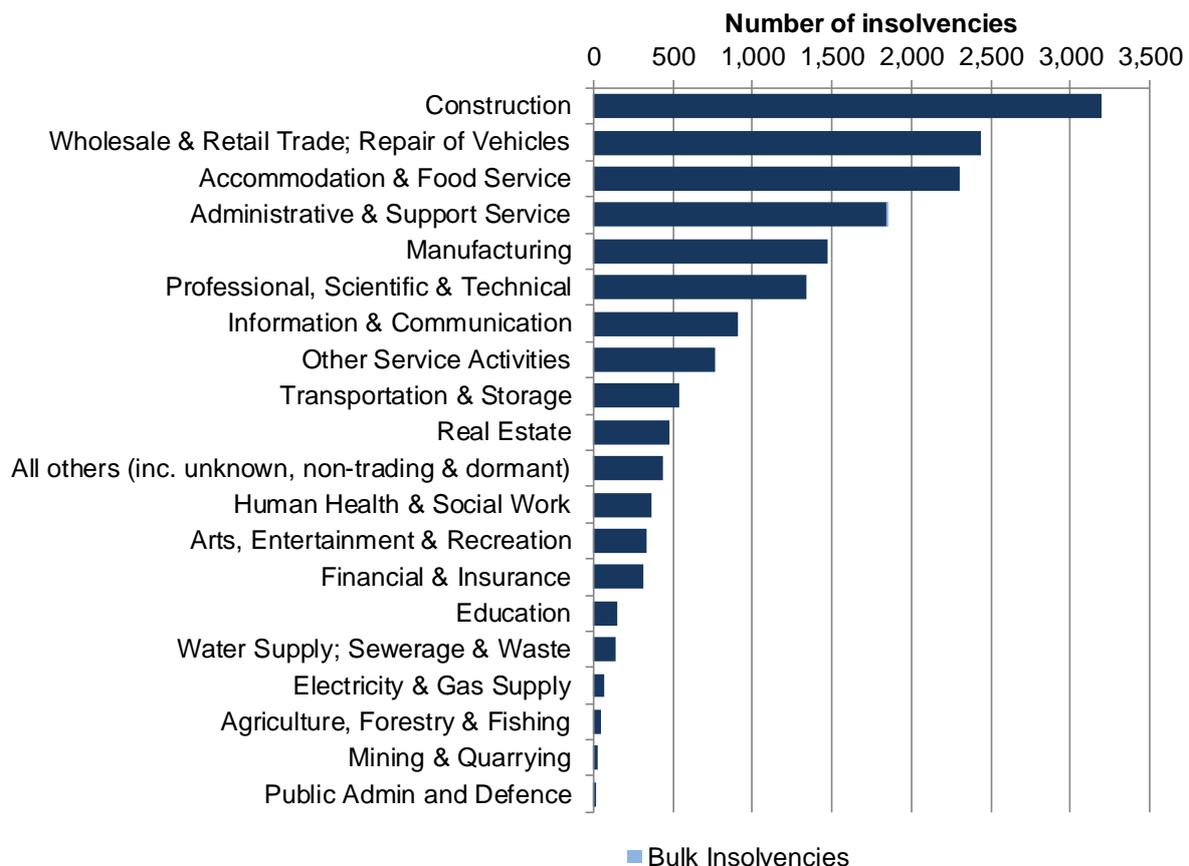
The following analysis excludes insolvencies where the company was unknown, non-trading or dormant and excludes bulk insolvencies.

Of the larger industry groupings, in the 12 months ending Q4 2019, the construction industry group saw the largest increase in underlying insolvency volumes (69 more, a 2.2% increase) compared with the 12 months ending Q3 2019. The information and communication services group saw the largest decrease in volumes (73 fewer, a 7.5% decrease) compared with the same period last year.

The highest number of new underlying company insolvencies was in the construction industry with 3,198 insolvencies; followed by the wholesale and retail trade, repair of vehicles industrial grouping with 2,442; and the accommodation and food services grouping with 2,307 insolvencies. There was only one bulk insolvency in the last 12 months, a late registration in Q1 2019.

Figure 6: The construction industry had the highest number of insolvencies in the 12 months ending Q4 2019

England and Wales, non-seasonally adjusted



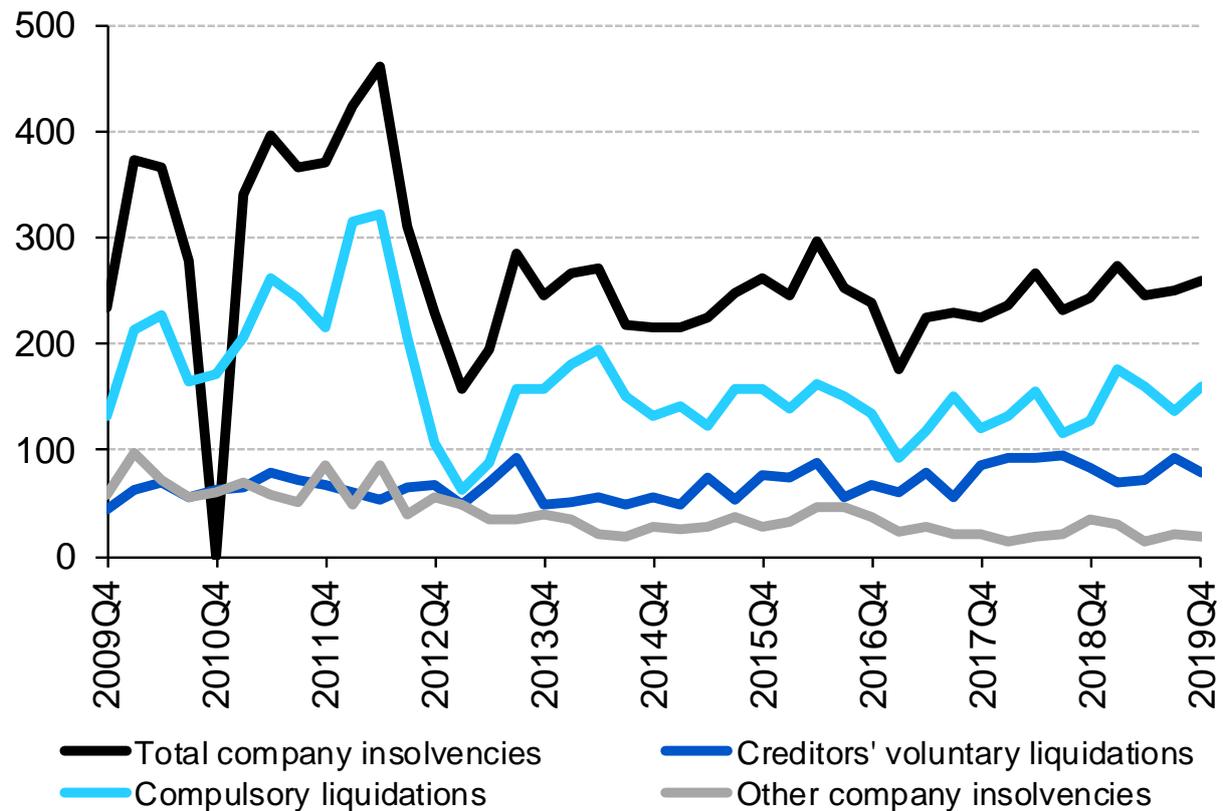
6. Company insolvency in Scotland

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

- There were 259 company insolvencies in Scotland Q4 2019
- This was an increase of 5.7% compared to the same quarter of the previous year.

Figure 7: Company insolvencies increased in Scotland in Q4 2019

Non-seasonally adjusted



In Q4 2019, there were 259 total insolvencies in Scotland, a 5.7% increase on the same quarter of 2018. This comprised 160 compulsory liquidations, 80 CVLs and 19 administrations. There were no company voluntary arrangements or receiverships.

The majority of company liquidations in Scotland are compulsory liquidations. This contrasts with 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.

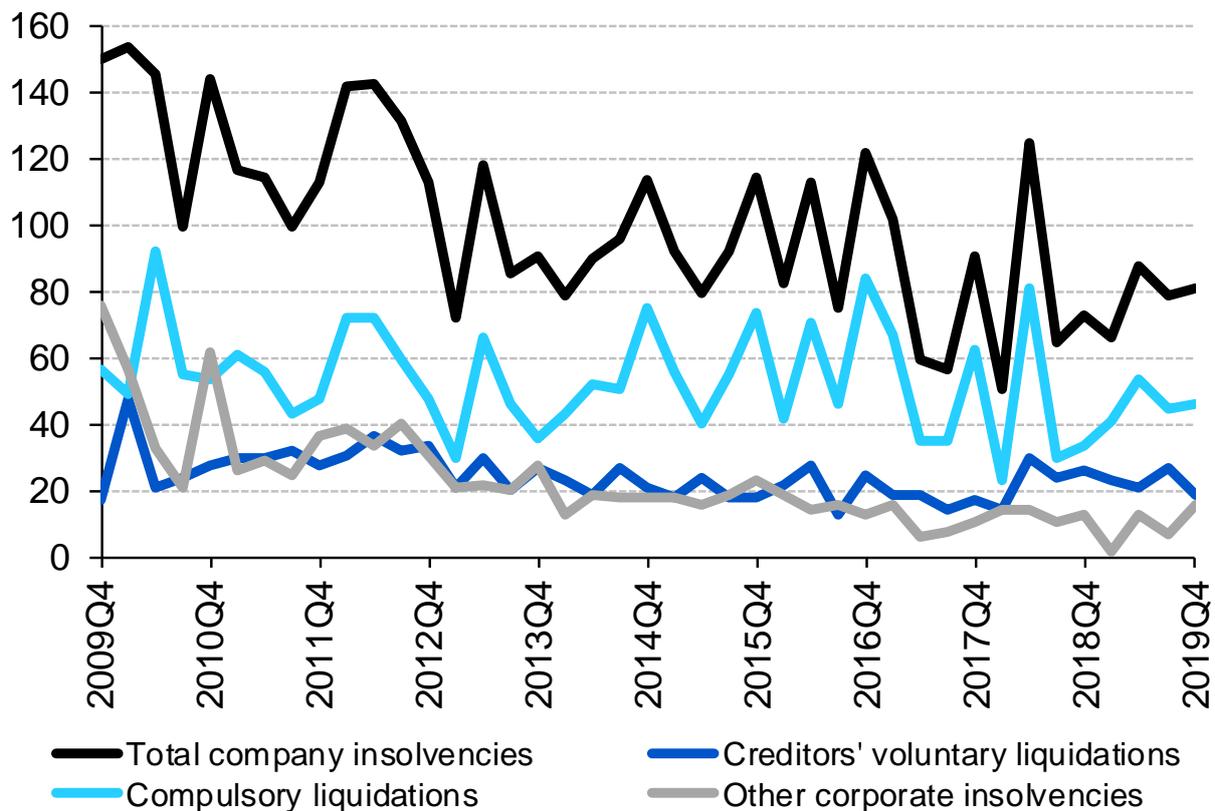
7. Company insolvency in Northern Ireland

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

- There were 114 company insolvencies in Northern Ireland in Q4 2019
- This was an increase of 56.2% compared with the same quarter of the previous year.

Figure 8: Total insolvencies increased in Northern Ireland in Q4 2019

Non-seasonally adjusted



There were 114 company insolvencies in Northern Ireland in Q4 2019, 56.2% higher than the same quarter in 2018. Of these, 79 were compulsory liquidations (up from 34 in Q4 2018), and 19 were CVLs (down from 26 in Q4 2018). There were 11 administrations and 5 CVAs but no administrative receiverships in Q4 2019.



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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