



The Insolvency
Service

Insolvency Service Enforcement Outcomes, 2019/20

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1. Main Messages

- The total number of director disqualifications increased in 2019/20 compared with 2018/19 while the average period of disqualification fell slightly.
- Fifty-two companies were wound up in the public interest, down 10 cases from the previous financial year.
- The number of bankruptcy and debt relief restrictions increased to their highest annual level since 2014/15.
- Over 6,800 former directors are currently disqualified and over 2,400 individuals are currently subject to bankruptcy and debt relief restrictions.
- The number of criminal convictions fell from 2018/19; 74 directors faced criminal charges which resulted in 66 convictions.

2. Things you need to know about this release

Criminal Charge Outcomes

For the first time, this year's annual release contains commentary on criminal charge outcomes. This data has been included in our monthly updates to our enforcement data tables since we published our tables relating to April 2019 on 14 May 2019. These statistics relate to individuals that have acted as the director of a company in England and Wales, or a company that has an interest in England and Wales and have been charged with a criminal offence as a result of the work of the Insolvency Service.

Coverage

The coverage of the statistics in this release differs throughout due to differences in legislation and policy across the United Kingdom. The geographic breakdown a particular series relates to is detailed throughout this commentary.

3. Director Disqualifications

These statistics relate to individuals that have acted as the director of a company in Great Britain, or a company that has an interest in Great Britain and have been disqualified as a result of the work of the Insolvency Service.

Restrictions imposed on an individual that has been disqualified from being a director include not being able to act as a director of a company in the United Kingdom or be involved in the promotion, formation or management of a company without permission from the court. Further details can be found in the [Guide to Insolvency Service Enforcement Outcomes](#).

These statistics do not represent the total number of director disqualifications obtained. Rather it represents the number of director disqualifications obtained as a result of the efforts of the Insolvency Service. [Companies House](#) maintains a record of all director disqualifications, including those presented here.

3.1. Disqualification Orders and Undertakings

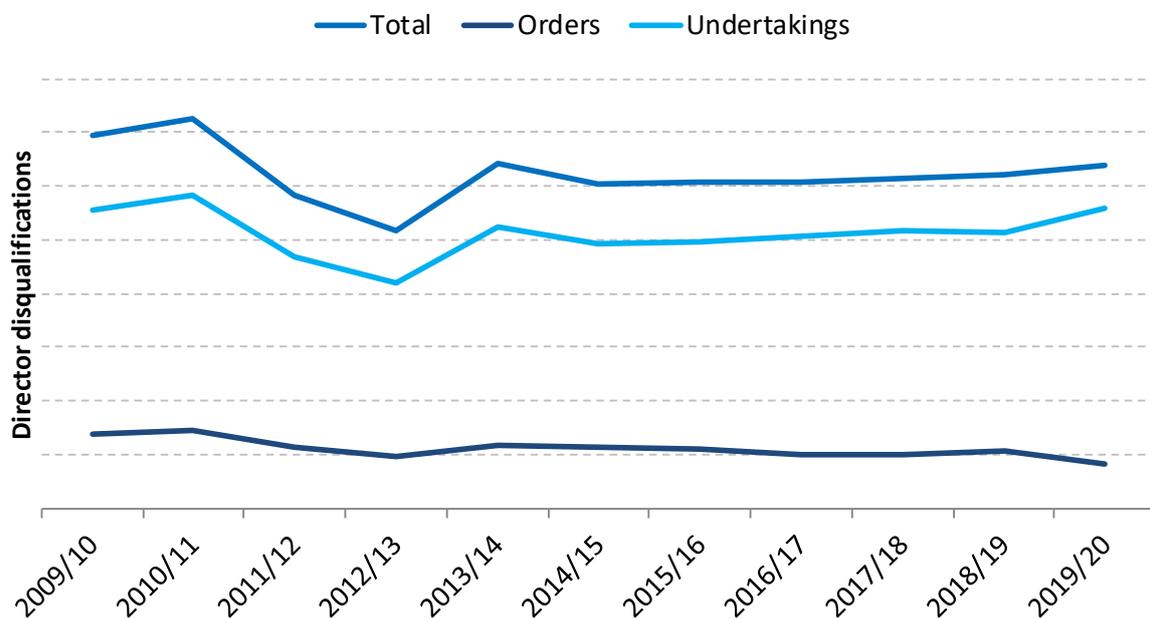
Disqualification Orders are made by the court under the Company Directors Disqualification Act 1986.

This applies to individuals formally appointed as a director and those deemed to have acted as a director even though they were not formally appointed.

If an individual accepts the allegations made against them, they can offer to enter into a disqualification undertaking. This has the same effect as an order but does not involve court proceedings.

Figure 1: Director Disqualification Orders and Undertakings, 2009/10 to 2019/20

Great Britain



The Insolvency Service obtained or had significant involvement in obtaining 1,280 disqualifications for the reporting year 2019/20, 3.0% higher than in 2018/19 (1,243 disqualifications). Of these, 1,116 (87.2%) were undertakings and 164 were obtained by court order. The proportion of undertakings is higher than the recent trends; historically, this has ranged from 80% to 84%.

3.2. Characteristics of Disqualification Orders and Undertakings

Section of the Act

A disqualifications order can be made under different sections of the Act, depending on the circumstances:

- section 2 following conviction for an indictable offence in relation to the promotion, formation, management, liquidations or striking off a company,
- section 6 for unfit conduct in relation to an insolvent company,
- section 8 where it is considered expedient in the public interest, arising from investigative material.

Section 6 and 8 disqualifications can be made as an order or undertaking. As section 2 disqualifications are made following a conviction, they are all orders.

Most director disqualifications are made in relation to insolvent companies (section 6 of the Company Directors Disqualification Act). In 2019/20, 1,196 disqualifications were made under this section an increase from 1,071 in 2018/19. This due to changes to internal processes to enable us to carry out more investigations within available resource

There were 43 disqualifications in 2019/20 made under section 2, where the Insolvency Service made a substantial contribution to the investigation, this is down from 61 disqualifications made under section 2 in 2018/19.

There were 41 disqualifications made under section 8 in 2019/20, down from 111 in 2018/19. Changes to legislation in 2015, broadened the scope of investigative material that can be used to bring a disqualification, for example information from other regulators, this led to an increase in disqualifications under section 8 and despite the fall the number of disqualifications under section 8 in 2019/20 it remains above pre- 2015 levels.

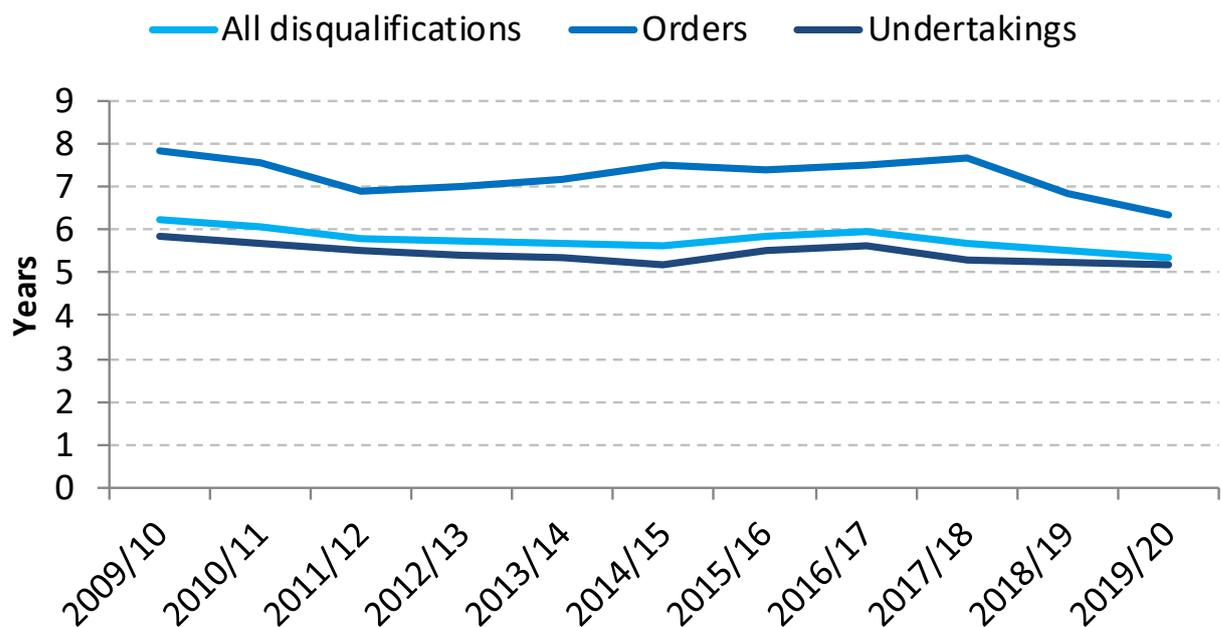
Length of Disqualification

The length of time that a disqualification order or undertaking can be enforced for is generally between 2 and 15 years. It is possible for section 2 and section 8 disqualifications to be enforced for up to 15 years (see [Guide to Insolvency Service Enforcement Outcomes](#))

Any breach of the restrictions during this time can result in prosecution, and if found guilty, the individual may be subject to a criminal penalty, such as a fine or imprisonment or can be made personally liable for the company’s debts incurred during the period of the breach.

Figure 2: Average Length of Director Disqualification Orders and Undertakings, 2009/10 to 2019/20

Great Britain

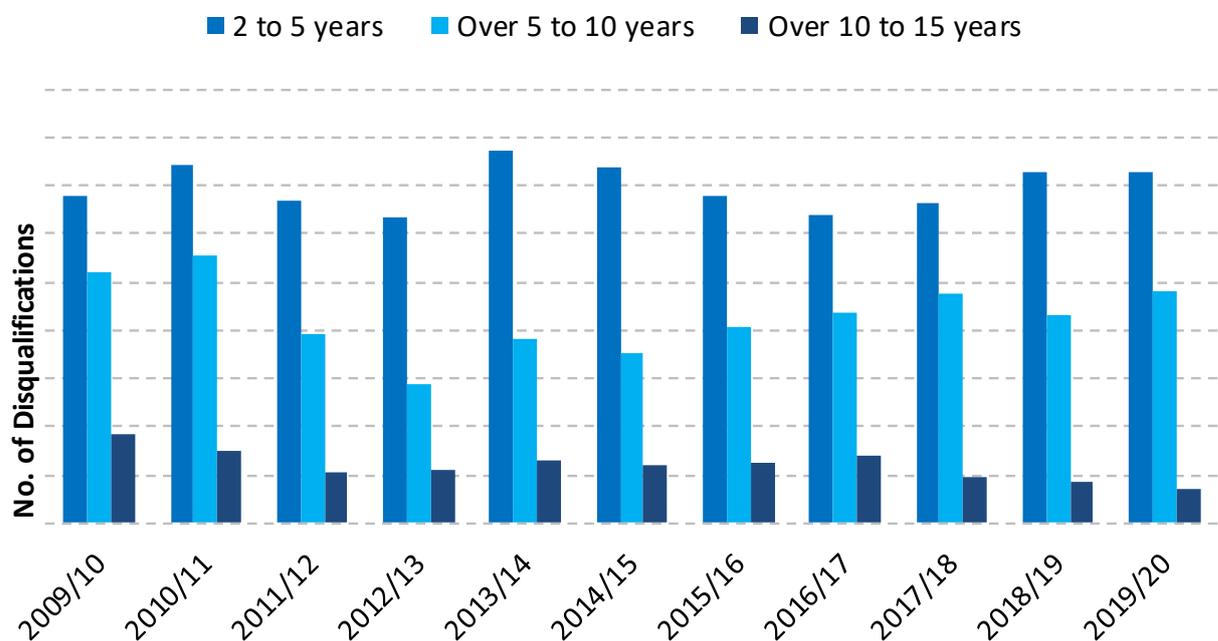


A reduction in the length of the disqualification can be offered in certain circumstances if the director accepts an undertaking. This is in recognition of the earlier protection of the public and the costs saved from avoiding court proceedings.

For the third consecutive year, the average length of a disqualification decreased, falling by 2 months from the 2018/19 average to 5 years and 4 months. This was largely driven by a decrease in the average length of an order which fell by 6 months from 2018/19 to 6 years and 4 months. The average length of an undertaking was broadly flat in 2019/20 at 5 years and 2 months.

Figure 3: Director Disqualification Orders and Undertakings by length band, 2009/10 to 2019/20

Great Britain



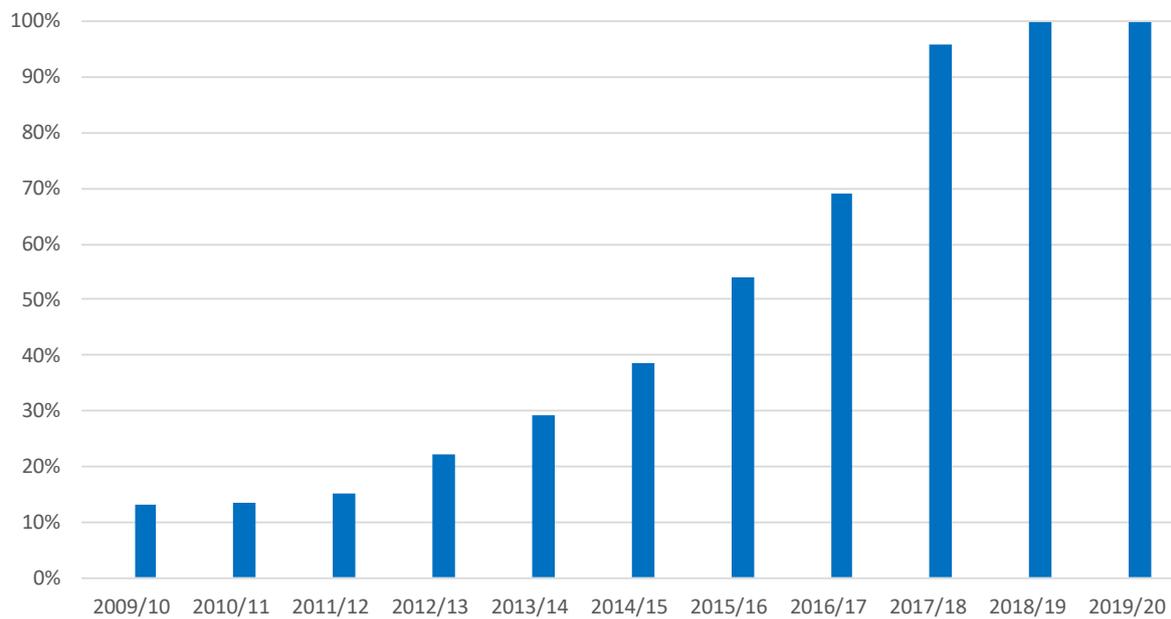
Of the 1,280 disqualifications made in 2019/20, 728 (56.9% of the total), were for between 2 and 5 years, 483 (37.7%) were for over 5 to 10 years, and 69 (5.4%) directors were disqualified for over 10 to 15 years.

3.3 Active Disqualifications

A total of 6,817 directors disqualified in the last 11 years remain disqualified. This does not include a number of directors with active 11 to 15 year disqualifications that started before 2009/10.

Of the 1,386 disqualifications that came into force in 2009/10, 183 (13.2%) remain active, while all 1,280 of the disqualifications that came into force in 2019/20 remain active.

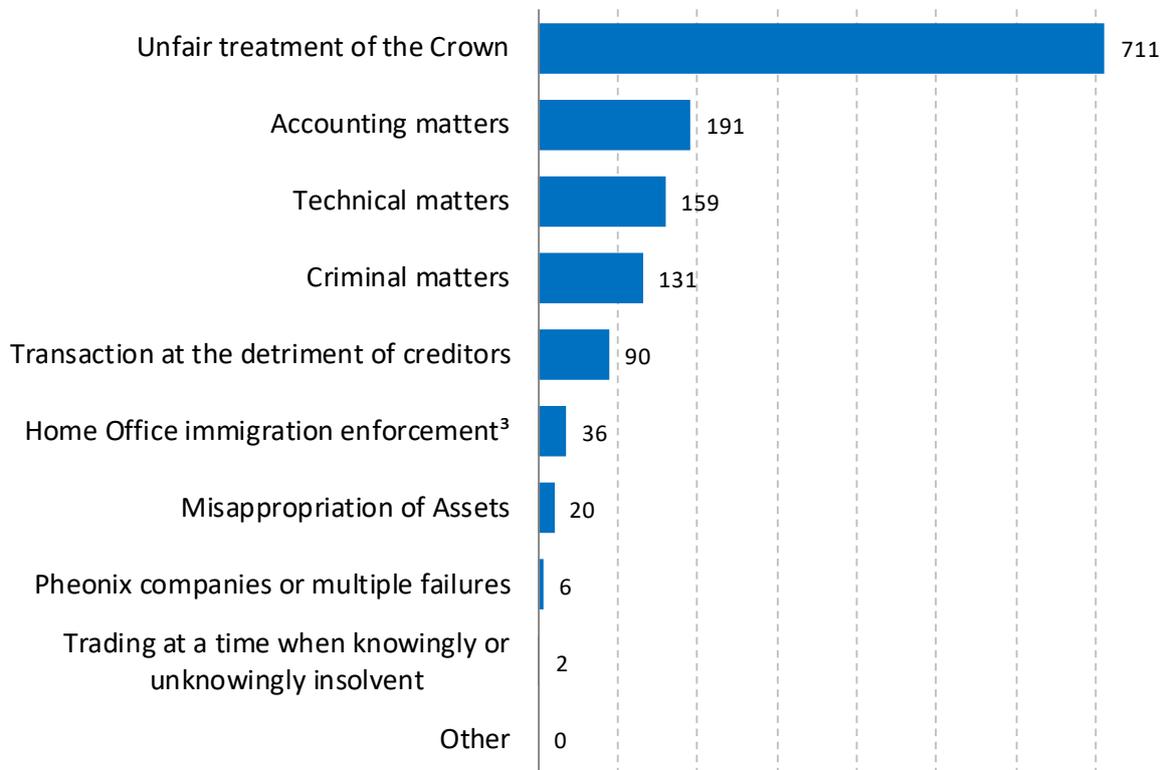
Figure 4: Percentage of Director Disqualifications Still Active by Financial Year that Disqualification Occurred
Great Britain, as at 31 March 2020



3.4 Allegations in Director Disqualification Cases

The allegations shown here are in relation to disqualifications made under section 6 only. It is possible for more than one allegation to be made in each disqualification case. Therefore, the number of allegations presented here does not match the number of disqualifications. The allegations presented here relate to those disqualification orders and undertakings obtained in the quarter being reported on in this release, rather than the date the allegations were made.

Figure 5: Active Director Disqualifications by Financial Year that Disqualification Occurred
Great Britain, as at 31 March 2020



For the 1,196 section 6 disqualifications obtained in 2019/20, there were a total of 1,346 allegations recorded.

The most common allegation made in director disqualifications obtained in 2019/20 was in relation to the *unfair treatment of the Crown* (which usually refers to HM Revenue and Customs). *Unfair treatment of the Crown* can range from cases where a director had made a conscious decision to pay other creditors and not HM Revenue and Customs, to cases where a director has defrauded or attempted to defraud HM Revenue and Customs. This has been by far the most common allegation made since comparable records began in 2011/12.

4. Companies Wound Up in the Public Interest

These statistics relate to companies, including United Kingdom and foreign companies registered at [Companies House](#) and companies that should be registered as they carry out business in the United Kingdom.

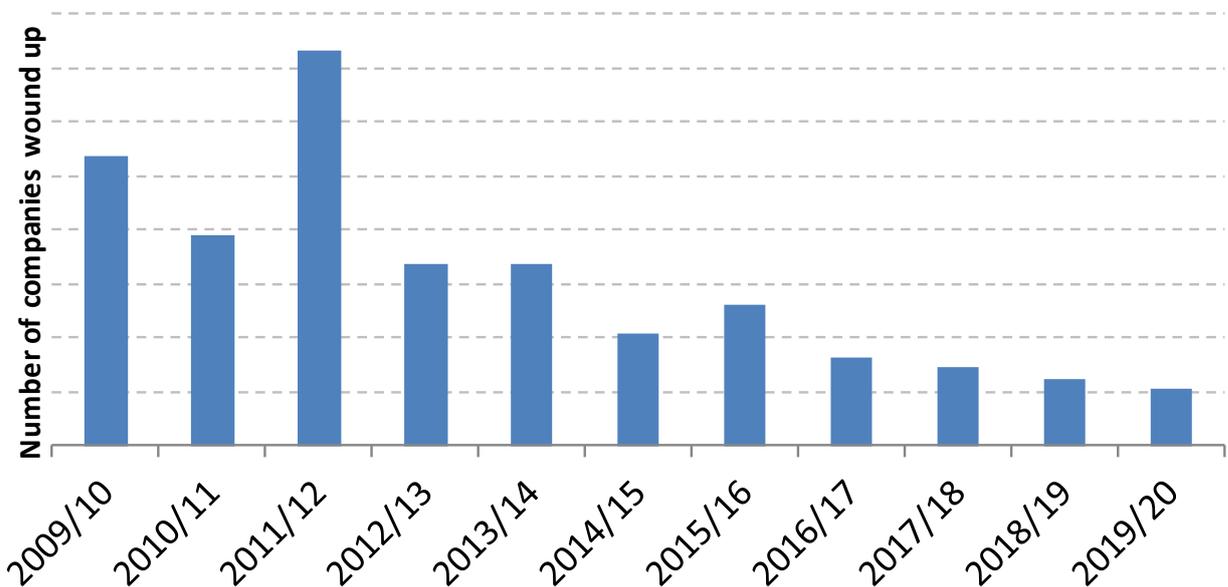
The compulsory winding up of a company is a legal process where the company is placed into compulsory liquidation by order of the court. The number of companies wound up in the public interest is included in the total compulsory liquidation cases that are reported in the [Insolvency Statistics](#) and as such do not represent additional liquidations.

Following an investigation into the corporate abuse by a company or limited liability partnership that is either actively trading, has ceased trading or is currently in voluntary liquidation or administration, the Secretary of State can apply to the court to have the company put into compulsory liquidation, a legal process in which an official receiver (or a liquidator in Scotland) is appointed to 'wind up' the affairs of a company or limited liability partnership.

Corporate abuse could include serious misconduct, fraud, scams or sharp practice in the way the company operates.

Figure 6: Companies Wound Up in the Public Interest, 2009/10 to 2019/20

United Kingdom



In 2019/20, 52 companies were wound up in the public interest. This was a decrease of 10 cases on 2018/19.

In October 2016, the Companies (Disclosure of Information) (Specified Persons) Order 2016 came into effect. This added a further 5 regulatory and enforcement bodies to the statutory list of those to whom the Insolvency Service can disclose material relating to live investigations. This has widened the range of actions the Insolvency Service can take following a company investigation, allowing disclosure in instances where it was previously not possible. In some cases it has been more effective to use these disclosure gateways than wind up the company. This may for example include working with Companies House to dissolve a company.

5. Bankruptcy and Debt Relief Restriction Orders and Undertakings

These statistics relate to people subject to a bankruptcy or debt relief order in England and Wales – formal insolvency procedures for individuals who have had problems with debt – where the individual is considered to be culpable. A restriction order is made by the court after considering evidence submitted by the official receiver showing the individual to have been dishonest or blameworthy.

There are several consequences of a bankruptcy or debt relief restriction. These include the individual having to disclose their status when applying for credit over £500, they may not act as a director of a company or take part in its promotion, formation or management unless permission has been obtained by the court, and they may not act as a Member of Parliament amongst other restrictions.

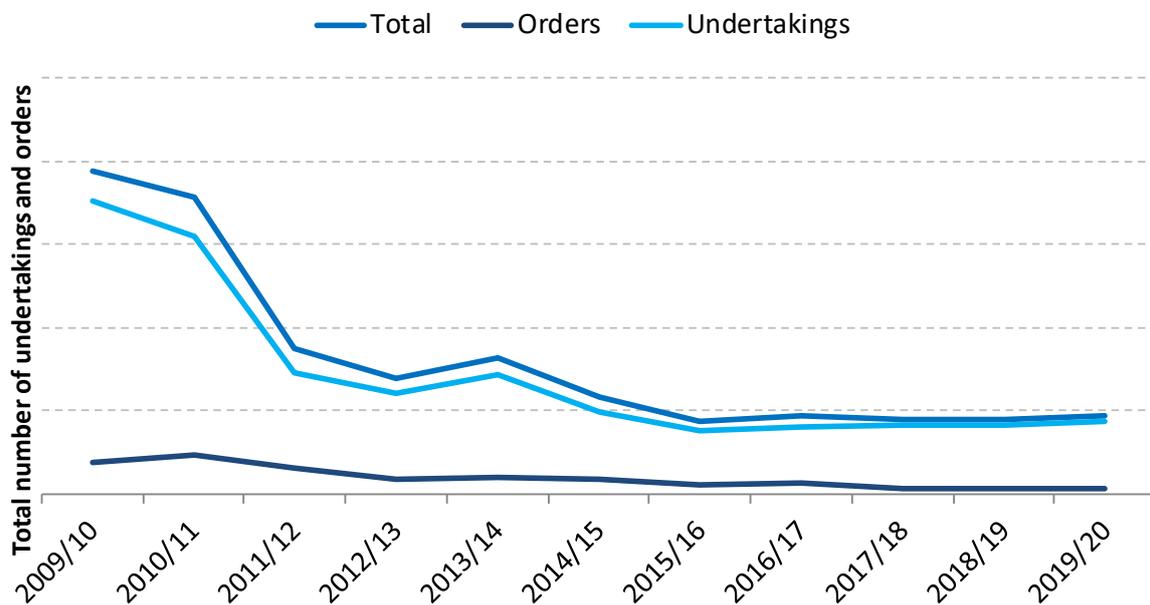
5.1. Restriction Orders and Undertakings

If the individual accepts the allegations made against them, they can offer to enter into a restriction undertaking. This has the same effect as an order but does not involve court proceedings.

Bankruptcy and debt relief restrictions are presented together throughout this release. As there are very few debt relief restrictions made, it is not possible to draw particularly meaningful conclusions from analysing them on their own.

There are enforcement measures in Scotland and Northern Ireland for insolvent individuals. They are not represented here as they are enforced by the Accountant in Bankruptcy for Scotland and the Department for the Economy in Northern Ireland.

Figure 7: Bankruptcy and Debt Relief Restriction Orders and Undertakings, 2009/10 to 2019/20
 England and Wales



In 2019/20, a total of 470 restrictions were made, compared to 441 in 2018/19. Since 2015/16 the number of restrictions has been fairly stable. Between 2009/10 to 2014/15 there was a decreasing trend that was driven primarily by decreases in the number of bankruptcies. Of the restrictions in 2019/20, 32 were restrictions orders (up from 30 cases in 2018/19) and 438 were restrictions undertakings (compared to 411 in 2018/19).

As there are very few debt relief restrictions orders and undertakings, the total number of restrictions orders and undertakings is driven by the number of bankruptcies. Because of the time taken to investigate potential misconduct (around 9 months on average) the trend in bankruptcy restrictions follows that of bankruptcies, lagged by around a year. The peak in restrictions orders and undertakings, January to March 2010, was a year after the peak in bankruptcies following the financial crisis. Similarly, the recent decreases and subsequent stability in the number of bankruptcies have tended to be reflected a year later in the number of bankruptcy restrictions outcomes. Efficiencies in the investigation process by Official Receivers have latterly seen a reduction in the time between bankruptcy order and restriction.

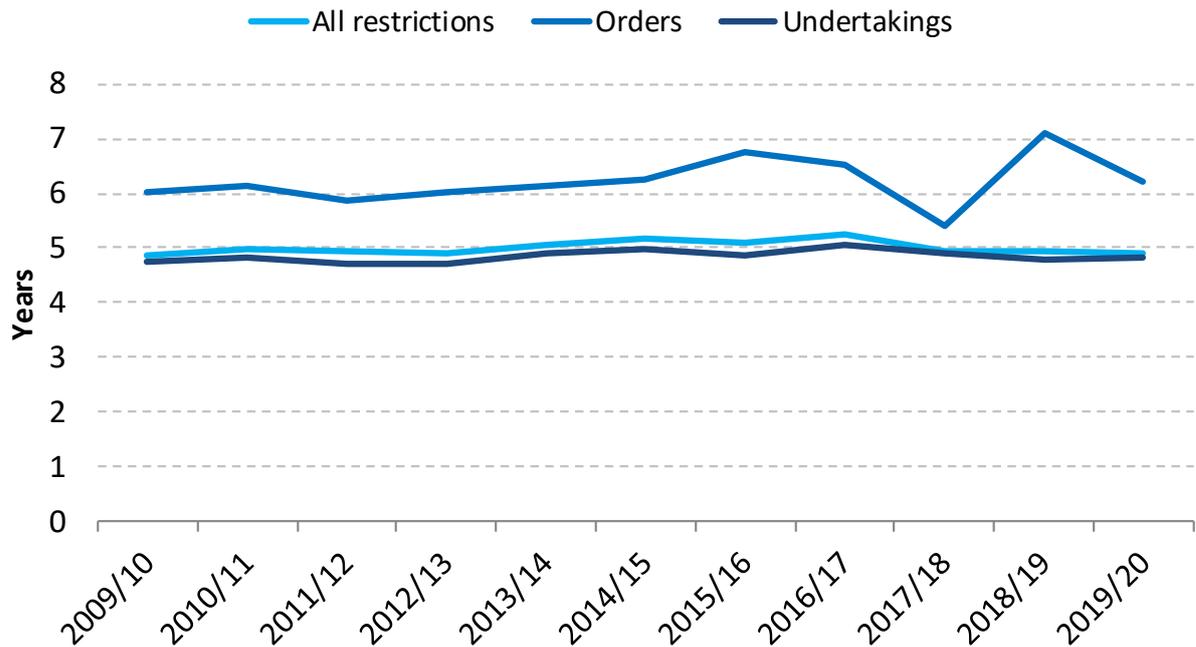
More information on the trends and drivers of the number of individuals entering into formal insolvency procedures, including bankruptcy, debt relief orders and individual voluntary arrangements, can be found in the [Insolvency Statistics](#) publication.

5.2. Characteristics of Restriction Orders and Undertakings

The length of time that a restrictions order or undertaking can be enforced ranges from 2 to 15 years. Any breach of the restrictions during this time can result in prosecution, and if found guilty, the individual may be subject to a criminal penalty, such as a fine or imprisonment.

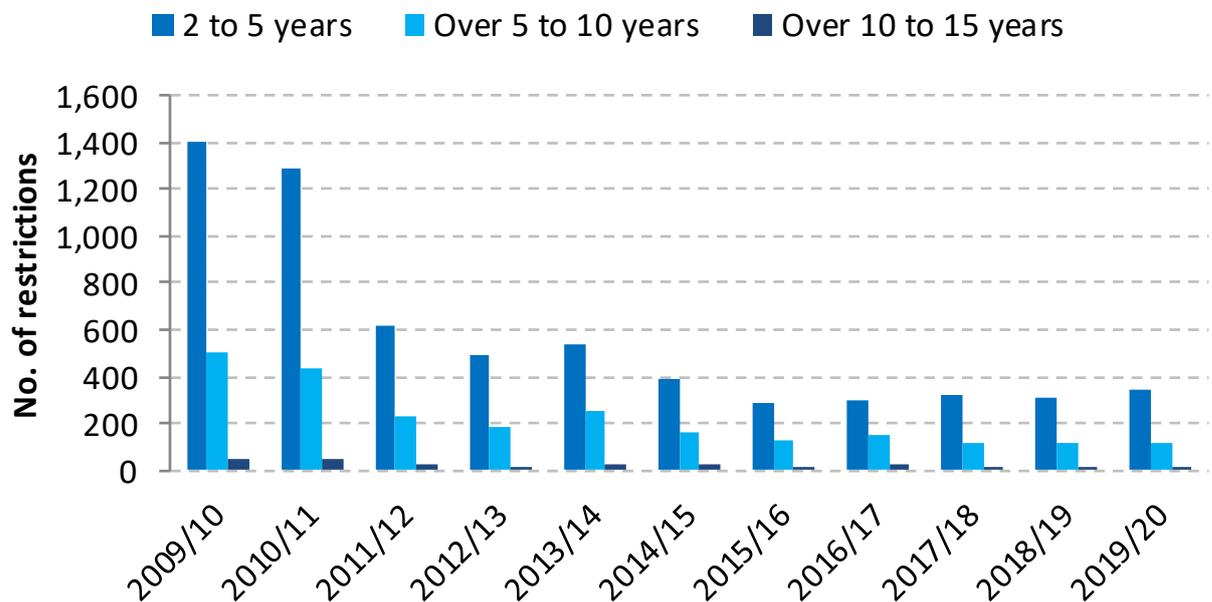
Figure 8: Average Length of Restriction Orders and Undertakings, 2009/10 to 2019/20

England and Wales



The average length of restrictions overall in 2019/20 was 4 years and 11 months, 1 month down on the previous year. The average length of restriction orders made in 2019/20 was 6 years and 2 months, 11 months lower than the previous year, while the average length of a restrictions undertaking was 4 years and 10 months, unchanged from the previous year.

Figure 9: Restriction Orders and Undertakings by Length Band, 2009/10 to 2019/20
England and Wales



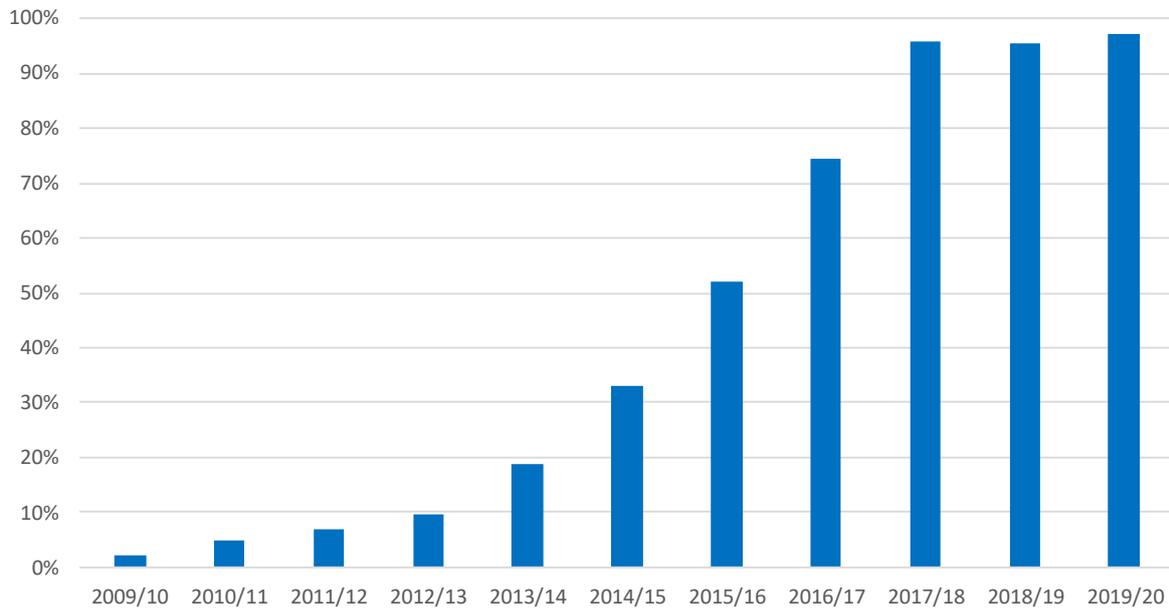
In 2019/20, 72.3% of restrictions imposed were for between 2 and 5 years, whilst 24.5% were for between 5 and 10 years, and 3.2% were for restrictions between 10 and 15 years. This is largely similar to the proportions observed in the previous year.

5.3 Active Bankruptcy and Debt Relief Restriction Orders and Undertakings

A total of 2,474 bankruptcy and debt relief restriction orders and undertakings that began in the last 11 years remain in effect. This does not include any orders and undertaking still in effect that started before 2009/10.

Of the 1,945 orders and undertakings that came into effect in 2009/10, 42 (2.2%) remain active, while 457 of the 470 orders and undertakings that came into effect in 2019/20 remain active.

Figure 10: Percentage of Bankruptcy and Debt Relief Restriction Orders and Undertakings Still Active by Financial Year that Restriction Occurred
England and Wales, as at 31 March 2019



5.4 Allegations in Bankruptcy and Debt Relief Restriction Cases

It is possible for more than one allegation to be made in each restrictions case. Therefore, the number of allegations presented here does not match the number of restrictions orders and undertakings.

The allegations presented here relate to those restriction orders and undertakings made in the quarter being reported on in this release, rather than the date the allegations were made.

Figure 11: Number of Allegations Made in Bankruptcy and Debt Relief Restriction Cases, 2019/20
 England and Wales



¹ Categories where no allegations of that type were made are not shown.

For the 470 restrictions orders and undertakings obtained in 2019/20, there were 479 allegations recorded. The most common allegations made were *neglect of business affairs*, with 127 instances; and *incurring debt without reasonable expectation of payment*, with 107 instances. *Neglect of business affairs* has been the most common allegation type since 2010/11.

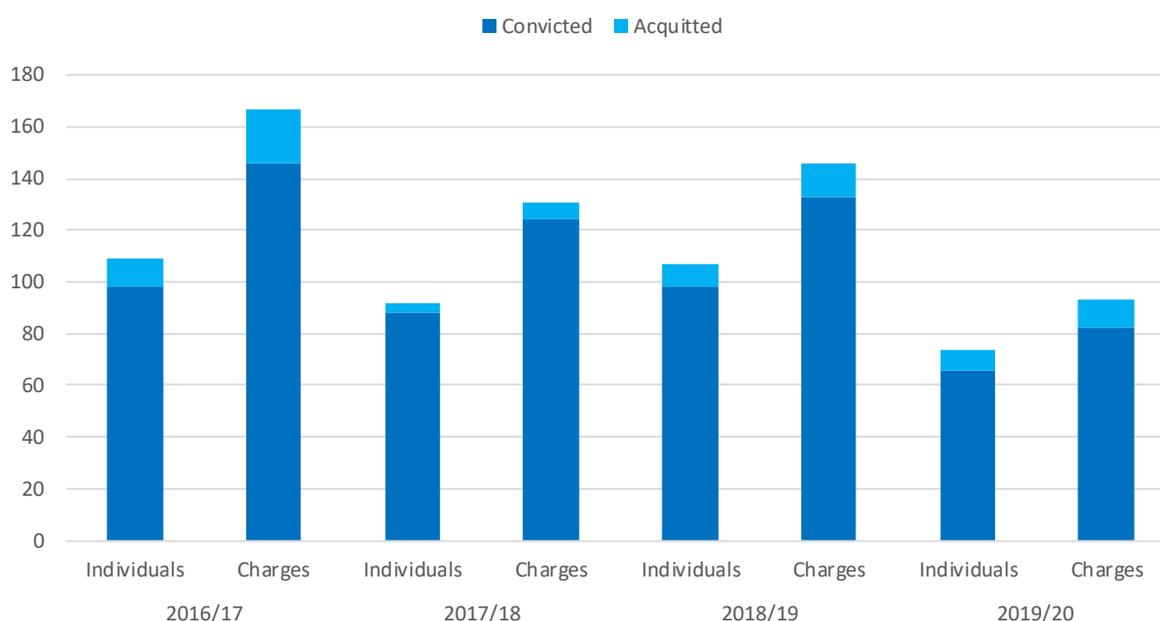
6. Criminal Charge Outcomes

These statistics relate to individuals who have been charged with a criminal offence as a result of the work of the Insolvency Service or by other partner agencies within BEIS, for example Companies House, or directorates, such as the Employment Agency Services Inspectorate. This analysis does not include criminal case outcomes for prosecutions for offences under Part 21 Companies Act 2006 relating to Information about People with Significant Control.

6.1 Criminal Prosecutions by Individual and Charges

In 2019/20, 74 individuals faced a total of 93 criminal charges. This was a 31% decrease compared with the number of individual directors charged in 2018/19 and a 36% decrease on the number of charges faced. Of the 74 individuals charged, 66 were convicted (89%) while 8 were acquitted. Of the 93 charges faced, 82 (88%) resulted in convictions.

Figure 12: Number of Criminal Charges Brought by the Insolvency Service England and Wales



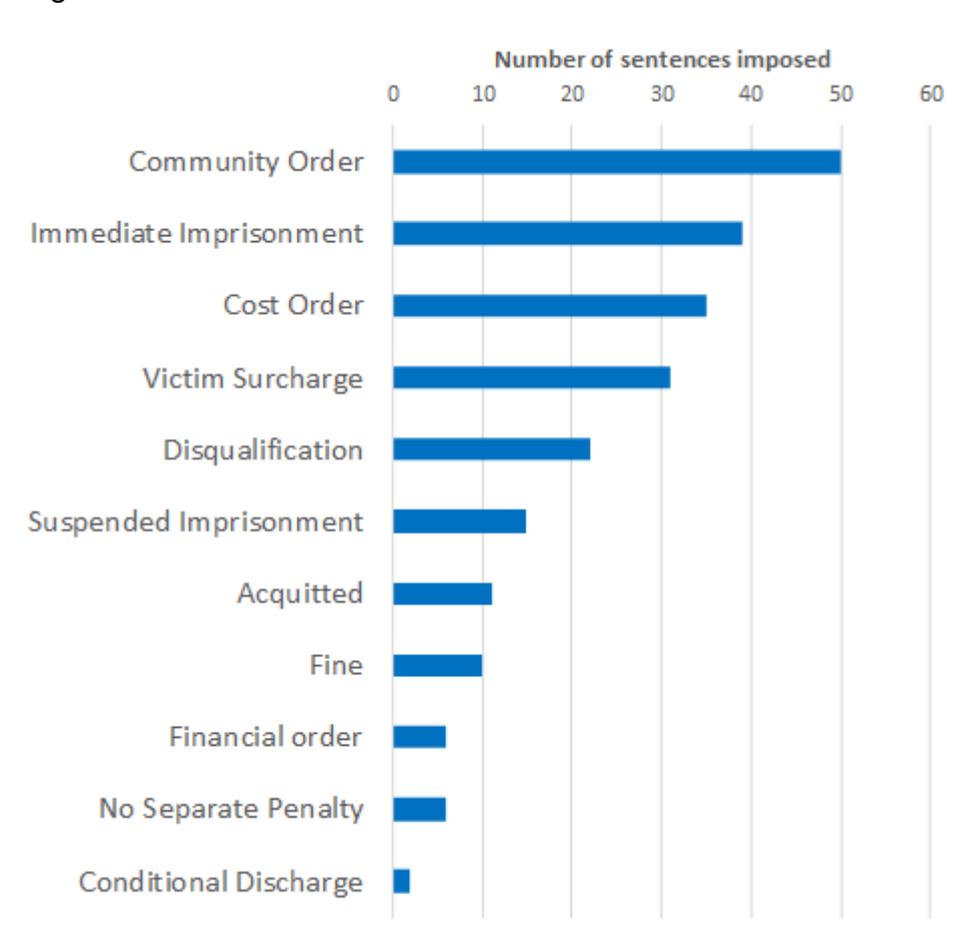
6.2 Criminal Convictions by Sentence Imposed

There were 216 (excluding the 11 acquittals) separate sentences imposed in 2019/20. The most common sentences imposed were for community orders, which include a range of requirements such as unpaid work, curfews or periods of supervision with 50 sentences imposed, down from 62 in 2018/19.

One individual may face more than one charge for which a number of different sentences or no separate penalty may be imposed, for example, combining a custodial sentence with a confiscation order, costs order and a victim surcharge. The court may consider that no separate penalty is appropriate for an offence where the court has already sentenced on other matters, such as a custodial sentence.

Figure 13: Sentences Imposed in 2019/20

England and Wales



6.3 Length and Size of Sentence Imposed.

Of the 66 individuals sentenced in 2019/20, 39 were sentenced to immediate imprisonment. In 2019/20 the average sentence for immediate imprisonment was for 16 months with sentences ranging from 3 months to 5 years.

A range of community orders were imposed including unpaid work and rehabilitation orders. There were 82 financial orders and the most common was payment of a victim surcharge. The average sum awarded as a victim surcharge was £92. The average value of the 10 fines issued was £3,508

There were 22 disqualification orders ranging from 2 to 15 years, the average disqualification imposed by the court was 5 years 9 months.

In addition, there were 2 conditional discharges and 6 with no separate penalty.

Figure 14: Lengths of Sentences Imposed in 2019/20
England and Wales

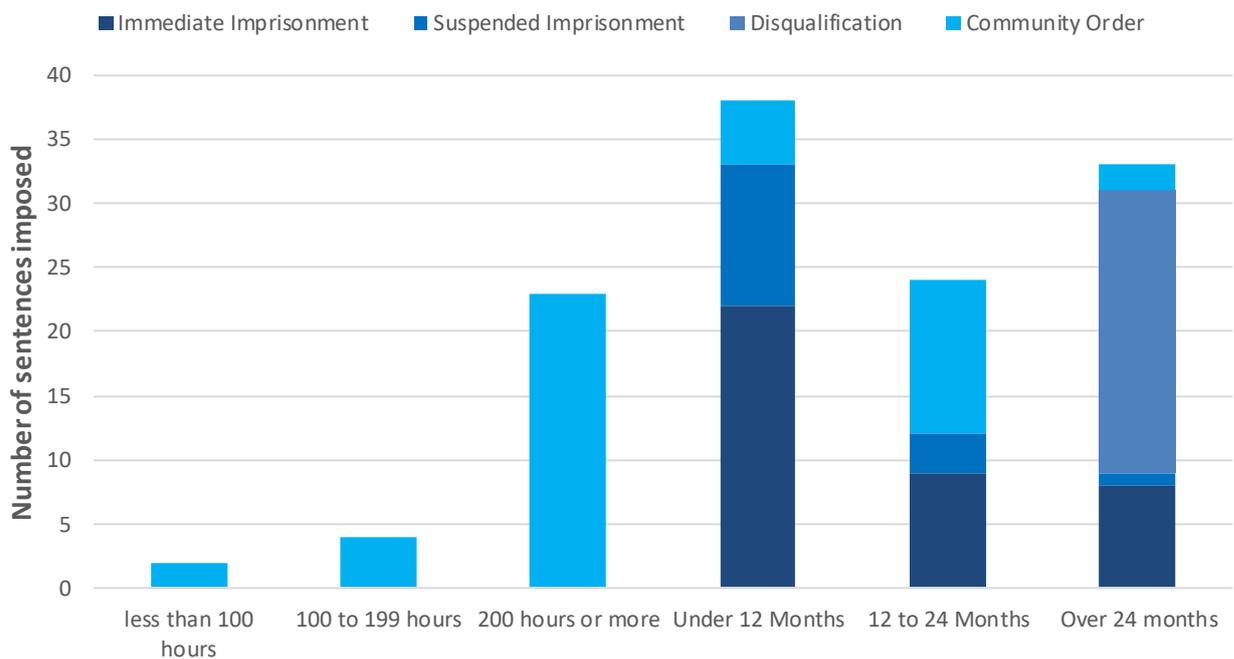
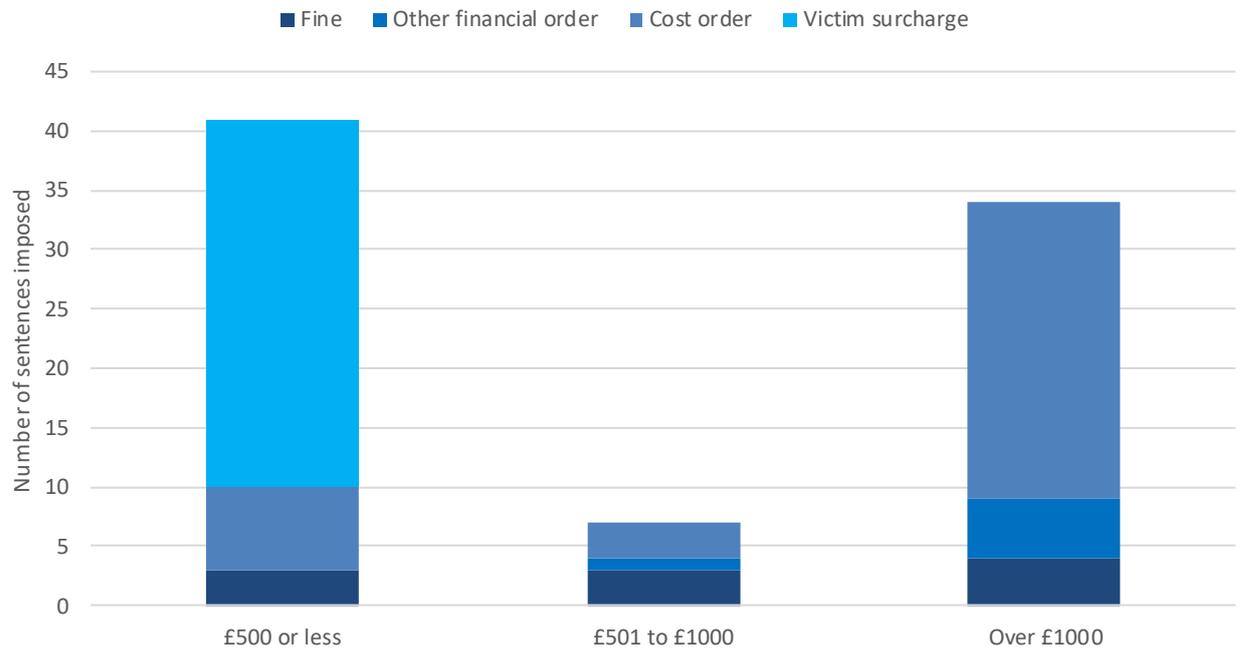


Figure 15: Size of Financial Sentences Imposed in 2019/20
England and Wales



7. Background Notes

Further information on the context of this release can be found in the [Guide to Insolvency Service Enforcement Outcomes](#).

7.1 Data Sources and Methodology

Data Sources

These statistics are derived from administrative records held by the Insolvency Service, an executive agency of the Department for Business, Energy and Industrial Strategy.

Methodology

These statistics are produced via tabulation following quality assurance of raw data collected from various sources.

Revisions

These statistics are subject to scheduled revisions, as set out in the [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.

7.2 Quality

This section provides information on the quality of the *Insolvency Service Enforcement Outcomes*, to enable users to judge whether 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.

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

The *Insolvency Service Enforcement Outcomes* publication is intended to be the most comprehensive record of the outcomes of the investigation and enforcement activity of the Insolvency Service. It includes almost all formal types of enforcement outcome available to the Insolvency Service (the exception being suspension of discharge orders).

It is anticipated that key users will include the Insolvency Service itself, other government departments, parliament, the insolvency profession, debt advice agencies, media organisations, academics, the financial sector, the business community and the general public.

The statistical production team welcome feedback from users of the *Insolvency Service Enforcement Outcomes* at statistics@insolvency.gov.uk.

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

In general, numbers of outcomes are based on the date of the order or undertaking, rather than on the date it was recorded on the administrative system. In practice this means there is likely to be an element of under-coverage in the first release of new data. Scheduled revisions aim to capture any cases recorded later than the cut off date for extracting data. Any revisions are usually small.

There is a level of under-coverage in the reporting Section 2 disqualifications in the *Insolvency Service Enforcement Outcomes*. More details can be found in the Coherence section.

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

[Companies House](#) maintains a register of all directors disqualified under the Company Directors Disqualification Act 1986 and publishes annual statistics on the number of directors disqualified. This includes directors disqualified under sections of the Act that are not represented in the *Insolvency Service Enforcement Outcomes*. Section 2 disqualifications presented in the *Insolvency Service Enforcement Outcomes* are those that are a result of a referral or significant input from the Insolvency Service, and therefore will not be consistent with the Section 2 disqualifications recorded by Companies House. Section 6 and Section 8 disqualifications registered at Companies House are not consistent with the *Insolvency Service Enforcement Outcomes* due to differences in the way cases are recorded.

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)*

This release was published 3 weeks after the end of the reporting year. Monthly publications tend to be released 6-8 working days after the end of the month.

A provisional publication schedule for this product is available on the [Statistics Release Calendar](#). The confirmed date of publication will be announced in the same location at least four weeks in advance, in line with the release practices of the Code of Practice for Official Statistics.

Accessibility and Clarity *(Accessibility is the ease with which users can access the data. It also related 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 *Investigation and Enforcement Statistics* are available free of charge to the end user on the [Insolvency Service website](#). They are released via the release calendar and they meet the standards required under the Code of Practice for Official Statistics and the Insolvency Service's own accessibility policy.

Alternative formats of this release are available on request, via the contact details at the beginning of the release.

Views on the clarity of the publication are also welcomed.

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. See also [Guide to Insolvency Service Enforcement Outcomes](#) for additional information on comparability for each data series.

More details may be found in: [Insolvency Service Methodology](#), the [Statement of Administrative Sources](#) and the [Insolvency Service Revisions Policy](#).



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