

# Company insolvency statistics, Q1 January to March 2020

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## Caution on interpreting these quarterly statistics

These statistics cover the period up to, and including, the 31st March 2020, and largely pre-date the emergence of, and response to, the Coronavirus (COVID-19) pandemic. However, some statistics may have been affected where individuals, insolvency practitioners, intermediaries (who process debt relief orders) and courts were unable to process insolvencies in the usual manner during the latter part of March. Therefore, some caution needs to be applied when interpreting trends in numbers of insolvency recorded in the most recent quarter.

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

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## 1. Main messages for England and Wales

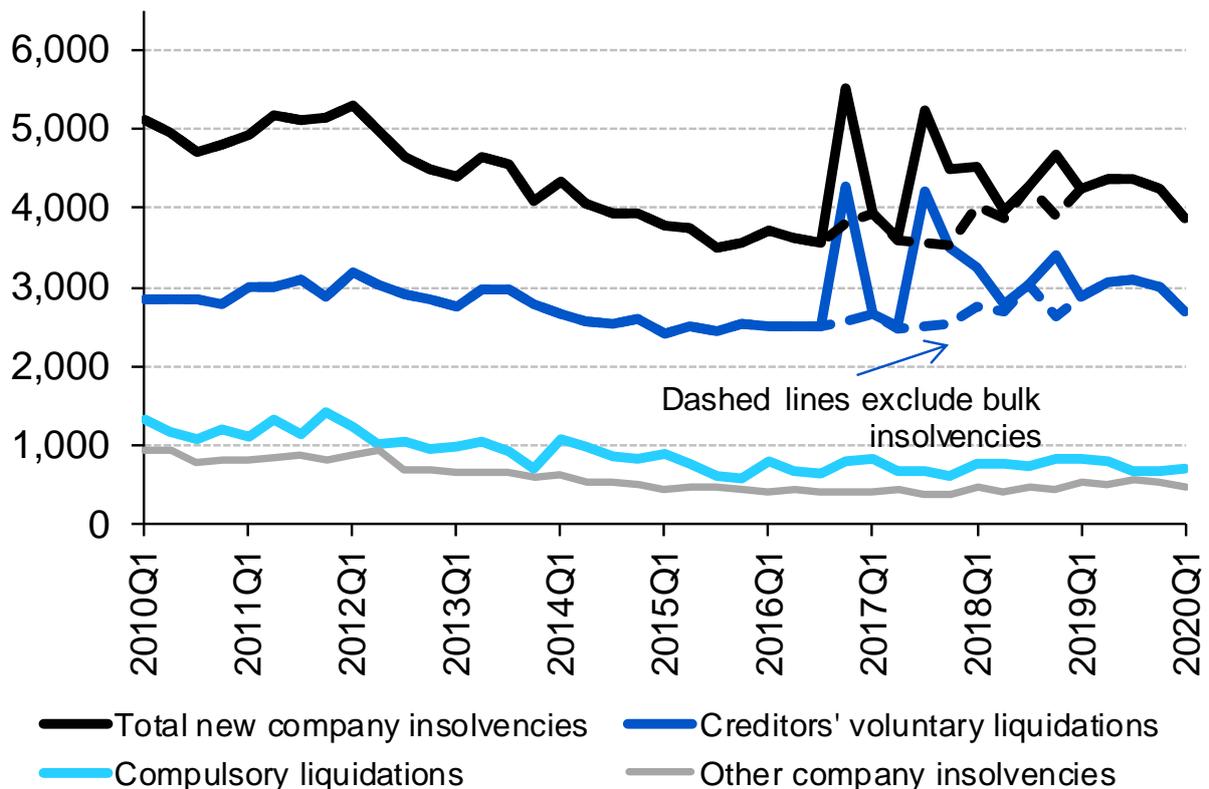
Statistics are presented separately for England and Wales; Scotland; and Northern Ireland because of differences in legislation and policy.

In Q1 2020, there were a total of 3,883 company insolvencies as a result of:

- 2,708 Creditors' Voluntary Liquidations (CVLs)
- 701 Compulsory Liquidations
- 404 Administrations
- 69 Company Voluntary Arrangements (CVAs)
- There was one receivership

Total numbers of company insolvencies in Q1 2020 decreased, when compared with the previous quarter and the same quarter in the previous year (Q1 2019). The overall trend for all company insolvencies continued to be driven by the volume of CVLs, though except for compulsory liquidations, there were also decreases seen across all other types of company insolvency.

**Figure 1: Total company insolvencies decreased in Q1 2020**  
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**

<b>Liquidation</b>	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.
<b>Compulsory liquidation</b>	A winding-up order obtained from the court by a creditor, shareholder or director.
<b>Creditors' voluntary liquidation (CVL)</b>	Shareholders of a company can themselves pass a resolution that the company be wound up voluntarily.
<b>Administration</b>	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.
<b>Company voluntary arrangement (CVA)</b>	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.
<b>Administrative receivership</b>	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.



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**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.**

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**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. Total company insolvencies decreased Q1 2020

There were 3,883 total company insolvencies in Q1 2020. CVLs were the most common type of company insolvency, accounting for over two-thirds (70%) of cases, followed by compulsory liquidations (18%). The remaining 12% was made up of all other types of company insolvency.

Total company insolvencies in Q1 2020 decreased by 8.5% from Q4 2019 and also decreased by 8.5% from the same quarter in the previous year.

CVLs, the main driver for all company insolvencies, decreased by 10% from Q4 2019, and by 6% when compared to the same quarter in the previous year. There were no bulk insolvencies in the latest quarter.

Administrations decreased by 13% from Q4 2019, and by 8% from the same quarter in the previous year.

CVAs decreased by 10% from Q4 2019, and by 26% when compared to the same quarter in the previous year.

Compulsory liquidations increased by 1% in comparison to Q4 2019 but overall, they have decreased by 15% since Q1 2019. YTD<sup>2</sup>

There was one recorded receivership in Q1 2020. These cases are now rare. The last time there was more than one receivership in a quarter was in Q2 2017, since use of this procedure is restricted to certain types of company, or to floating charges, created before September 2003.

**Table 2: Total company insolvencies decreased in Q1 2020 in comparison to both the previous quarter and the same period in 2019<sup>1</sup>**

England and Wales, seasonally adjusted, underlying insolvencies only

	Company insolvencies	Compulsory Liquidations	CVLs <sup>2</sup>	Administrations	CVAs	Receiverships
2019Q1	4,243	822	2,889	438	93	0
2019Q2	4,380	797	3,064	427	92	0
2019Q3	4,356	690	3,091	485	89	1
2019Q4	4,246	692	3,013	464	77	0
2020Q1	3,883	701	2,708	404	69	1
2019	17,224	3,001	12,057	1,814	351	1
2020 YTD <sup>3</sup>	3,883	701	2,708	404	69	1

1. Components may not sum to totals due to rounding of seasonally adjusted figures.
2. Underlying insolvencies only – excludes bulk insolvencies. See Table 1 for more information.
3. Year-to-date.

#### 4. The liquidation rate fell in the 12 months ending Q1 2020

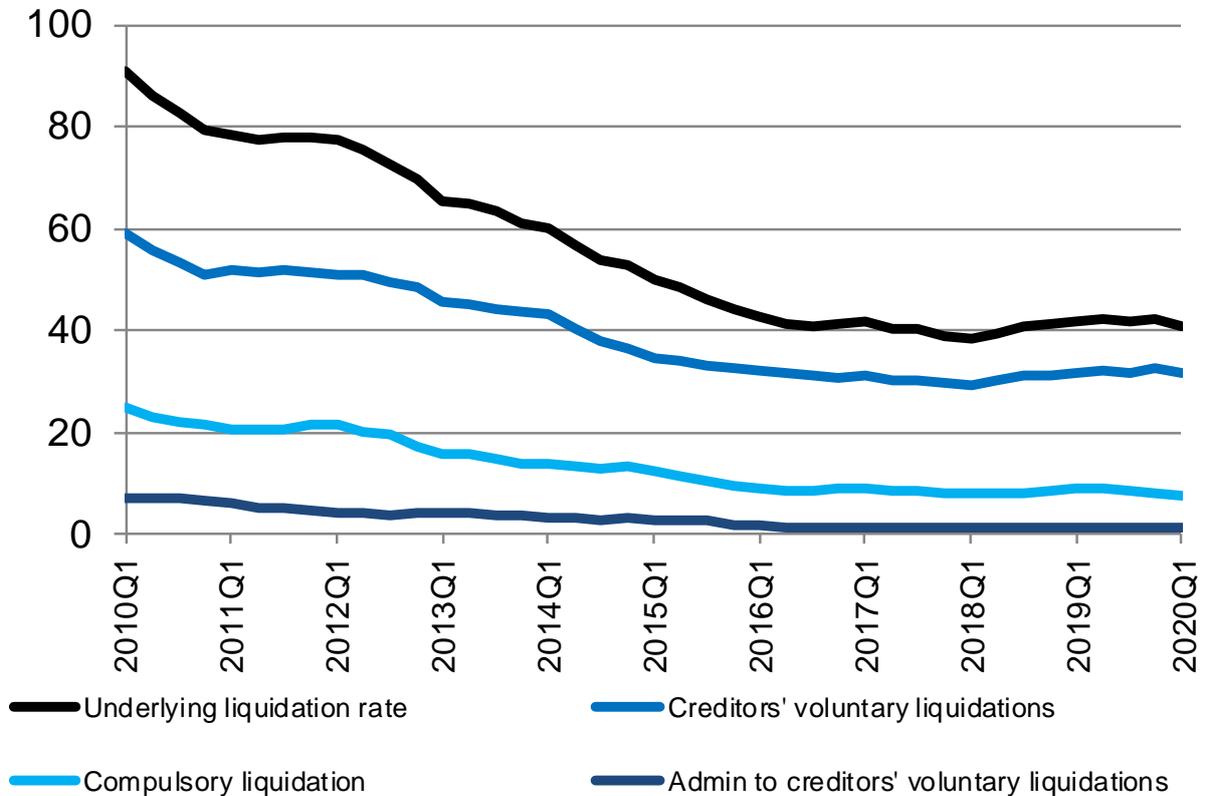
Unlike an absolute number of liquidations over a period, the liquidation rate gives an indication of the probability of a company entering liquidation in the previous four quarters.

**Figure 2: In the 12 months ending Q1 2020, 1 in 246 companies were liquidated**  
England and Wales, 4-quarter rolling rate



**Figure 3: The underlying liquidation rate fell in Q1 2020**

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





In the 12 months ending Q1 2020, the company liquidation rate was 40.7 per 10,000 active companies in England and Wales, note that the rates exclude any bulk insolvencies. The rate was slightly down from 42.1 per 10,000 seen in both the 12 months ending Q4 2019 and the same quarter a year ago.

The rate of compulsory liquidations decreased to 7.7 per 10,000 in the 12 months ending Q1 2020, from 8.1 per 10,000 in the 12 months ending Q4 2019.

The rate of creditors' voluntary liquidations also decreased to 31.9 per 10,000 in the 12 months ending Q1 2020, from 32.6 per 10,000 in the 12 months ending Q4 2019.

The rate of CVLs after administration remained flat at 1.4 per 10,000 in the 12 months ending Q1 2020.

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](#).

## 6. Construction remains the industry grouping with highest number of insolvencies in the twelve months ending Q1 2020.

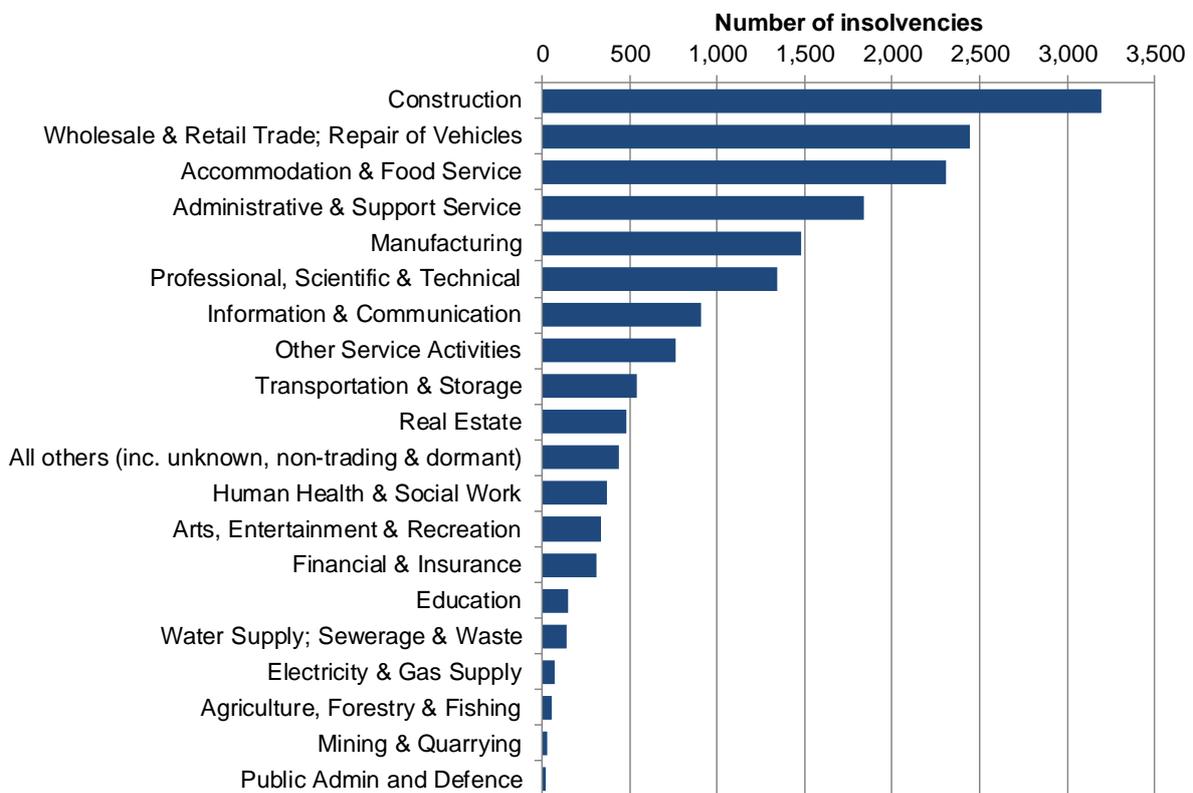
The following analysis excludes insolvencies where the company was unknown, non-trading or dormant. In some cases, confirmation of industry sector for compulsory liquidations may be delayed by one quarter or more and therefore overall insolvencies by industry are provisional.

Of the larger industry groupings, in the 12 months ending Q1 2020, the construction industry group saw the largest decrease in underlying insolvency volumes (150, a 5% decrease) compared with the 12 months ending Q4 2019.

The highest number of new underlying company insolvencies was in the construction industry with 3,077 insolvencies; followed by the wholesale and retail trade, repair of vehicles industrial grouping with 2,360; and the accommodation and food services grouping with 2,317 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 Q1 2020**

England and Wales, non-seasonally adjusted



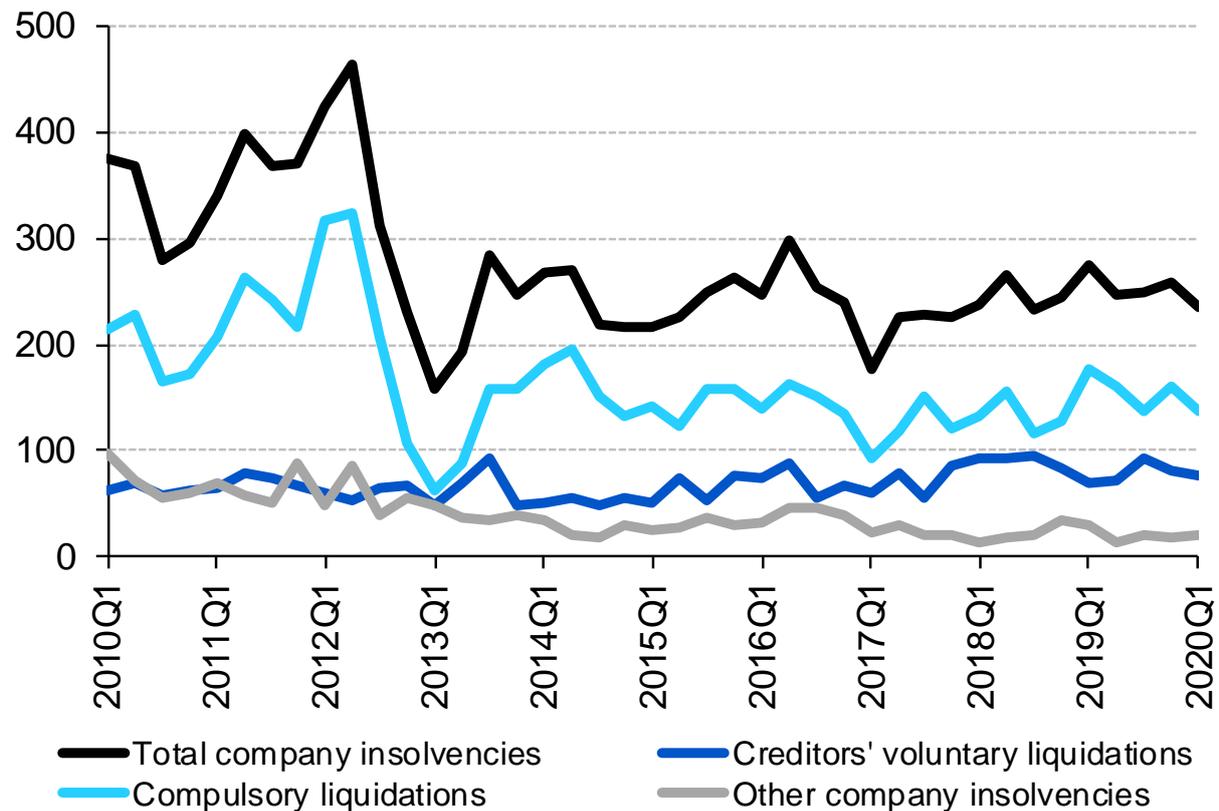
## 7. Company insolvency in Scotland

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

- There were 235 company insolvencies in Scotland Q1 2020
- This was a decrease of 14.5% compared to the same quarter of the previous year.

**Figure 7: Company insolvencies decreased in Scotland in Q1 2020**

Non-seasonally adjusted



In Q1 2020, there were 235 total insolvencies in Scotland, a fall of 14.5% on the same quarter of 2019. This comprised 137 compulsory liquidations, 77 CVLs, 20 administrations, one company voluntary arrangement and no receiverships.

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.

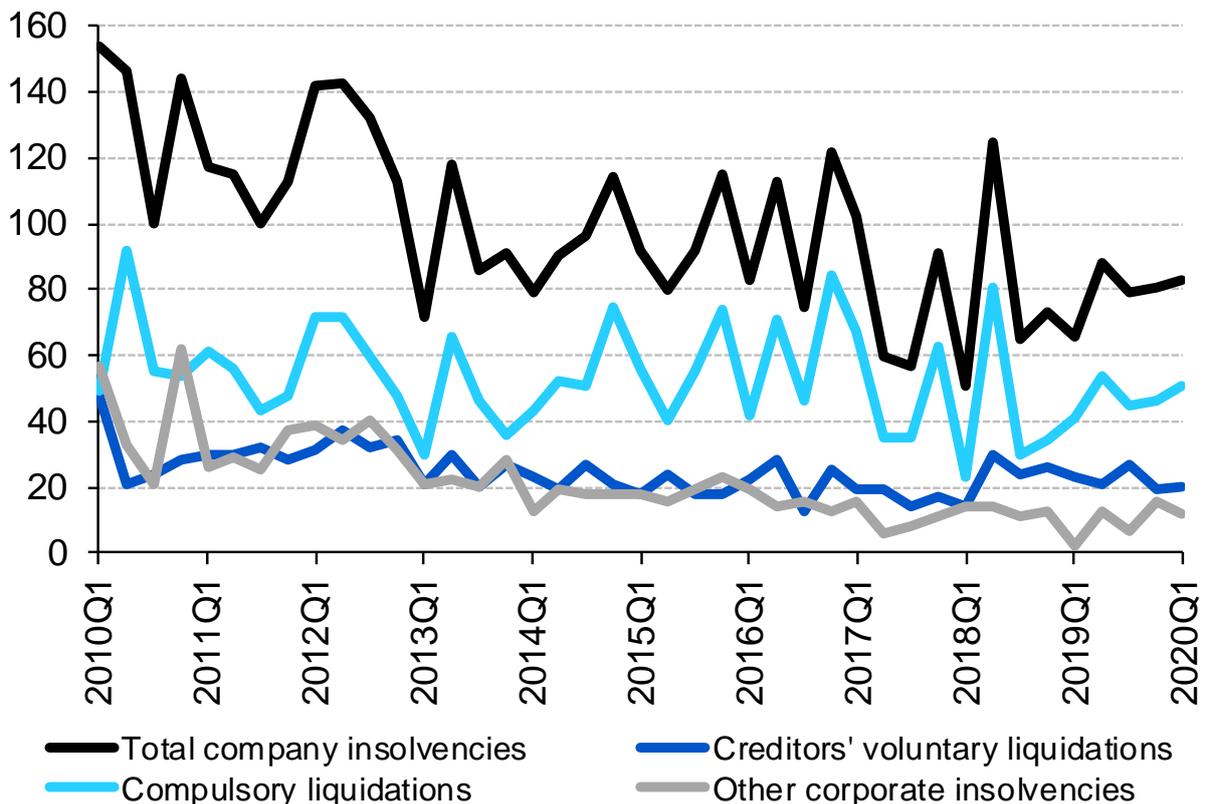
## 8. Company insolvency in Northern Ireland

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 83 company insolvencies in Northern Ireland in Q1 2020
- This was a decrease of 26% compared with the same quarter of the previous year.

**Figure 8: Total insolvencies increased in Northern Ireland in Q1 2020**

Non-seasonally adjusted



There were 83 company insolvencies in Northern Ireland in Q1 2020, 26% higher than the same quarter in 2019. Of these, 51 were compulsory liquidations and 20 were CVLs. There were also seven CVAs, four administrations and one administrative receivership.





## 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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