



# Monthly insolvency statistics, April 2020

**Released**

9.30am, 15<sup>th</sup> May 2020

**Next released**

9.30am, 12<sup>th</sup> June 2020

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This statistical bulletin and supplementary tables (presented as both Microsoft Excel and Open Data Source files) can be found at:

<https://www.gov.uk/government/collections/monthly-insolvency-statistics>



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

This statistical release is the first in a new monthly series to provide more up to date information on the numbers of companies and individuals who are unable to pay debts and enter a formal insolvency procedure as the coronavirus (COVID 19) pandemic continues. These statistics will continue to be published on a monthly basis, two weeks in arrears of month end.

All figures presented within this release are provisional and subject to review. Further detail can be found in the accompanying [Monthly Statistics Methodology and Quality](#) document.

Historical data presented within this statistical release may not be consistent with the previously published quarterly [company](#) and [individual](#) insolvency National Statistics.

### **These statistics are designated as ‘Experimental Statistics’**

As defined in the [Code of Practice for Official Statistics](#), ‘experimental statistics’ are undergoing evaluation and are published to involve users and stakeholders in their development.

These statistics are marked ‘experimental’ since the process of compiling insolvency data in monthly format is new to the statistics team at the Insolvency Service and is subject to review. Additionally, the content of these statistics will continue to be reviewed to ensure that they continue to meet user need at this time of economic uncertainty.

### **Interpretation of these statistics**

Please note that some caution needs to be applied when interpreting trends over time. The emergence of the coronavirus pandemic may have had at least some effect on the timeliness of insolvency registration, particularly since the UK lockdown applied by Government on 23<sup>rd</sup> March 2020, resulting in insolvency practitioners, intermediaries, Companies House and courts not being able to process insolvencies in the usual manner.

In addition, the underlying monthly data have not been seasonally adjusted and therefore comparisons between one month and the next should be made with caution. Further details on this can be found in the accompanying [Monthly Statistics Methodology and Quality](#) document.

### **Coverage**

This statistical release presents company insolvencies for England and Wales, and for Scotland. Individual insolvencies are presented for England and Wales only. Individual insolvencies in Scotland can be found on the [Accountancy in Bankruptcy \(AIB\)](#) website. Company statistics for Scotland are presented separately to statistics for England and Wales, since they are covered by separate legislation and policy responsibility lies with the devolved administration.

Monthly statistics for Northern Ireland are not presented in this statistical release. However, the Insolvency Service statistics team will endeavour to scope out the possibility of incorporating monthly Northern Ireland statistics in the future. Quarterly statistics for Northern Ireland can be found in the published quarterly [Individual](#) and [Company](#) insolvency publications.

### **Methodology and data quality**

Detailed methodology and quality information for the monthly insolvency statistical releases can be found in the accompanying [Monthly Statistics Methodology and Quality](#) document.



## 2. Main Messages for England and Wales

Overall numbers of company and individual insolvencies dropped in the days immediately after the UK lockdown was applied on 23rd March 2020, likely a result of a combination of factors including:

- HM Courts & Tribunals Service reducing the operational running of the courts and tribunals
- HMRC reducing their enforcement activity
- The Insolvency Service, insolvency practitioners and Companies House having to adjust to new working arrangements
- Delays in documents being provided to Companies House by insolvency practitioners

However, numbers of companies and individuals entering insolvency in April 2020 broadly returned to pre-lockdown March levels for most insolvency types. The exceptions to this were compulsory liquidations and bankruptcies, which saw a 50% reduction in new cases compared with pre-lockdown March figures. Numbers of debt relief orders also remained lower, having reduced by over one-third, compared with pre-lockdown March figures.

As we do not record whether an insolvency is directly related to the coronavirus pandemic, it is not possible to state its direct effect on insolvency volumes.

Whilst the volume of new company and individual insolvencies increased for most insolvency types in April 2020 when compared with pre-lockdown March figures, numbers of insolvencies in April 2020 were lower than in April 2019.

The one exception to this were individual voluntary arrangements (IVAs) which had increased by over one-third in April 2020, compared with April 2019. Following the UK lockdown, the Insolvency Service and the insolvency profession had to implement new working arrangements, e.g. accepting registrations fees by BACS. It is likely that IVAs that would otherwise have been registered in March were instead deferred to April.



### 3. Company and Individual Insolvencies in England and Wales

#### Total company insolvencies decreased in April 2020 when compared to April 2019

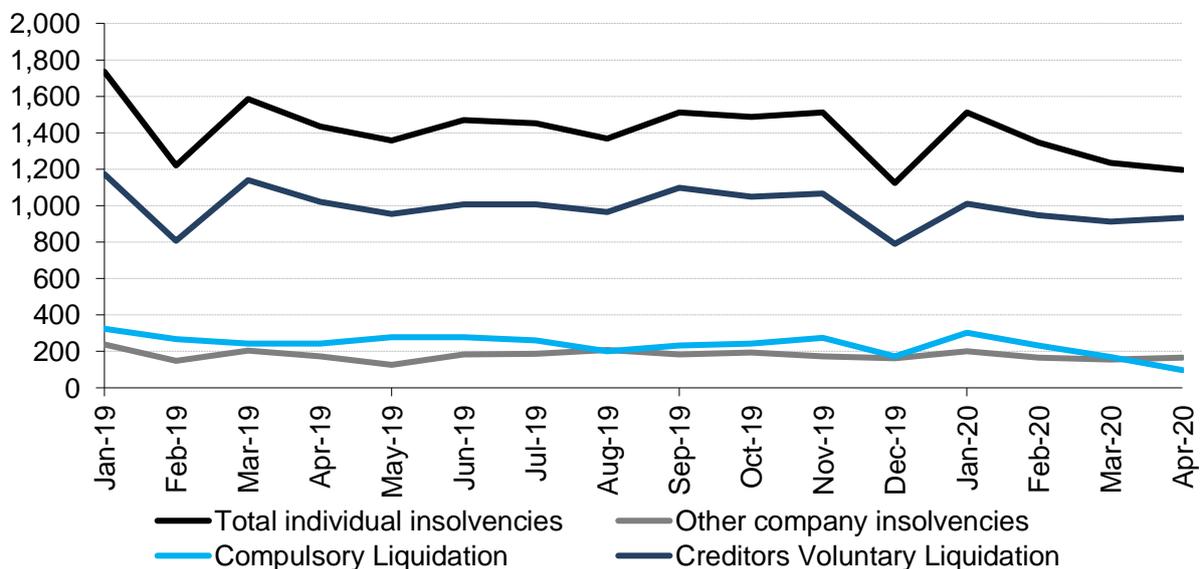
In April 2020 there were a total of 1,196 company insolvencies in England and Wales, consisting of 933 creditors' voluntary liquidations (CVLs) 97 compulsory liquidations, 144 administrations, 21 company voluntary arrangements (CVAs) and one receivership.

Overall, this was a decrease of 17% when compared to the same month last year. This was driven by a decrease in the number of compulsory liquidations in April 2020, which fell by 60%, when compared to April 2019.

Compulsory liquidations require a winding-up order obtained from the court by a creditor, shareholder or director. Since the UK lockdown was applied on the evening of 23rd March to slow the spread of the coronavirus, the HM Courts & Tribunals Service has reduced the operational running of the courts and tribunals<sup>1</sup>. The Government also announced in late April that it would prohibit the use of statutory demands and certain winding-up petitions from 27 April to 30 June 2020<sup>2</sup>.

There was also a 9% decrease in the numbers of CVLs in April 2020, when compared with April 2019, and a 3% decrease across all other types of company insolvency.

**Figure 1: Company insolvencies in England and Wales, by insolvency type and month<sup>P</sup>**  
1 January 2019 to 30 April 2020, not seasonally adjusted



Sources: Insolvency Service (compulsory liquidations only); Companies House (all other insolvency types)

<sup>P</sup> Figures are provisional

<sup>1</sup> HMCTS response to coronavirus outbreak: <https://www.gov.uk/guidance/coronavirus-covid-19-courts-and-tribunals-planning-and-preparation>

<sup>2</sup> Government announcement 25<sup>th</sup> April 2020: <https://www.gov.uk/government/news/new-measures-to-protect-uk-high-street-from-aggressive-rent-collection-and-closure>



A further breakdown of company insolvencies by industry grouping (SIC 2007) can be found in the [accompanying tables](#).

### Short term effects of UK lockdown on company insolvencies

Table 1 below shows that during the first three weeks of March, prior to the UK lockdown on the 23<sup>rd</sup> March, an average of 66 company insolvencies were registered daily. In the remaining six working days following lockdown in March, the average daily number of company insolvencies registered had halved to 30. This reduction is linked to:

- Short-term capacity constraints at Companies House as it put in place safe processes to manage its work on-site; and
- Delays in documents being provided to Companies House by insolvency practitioners.

However, in April the average daily number of registered company insolvencies returned to pre-lockdown levels, except for compulsory liquidations which remained lower, at an average of five new compulsory liquidations each day.

**Table 1: Average number of daily registered company insolvencies<sup>P,1</sup>**  
1 March 2020<sup>2</sup> – 30 April 2020

	Daily average	Creditors' voluntary liquidations	Compulsory liquidations	Other Insolvencies
March 1st - 23rd	66	49	10	7
March 24th -31st	30	22	1	6
April 2020	60	47	5	8

**Sources: Insolvency Service (compulsory liquidations only); Companies House (all other insolvency types)**

<sup>P</sup> Figures are provisional

<sup>1</sup> Mean averages have been calculated based on the number of working days in the time period of interest.

<sup>2</sup> Average number of daily registered company insolvencies in March have been presented in 'pre-lockdown' and 'post-lockdown' time periods.

### Overall, individual insolvencies increased in April 2020 compared to April 2019, but the picture by insolvency type was mixed

There were 10,397 individual insolvencies in April 2020 in England and Wales, consisting of 8,093 individual voluntary arrangements (IVAs), 1,496 debt relief orders (DROs) and 808 bankruptcies (the latter were made up of 784 debtor bankruptcies and 24 creditor bankruptcies). Overall this was an increase of 8% when compared to the same month last year, However, there was considerable variation across the different individual insolvency types.

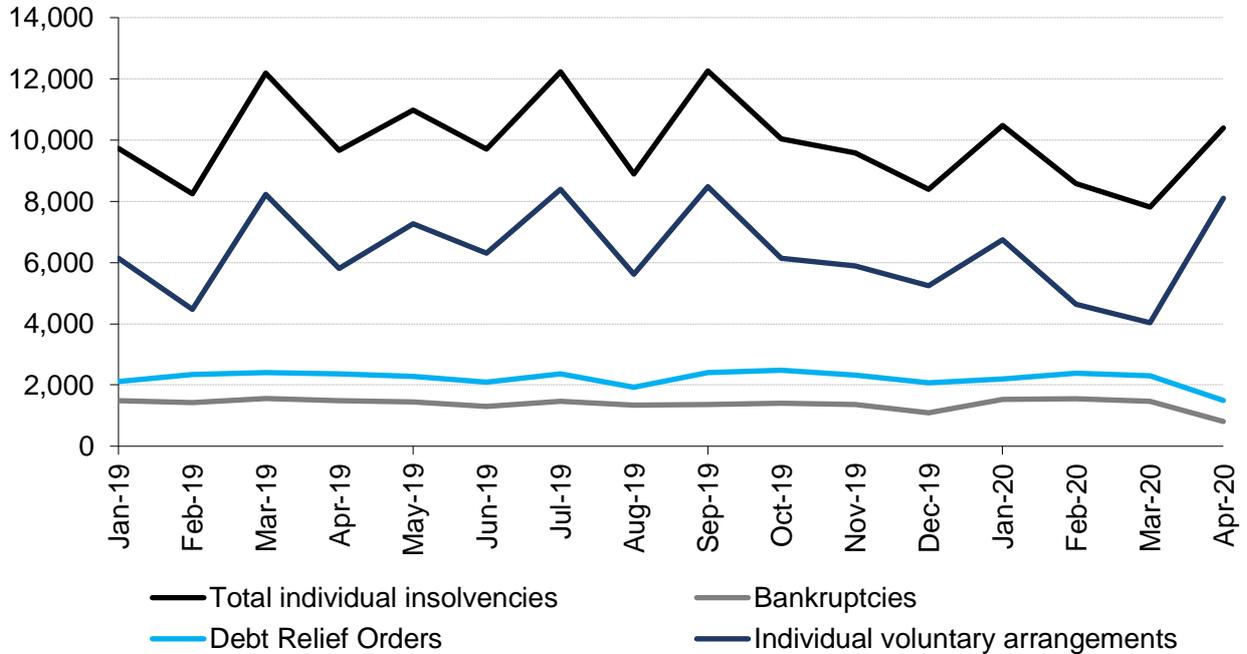
There was a 39% increase in IVAs in April 2020, compared with the same month last year. Most IVAs are supervised by licensed insolvency practitioners working for firms that specialise in this area; in some cases, this leads to a more volatile time series. Changes in monthly volumes may be due in part to how promptly and frequently IVAs are registered by providers with the Insolvency Service. Caution should therefore be taken when comparing IVAs registrations over a shorter time period.



There was a 37% reduction in DROs registered, compared with April 2019 and Bankruptcies fell 46% in comparison to the same month as last year.

The reduction in bankruptcies was driven by a 34% fall in debtor bankruptcies and a 92% reduction in creditor bankruptcies.

**Figure 2: Individual insolvencies in England and Wales, by insolvency type and month<sup>P</sup>**  
1 January 2019 to 30 April 2020, not seasonally adjusted



Source: Insolvency Service

<sup>P</sup> Figures are provisional

Further breakdowns of bankruptcies by employment status, and bankruptcies where the individuals were self-employed by industry grouping (SIC 2007) can be found in the [accompanying tables](#).

### Short term effects of UK lockdown on individual insolvencies

Table 2 below shows that during the first three weeks of March, prior to the UK lockdown on the 23rd March, an average of 446 individuals entered insolvency daily. In the remaining six working days following lockdown in March, the average daily number of individual insolvencies had fallen by three-quarters, to 112.

The overall average daily number of individual insolvencies appeared to return to pre-lockdown levels in April. However, this was driven by the high volume of IVAs registered in the month. Insolvency practitioners and the Insolvency Service had to put in place protocols to support remote working after the UK lockdown was applied, which included registration fees being able to be made via BACS rather than cheque. It is likely that IVAs that would otherwise have been registered in March were instead deferred to April.

The average number of daily DROs and Bankruptcies remained low in April, when compared with the pre-lockdown period of March.



The fall in debtor bankruptcies and DROs corresponds with a reduction in applications for these services, which coincided with the announcement of enhanced Government financial support for individuals and businesses since the emergence of the coronavirus pandemic. The fall in debtor bankruptcies may have also been partly driven by the reduction in court activity.

The fall in creditor bankruptcies will likely have been a result of reduced HMRC enforcement activity during this period<sup>3</sup> and in part, a result of reduced operational running of the courts during this time.

**Table 2: Average number of daily registered individual insolvencies<sup>p,1</sup>**

1 March 2020<sup>2</sup> – 30 April 2020

	Total individual insolvencies	Bankruptcies	Debt relief orders	Individual voluntary arrangements
March 1st - 23rd	446	76	119	251
March 24th -31st	112	45	66	2
April 2020	520	40	75	405

**Source: Insolvency Service**

<sup>p</sup> Figures are provisional

<sup>1</sup> Mean averages have been calculated based on the number of working days in the time period of interest.

<sup>2</sup> Average number of daily registered individual insolvencies in March have been presented in 'pre-lockdown' and 'post-lockdown' time periods.

<sup>3</sup> HMRC Coronavirus – Insolvency Guide: <https://www.icaew.com/-/media/corporate/files/technical/insolvency/insolvency-news/coronavirus-insolvency-bulletin.ashx?la=en>



## 4. Company Insolvencies in Scotland

Company statistics for Scotland are presented separately to statistics for England and Wales, since they are covered by separate legislation and policy responsibility lies with the devolved administration. The **Accountant in Bankruptcy**, Scotland's Insolvency Service, administers company insolvency in Scotland.

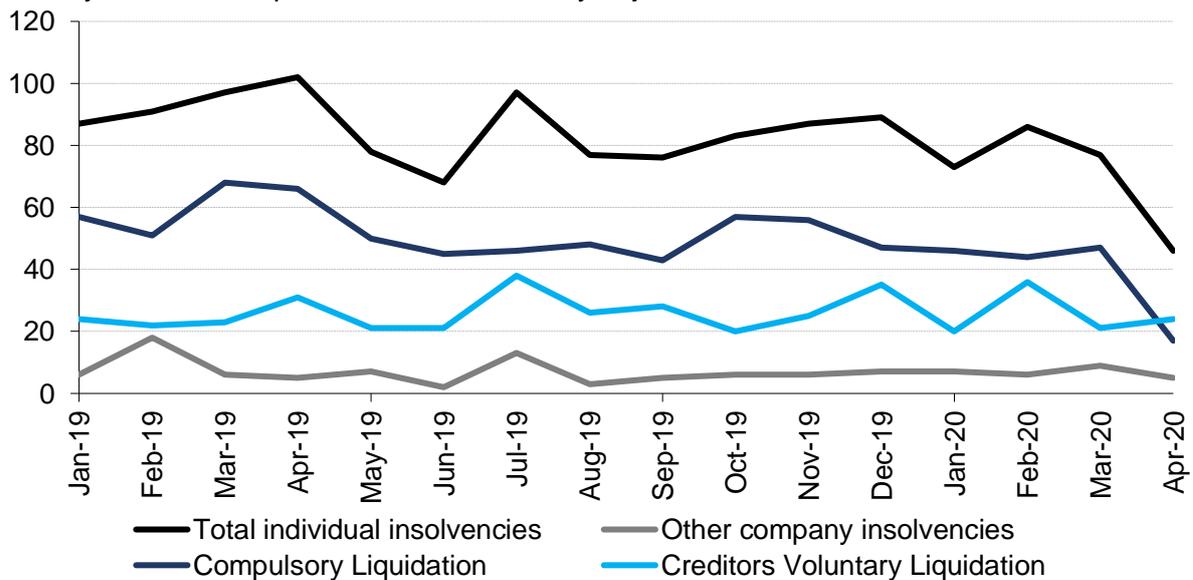
Note that this statistical bulletin does not present monthly individual insolvency statistics for Scotland. This information can be found on the [Accountancy in Bankruptcy \(AIB\)](#) website.

In April 2020, there were 46 total insolvencies in Scotland, a fall of 55% in comparison to April 2019. This comprised, 24 CVLs, 17 compulsory liquidations 4 administrations and one company voluntary arrangement. There were no receiverships.

In contrast to England and Wales, the volume of company insolvencies in Scotland have historically been driven by compulsory liquidations. However, for the first time in this time series, the numbers of CVLs were higher than compulsory liquidations, as the numbers of compulsory liquidations fell by 74%, when compared to the same month as last year.

**Figure 3: Company insolvencies in Scotland, by insolvency type and month<sup>P</sup>**

1 January 2019 to 30 April 2020, not seasonally adjusted



Source: Companies House

<sup>P</sup> Figures are provisional

A further breakdown of company insolvencies by industry grouping (SIC 2007) can be found in the [accompanying tables](#).



## 5. Glossary

### Key Terms used within this statistical bulletin

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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.
Bankruptcy	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, 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.
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.
Compulsory liquidation	A winding-up order obtained from the court by a creditor, shareholder or director. See <b>Liquidation</b> for details on the process.
Creditors' voluntary liquidation (CVL)	Shareholders of a company can themselves pass a resolution that the company be wound up voluntarily. See <b>Liquidation</b> for details on the process. Administrations which result in a Creditors' Voluntary Liquidation are recorded separately by Companies House and are excluded from CVL figures as they do not represent a new company entering into an insolvency procedure for the first time. These cases are only ever recorded as Administrations.
Debt Relief Order (DRO)	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.
Deed of Arrangement	An alternative way for a debtor to deal with their affairs than entering into <b>bankruptcy</b> or an <b>individual voluntary arrangement</b> . Deeds of arrangement require the approval of a simple majority of creditors in number and value, and do not require a nominee, report to court or a meeting of creditors to be held.
Individual Voluntary Arrangement (IVA)	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.
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 <b>compulsory liquidations</b> and <b>creditors' voluntary liquidations</b> are presented in these statistics. A third type of winding up, members' voluntary liquidation is not included because it does not involve insolvency.

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Partnership Winding-up Orders	This is similar to the <b>liquidation</b> of a company. When the partners have decided that the partnership has no viable future or purpose then a decision may be made to cease trading and wind up the partnership. There are two basic ways that the partnership can be wound up: the creditors petition and a partner's petition.
Protected trust deeds	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.
Receivership Appointments	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 included other, non-insolvency, procedures, for example under the Law of Property Act 1925.
Sequestration	Fulfils much the same role in Scotland as bankruptcy in England and Wales.
Standard Industrial Classification (SIC 2007)	Used in classifying business establishments and other statistical units by the type of economic activity in which they are engaged. Further information can be found on the ONS website: <a href="https://www.ons.gov.uk/methodology/classificationsandstandards/ukstandardindustrialclassificationofeconomicactivities/uksic2007">https://www.ons.gov.uk/methodology/classificationsandstandards/ukstandardindustrialclassificationofeconomicactivities/uksic2007</a>

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