

Individual 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 27,849 individual insolvencies as a result of:

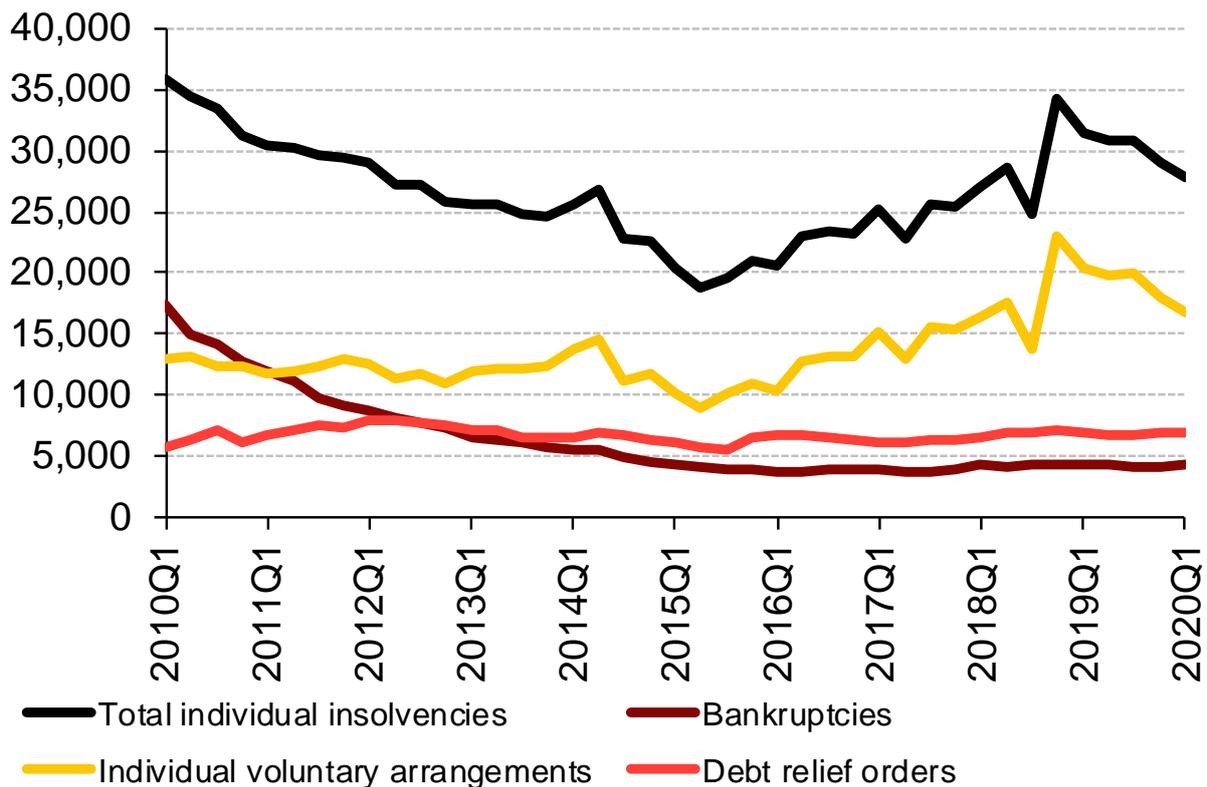
- 16,714 Individual Voluntary Arrangements (IVAs)
- 6,875 Debt Relief Orders (DROs)
- 4,261 Bankruptcies

Total numbers of individual 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 individual insolvencies continued to be driven by the volume of IVAs each quarter.

The numbers of DROs and Bankruptcies have remained fairly stable each quarter during the past few financial years. However, Bankruptcies did increase in Q1 2020, when compared with both the previous quarter and the same quarter in the previous year (Q1 2019).

Figure 1: Total individual insolvencies fell in comparison to Q4 2019

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

Individual voluntary arrangements (IVAs)	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.
Debt relief orders (DROs)	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.
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 Debtor application – where the individual is unable to pay their debts, and applies online to make themselves bankrupt, or Creditor petition – 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.
Sequestration	Fulfils much the same role in Scotland as bankruptcy in England and Wales.
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 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](#).

Changes to data sources for individual insolvencies

The data sources used for these statistics have been changed as pre-announced in the [Q4 2019 Individual insolvency statistics](#). This has led to some changes in the time series for numbers of IVAs, DROs and Bankruptcies. More information on these revisions can be found in our [revisions policy](#)

Detailed information

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

3. Total individual insolvencies decreased in Q1 2020

There were 27,849 total individual insolvencies in Q1 2020. IVAs were the most common type of individual insolvency, accounting for 60% of cases, followed by DROs (25%) and bankruptcies (15%).

Since Q2 2011, IVAs have been the most common individual insolvency type. This contrasts with bankruptcies (in particular, bankruptcies resulting from a debtor application) which decreased following the financial crisis and the introduction of DROs in 2009.

Total individual insolvencies in Q1 2020 decreased by 4% from Q4 2019 and decreased by 11% from the same quarter in the previous year.

The decrease in individual insolvencies in Q1 2020 was driven by a fall in IVAs but was partially offset by an increase in the number of bankruptcies while DROs remained flat in comparison to Q4 2019. IVAs decreased by 7% to 16,714, DROs remained flat at 6,785, and bankruptcies increased by 2.5% to 4,261.

In comparison to the same quarter in 2019, IVAs decreased by 18%, there was no change in DROs, and bankruptcies decreased by 2%.

Table 2: The decrease in total individual insolvencies was driven by individual voluntary arrangements¹

England and Wales, seasonally adjusted

	Total individual insolvencies	Bankruptcies	Debt relief orders	Individual voluntary arrangements
2019Q1	31,358	4,184	6,875	20,299
2019Q2	30,802	4,241	6,733	19,829
2019Q3	30,768	4,160	6,721	19,887
2019Q4	28,970	4,156	6,865	17,949
2020Q1	27,849	4,261	6,875	16,714
2019	121,898	16,740	27,194	77,964
2020YTD ²	27,849	4,261	6,875	16,714

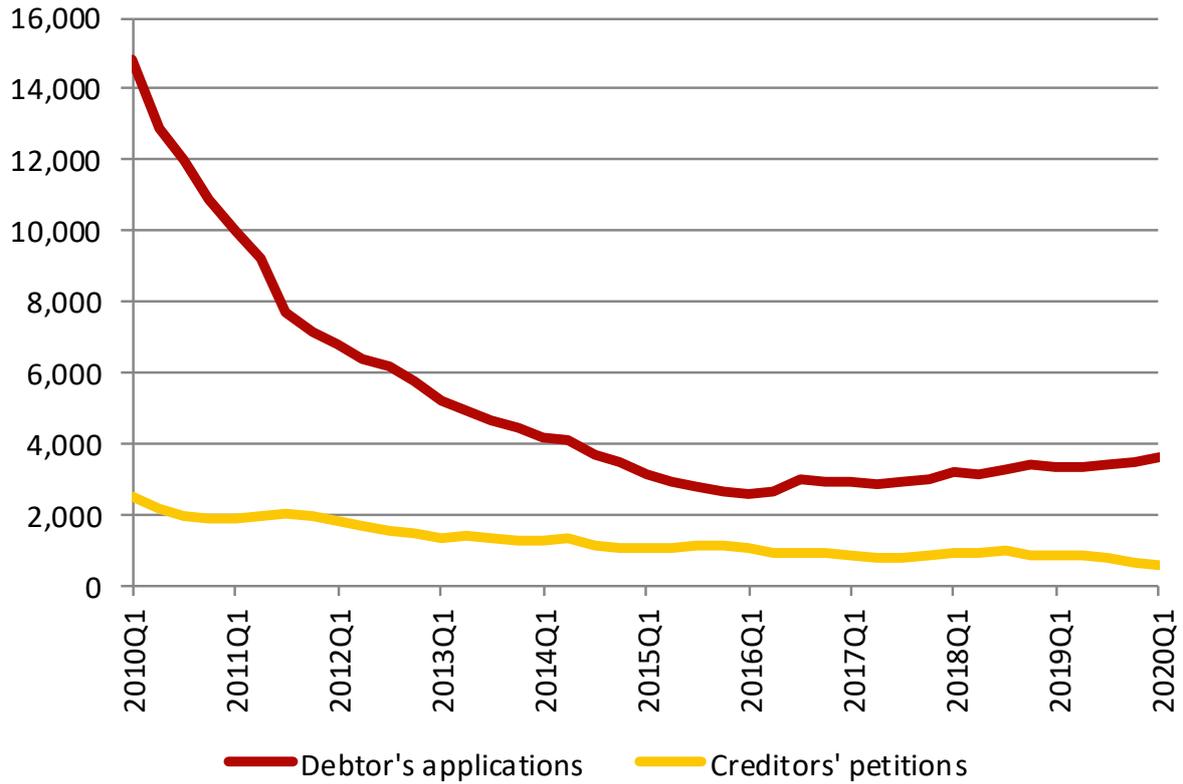
1. Components may not sum to totals due to rounding of seasonally adjusted figures.
2. Year-to-date.

In Q1 2020 there were 3,649 bankruptcies made on the application of debtor petitions, an increase of 5% from Q4 2019 and an increase of 9% from the same quarter in the previous year.

There were 577 bankruptcies made on the application of creditor's petitions, a decrease of 13% from Q4 2019, and a decrease of 32% from the same quarter in the previous year.

Figure 2: Bankruptcies made by debtor's application increased while creditor's petitions continue to fall

England and Wales, seasonally adjusted



4. The insolvency rate decreased in Q1 2020

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 four quarters.

Figure 3: In the 12 months ending Q1 2020, 1 in 393 adults became insolvent
England and Wales, 4-quarter rolling rate

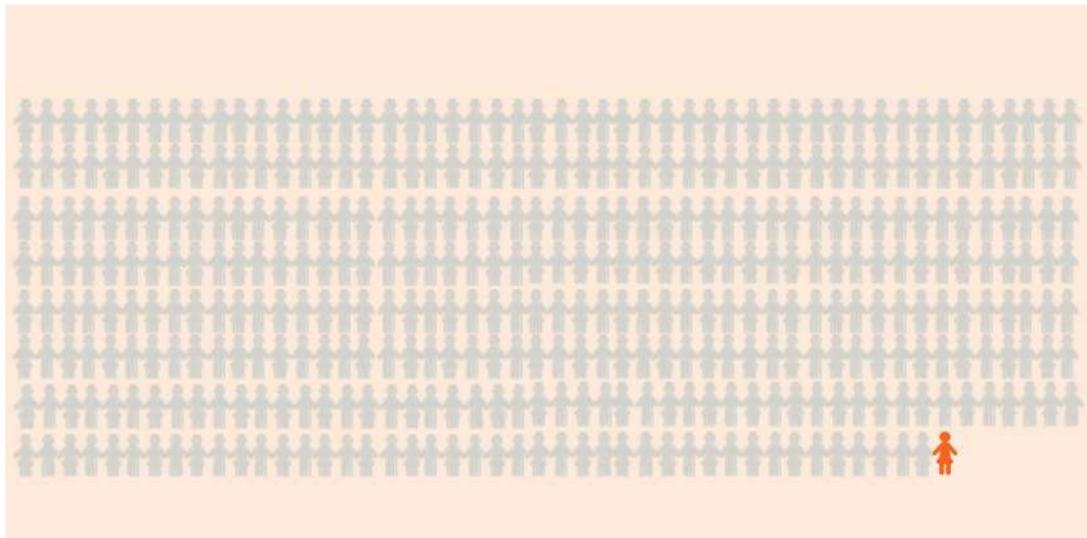
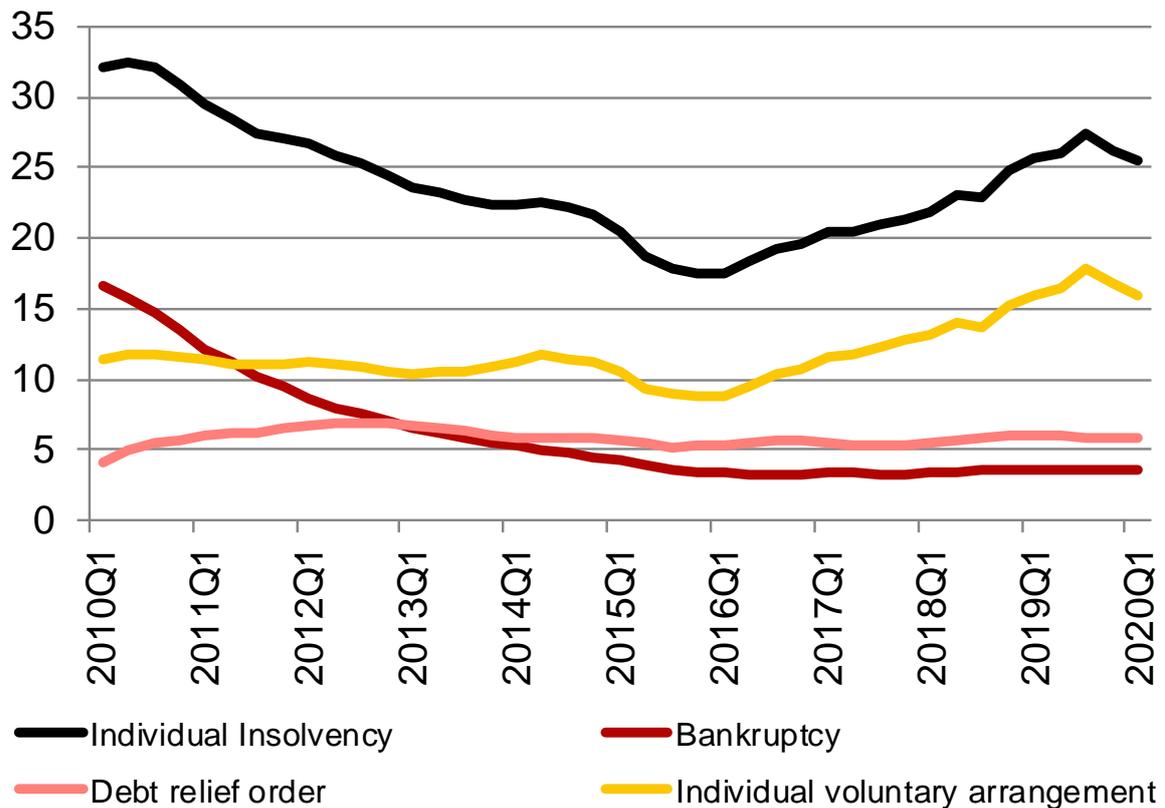


Figure 4: The individual insolvency rate fell in Q1 2020
England and Wales, 4 quarter rolling rate per 10,000 adults



In the 12 months ending Q1 2020, the individual insolvency rate was 25.4 per 10,000 adults in England and Wales. This was down from 26.2 per 10,000 in the 12 months ending Q4 2019, and closer to the rate of individual insolvencies in the same quarter a year ago (25.6 per 10,000).

The IVA insolvency rate decreased to 16.0 per 10,000 in the 12 months ending Q1 2020, from 16.8 per 10,000 in the 12 months ending Q4 2019.

In the 12 months ending Q1 2020, 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.

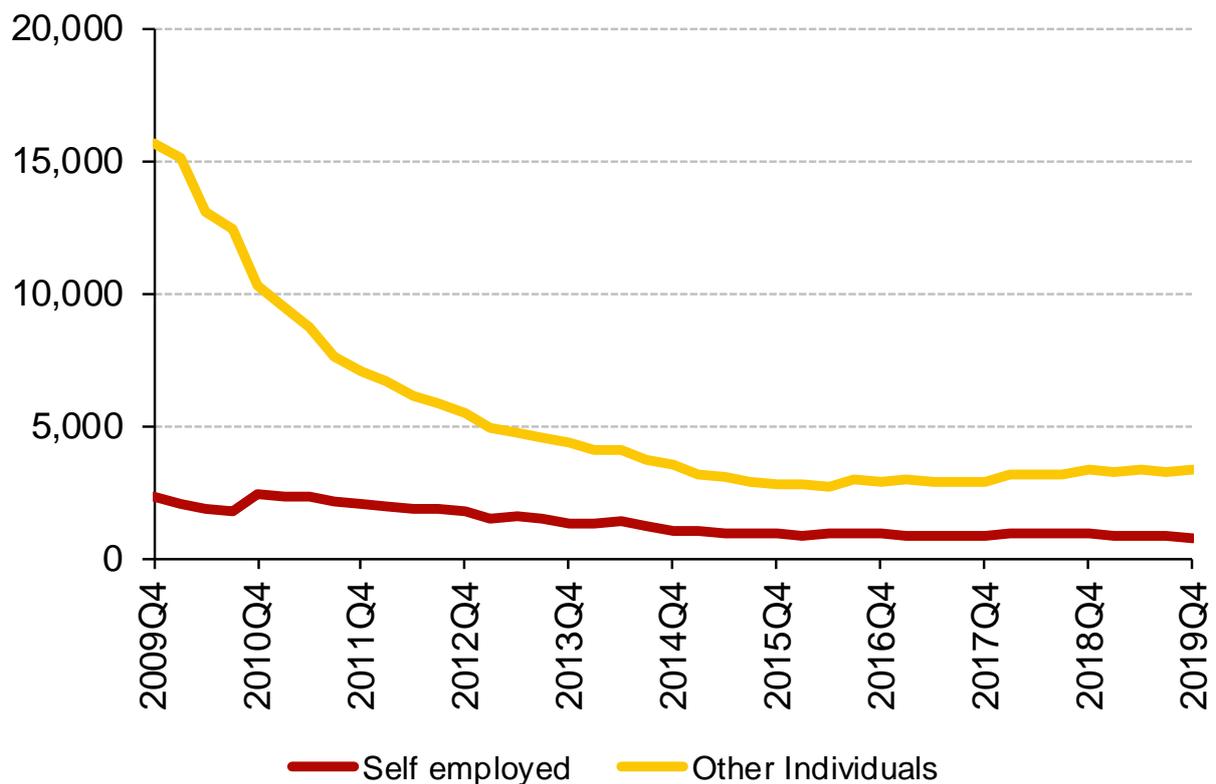
5. Bankruptcies decreased for the self-employed in Q4 2019

Bankruptcies by self-employment status are presented with a lag of one quarter on most other statistics in this release. This is because it can take several weeks for trading status to be recorded following the date of the bankruptcy order.

In Q4 2019, there were 768 bankruptcies where the individual was self-employed, a decrease of 10.5% on Q3 2019 and 15.5% lower than the same period last year.

In contrast there were 3,357 bankruptcies among other individuals in Q4 2019, an increase of 2% compared with the previous quarter and 2% higher than the same quarter of the previous year.

Figure 5: Bankruptcies decreased for the self-employed but increased for other individuals in Q4 2019
England and Wales, seasonally adjusted



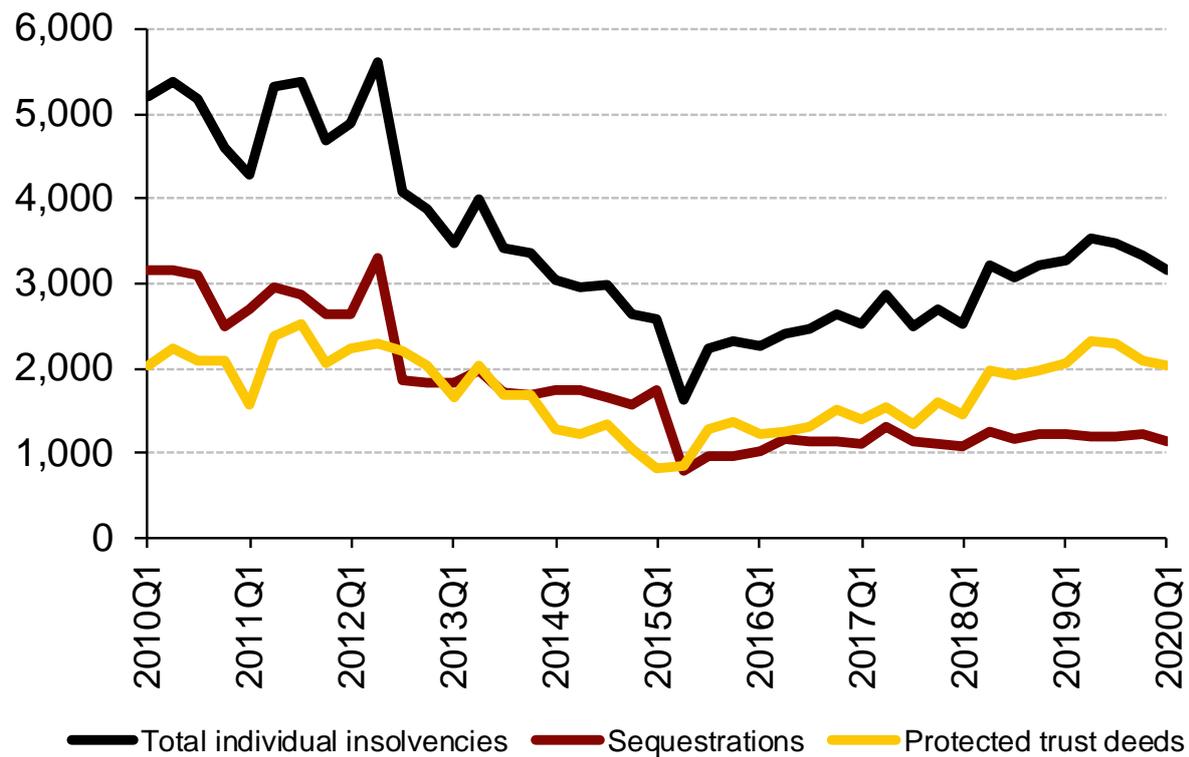
6. Individual insolvency in Scotland

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

- There were 3,156 individual insolvencies in Scotland Q1 2020.
- This was a decrease of 3.8% compared to the same quarter of the previous year.

Figure 6: Total individual insolvencies increased in Q1 2020 compared to Q1 2019

Scotland, non-seasonally adjusted



In Q4 2020, there were 3,156 total insolvencies in Scotland, a 3.8% decrease on the same quarter of 2019. This comprised of 1,129 sequestrations (of which 455 went into sequestration via the minimal asset process route) and 2,027 protected trust deeds.

In April 2015, the Minimal Asset Process replaced LILA, and other changes affected sequestrations, resulting in a large decrease during Q2 2015.

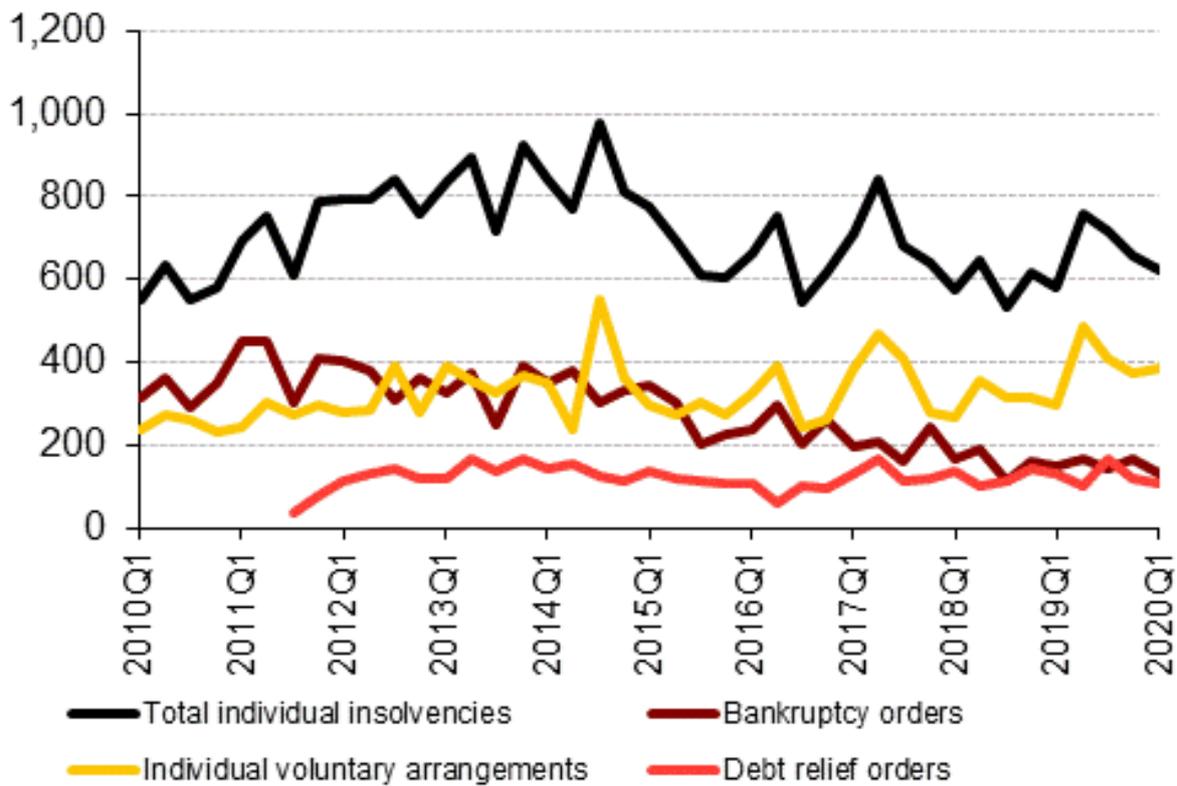
7. Individual insolvency in Northern Ireland

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 621 individual insolvencies in Northern Ireland in Q1 2020
- This was an increase of 7.4% compared with the same quarter of the previous year.

Figure 7: Total individual insolvencies increased in Q1 2020 compared to Q1 2019

Northern Ireland, non-seasonally adjusted



In Q1 2020 there were 621 insolvencies, up 7.4% on the same quarter of 2019. This comprised 383 IVAs, 129 bankruptcies and 109 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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