The Insolvency Service

Quarterly Company Insolvency Statistics, Q3 July to September 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/company-insolvency-statistics-releases

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1. Main messages for England and Wales

Overall numbers of company insolvencies in England and Wales fell in comparison to both the previous quarter and same period last year. The fall in comparison to Q2 2020 was driven by falls in CVLs; other types of company insolvency increased in Q3 2020 compared with the previous quarter but were still much lower than the same period last year.

The company liquidation rate fell in the 12 months ending Q3 2020 to 32.2 per 10,000 active companies in England and Wales, from 37.0 per 10,000 in the 12 months ending Q2 2020.

The reduction in company insolvencies compared to the same quarter last year was likely to be partly driven by Government measures put in place in response to the coronavirus (COVID 19) pandemic, including:

- Reduced operational running of the courts and reduced HMRC enforcement activity since UK lockdown was applied on the evening of 23 March;

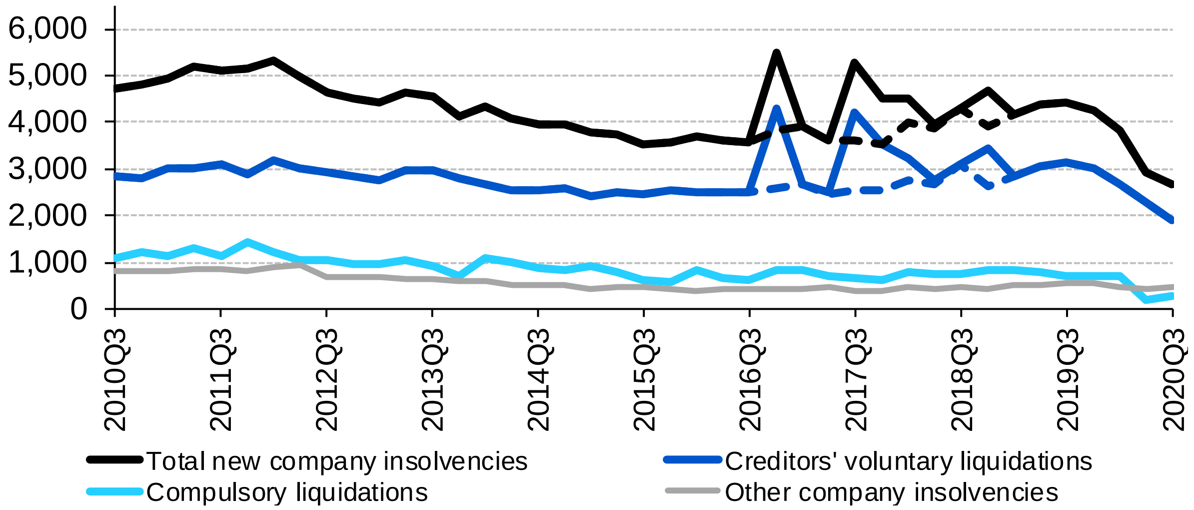
- Temporary restrictions under the Corporate Insolvency and Governance Act on the use of statutory demands and certain winding-up petitions (which lead to company compulsory liquidations) from 27 April to 30 June, and extended initially to 30 September 2020 and subsequently to 31 December 2020.

- Enhanced Government financial support for companies and individuals; and

- Financial service regulators have advised that individuals and businesses in financial difficulty should be treated with forbearance and due consideration.

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

Figure 1: Company insolvencies decreased in comparison to 2020Q2 and the same quarter last year, driven by decreases in CVLs
England and Wales, Q3 2010 to Q3 2020, seasonally adjusted[p]



Sources: Insolvency Service (compulsory liquidations only); Companies House (all other insolvency types)
p. Figures for the latest quarter are provisional

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

2. Things you need to know about this release

This statistics release contains the latest data on company insolvency in the UK, presenting the numbers of companies who have entered a formal insolvency procedure after being unable to pay their debts. Information is presented separately for England and Wales, Scotland and Northern Ireland.

The Insolvency Service separately publishes monthly experimental statistics to provide more up to date information on the impact of the pandemic on insolvency. The monthly statistics provide a more timely indication of the numbers of company and individual insolvencies during this time of economic uncertainty. However, they have not replaced the quarterly National Statistics, since the information presented on a monthly basis is less granular and is less reliable for monitoring changes in trends over time. These Quarterly Statistic are seasonally adjusted to account for seasonal variation in company insolvencies across the year and allow for comparison to the most recent period with in years. Note that the monthly statistics on company insolvency may not be consistent with data presented within this statistical release.

Interpretation of these statistics

Please note that some caution needs to be applied when interpreting these statistics. 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 March 2020 resulting, in the short term, in insolvency practitioners, intermediaries, Companies House and courts not being able to process insolvencies in the usual manner.

Designation as 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 Statistics. Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.

The last compliance review was conducted in July 2019:

https://osr.statisticsauthority.gov.uk/correspondence/compliance-check-of-insolvency-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.

3. Company insolvency in England and Wales

3.1. Company insolvencies overall decreased in comparison to Q3 2019 and Q2 2020

There were 2,672 company insolvencies in Q3 2020. Unlike the monthly statistics, quarterly statistics are seasonally adjusted to account for seasonal variation in insolvencies across the year and allow for comparison to the most recent period within years. The overall number of company insolvencies decreased by 9% in Q3 2020 compared with Q2 2020, and by 39% when compared with the same quarter in the previous year.

In comparison to Q3 2019 all types of company insolvencies fell, mainly driven by a fall in CVLs which accounted for just under three quarters (72%) of all company insolvencies. In comparison to the same period last year CVLs fell by 39%, compulsory liquidations 58%, administrations by 18% and CVAs by 29%.

The reduction in company insolvencies in the latest quarter compared with last year was likely to be in part driven by the range of Government support[1] put in place to financially support companies in response to the coronavirus (COVID 19) pandemic. The Government also announced in late April that it would temporarily prohibit the use of statutory demands and certain winding-up petitions from 27 April to 30 June 2020[2]. This was further extended to 30 September under the Corporate Insolvency and Governance Act and in August 2020 was further extended to 31 December 2020.

In comparison to Q2 2020 the picture for company insolvencies is more mixed. Overall numbers of company insolvencies have fallen, driven by a 17% decrease in the numbers of CVLs. However, compulsory liquidations increased by 42% and CVAs by 34%, though numbers of CVAs are relatively low so growth rates are susceptible to volatility: in total there were 63 CVAs in the latest quarter. Q3 2020 had one of the lowest levels of CVAs on record following on from Q2 2020 which saw the lowest level since Q3 1993.

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 23 March 2020 to slow the spread of the coronavirus, the HM Courts & Tribunals Service has reduced the operational running of the courts and tribunals[3], therefore reducing the numbers of compulsory liquidations. Over half of compulsory liquidation (51%) with a court order date in Q3 2020 had a petition date two quarters previously in Q1 2020. Internal analysis of management information shows that petition activity has decreased substantially, with the recent increase in the number of compulsory liquidations in Q3 driven primarily by HM Courts & Tribunals Service resuming processing petitions presented prior to the UK lockdown.

There were 396 administrations in Q3 2020, broadly similar to the 389 administrations in Q2 2020.There was one receivership in Q3 2020 the same as both Q3 2019 and Q2 2020.

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[1] Government support Financial support for businesses during coronavirus (COVID-19): https://www.gov.uk/government/collections/financial-support-for-businesses-during-coronavirus-covid-19

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

[3] HMCTS response to coronavirus outbreak: https://www.gov.uk/guidance/coronavirus-covid-19-courts-and-tribunals-planning-and-preparation

Table 1: Overall company insolvencies remain low

England and Wales, Q3 2019 to Q3 2020, seasonally adjusted, underlying insolvencies only[p]

	Company insolvencies	Compulsory Liquidations	CVLs	Administrations	CVAs	Receiverships
2019Q3	4,415	690	3,155	480	89	1
2019Q4	4,258	692	3,024	465	77	0
2020Q1	3,845	707	2,668	400	69	1
2020Q2	2,944	205	2,302	389	47	1
2020Q3	2,672	292	1,920	396	63	1
Percentage change, latest quarter (2020 Q2) compared with:						
2020Q2	-9	42	-17	2	34	0
2019Q3	-39	-58	-39	-18	-29	0

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

p. Figures for the latest quarter are provisional

1. Receivership appointments are now rare, since use of this procedure is restricted to certain types of company, or to floating charges, created before September 2003. Due to small numbers percentage changes were not calculated.

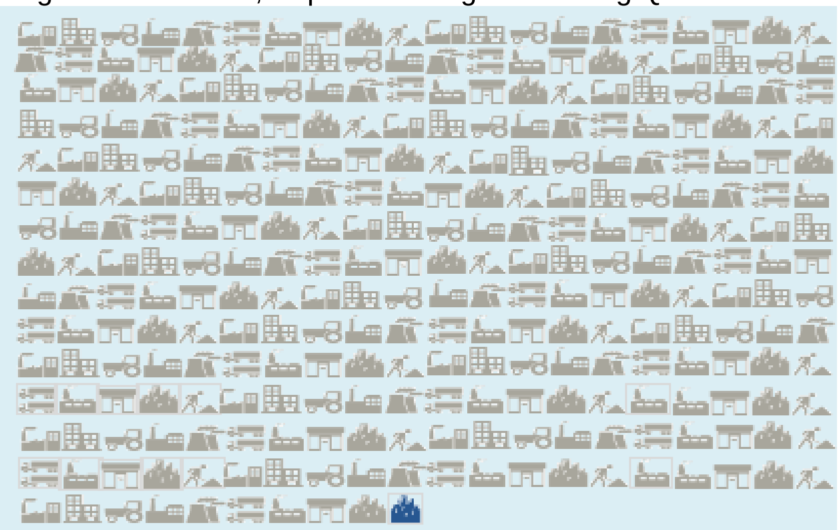
In Q3 2020, 2 companies obtained a moratorium and one company had a restructuring plan sanctioned by the court. These 2 new procedures were created by the Corporate Insolvency and Governance Act 2020. The low number of cases of each of these new legislative tools since the Act came into force is likely to be as a result of the range of Government support provided to companies as mentioned above, including the range of temporary measures that have recently been extended for a further period.

3.2. The company liquidation rate fell in the 12 months ending Q2 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.

In the 12 months ending Q3 2020, the company liquidation rate was 32.2 per 10,000 active companies in England and Wales, a decrease from 37.0 per 10,000 seen in the 12 months ending Q2 2020 and down from 41.8 in the 12 months ending Q3 2019.

Figure 2: In the 12 months ending Q3 2020, 1 in 310 companies were liquidated[1]
England and Wales, 4-quarter rolling rate ending Q3 2020[p]

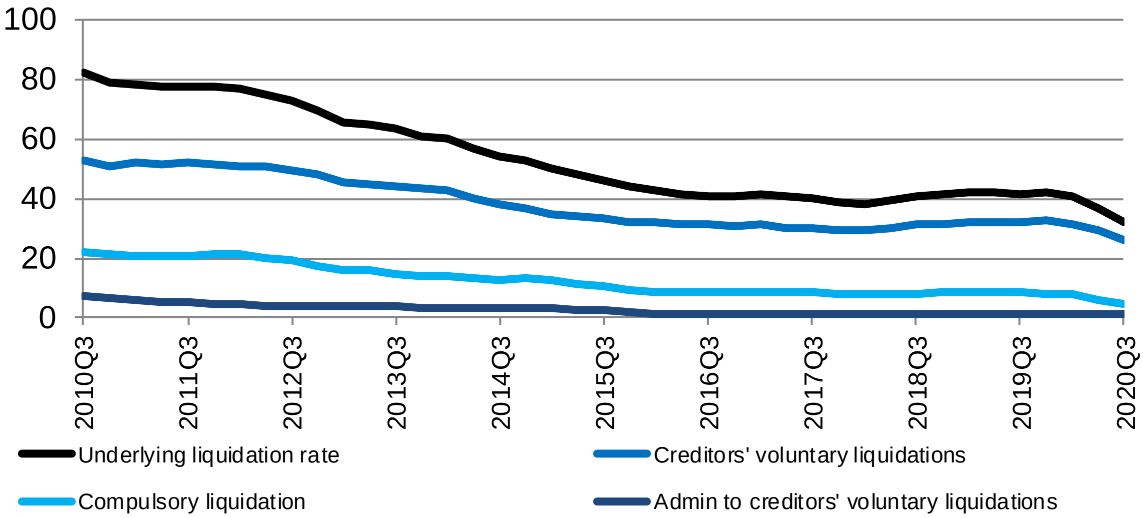


Sources: Insolvency Service (compulsory liquidations only); Companies House (all other insolvency types)
p. Figures are provisional

In the 12 months ending Q3 2020:

- The rate of compulsory liquidations decreased to 5.0 per 10,000, from 6.1 per 10,000 in the 12 months ending Q2 2020;
- the rate of creditors' voluntary liquidations decreased to 25.9 per 10,000, from 29.5 per 10,000 in the 12 months ending Q2 2020; and
- the rate of CVLs after administration decreased to 1.3 per 10,000, from 1.4 per 10,000 in the 12 months ending Q2 2020.

Figure 3: The underlying liquidation rate fell in the 12 months ending Q3 2020
England and Wales, 4-quarter rolling rate per 10,000 active companies, seasonally adjusted[p]



Sources: Insolvency Service (compulsory liquidations only); Companies House (all other insolvency types)
p. Figures for the latest quarter are provisional
1. Excludes any bulk insolvencies

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.

3.3. All major industry groupings saw a decline in insolvency in the 12 months ending Q3 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.

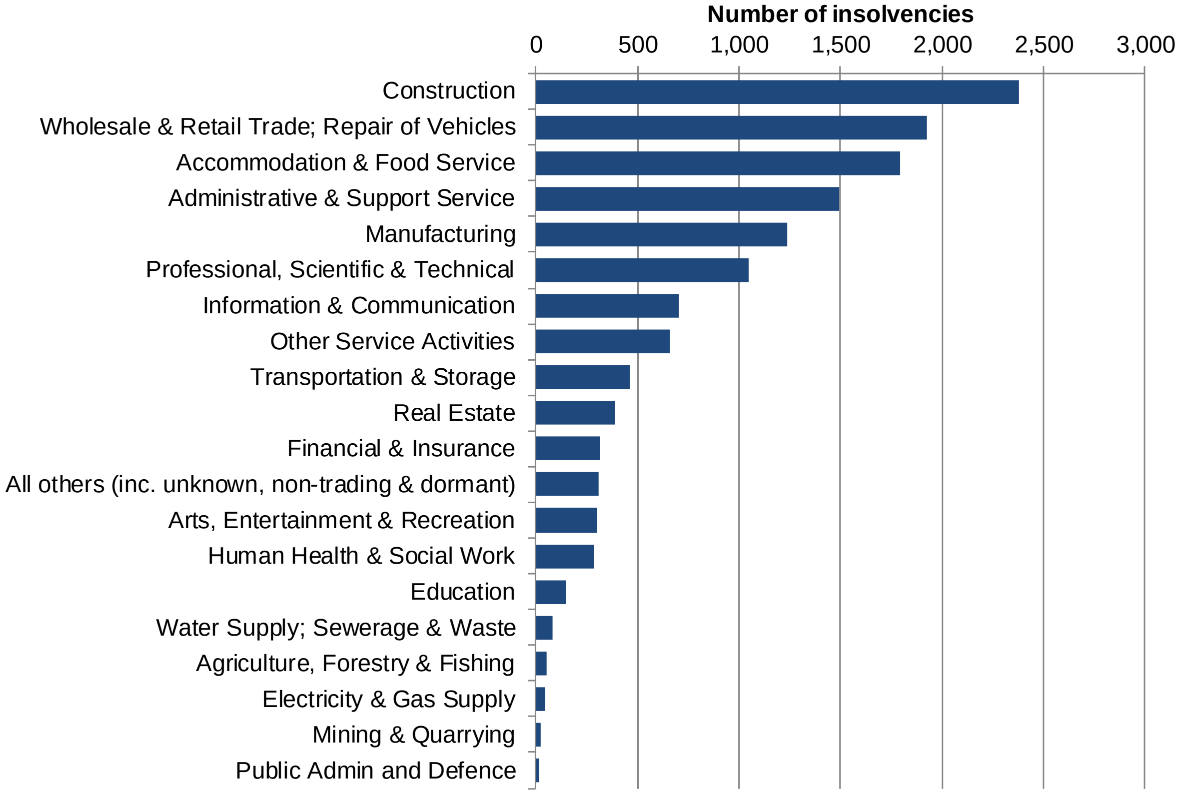
The 3 industries that experienced the highest number of insolvencies in Q3 2020 were:

- the construction industry (2,381 insolvencies);
- the wholesale and retail trade; repair of vehicles industrial grouping (1,924 insolvencies); and
- the accommodation and food services grouping (1,797 insolvencies).

The construction industry tends to have the highest quarterly level of insolvencies of any industrial grouping.

Figure 6: The construction industry had the highest number of insolvencies in the 12 months ending Q3 2020

England and Wales, Q4 2019 to Q3 2020, non-seasonally adjusted[p]



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

p. Figures are provisional

Decreases in insolvencies were seen across most industries. Notably, the construction industry decreased 15% compared with the 12 months ending Q2 2020 while the wholesale and retail, repair of vehicles industry grouping, and the accommodation and food industry grouping both fell by 12%.

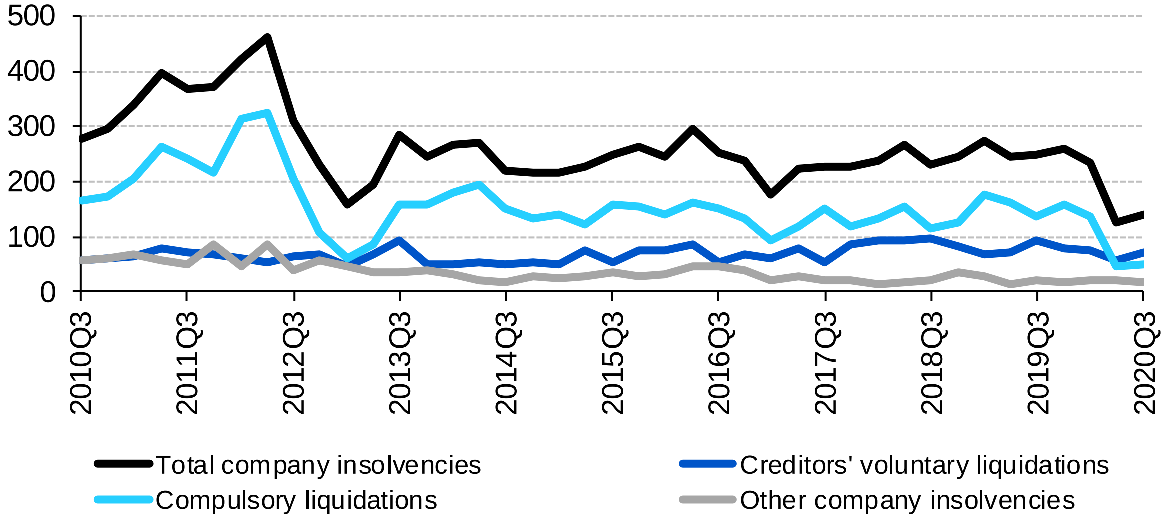
4. Company insolvency in Scotland

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

In Q3 2020, there were 139 total insolvencies in Scotland, a fall of 44% on the same quarter of 2019. This comprised 51 compulsory liquidations, 71 CVLs, 16 administrations, one CVA and no receiverships.

Figure 7: Company insolvencies decreased in Q3 2020, compared with the same quarter last year

Scotland, Q3 2010 to Q3 2020, not seasonally adjusted[p]



Sources: Companies House

p. Figures for the latest quarter are provisional

Historically, the numbers of company insolvencies in Scotland have been driven by compulsory liquidations. This contrasts with England and Wales, where CVLs drive company insolvency trends. 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. However, in the last two quarters there have been fewer compulsory liquidations than CVLs.

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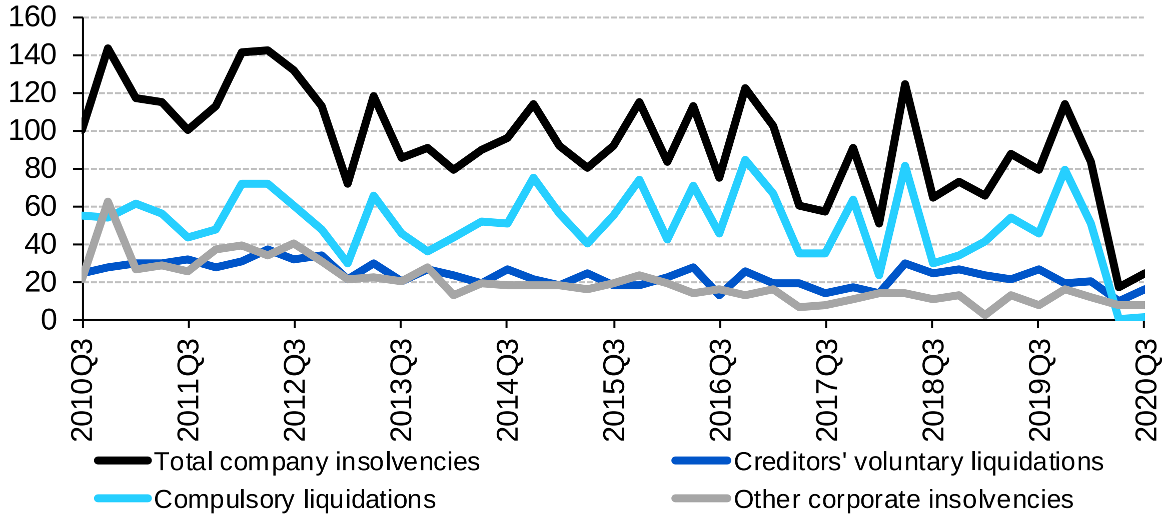
5. Company insolvency in Northern Ireland

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 24 company insolvencies in Northern Ireland in Q3 2020, a fall of 70% on the same quarter of 2019. This comprised 16 CVLs, 4 administrations, 3 CVAs and one compulsory liquidation. There were no administrative receiverships.

Figure 8: Company insolvencies decreased by just under three-quarters in Q3 2020, compared with the same quarter last year

Northern Ireland, Q3 2010 to Q3 2020, not seasonally adjusted[p]



Sources: Department of the economy, Northern Ireland (compulsory liquidations only); Companies House (all other insolvency types)

p. Figures for the latest quarter are provisional

6. Data and Methodology

Data Sources

Company insolvency data were sourced from Companies House, except for compulsory liquidation data which was sourced from the Insolvency Service case information system (ISCIS) for England, Wales and Scotland, and sourced from the Department for the Economy for Northern Ireland. Additionally, population estimates of companies on the active register were sourced from Companies House.

Companies House data[4] were used to determine all active companies registered in each quarter in the previous twelve months, to calculate insolvency rates for England and Wales.

More information on the administrative systems used to compile insolvency statistics can be found in the Statement of Administrative Sources.

Methodology and data quality

Seasonal adjustment: To aid analysis between quarters, figures for England and Wales were 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 2020* provides more information on seasonal adjustment which can be found here.

Rates of insolvency in England and Wales: Insolvency rates were calculated by dividing the total number of companies entering insolvency in the previous twelve months by the mean average number of all active companies registered with Companies House in each quarter in the previous twelve months.

Detailed methodology and quality information for these statistics can be found in the accompanying Quarterly Statistics Methodology and Quality document.

The main quality and coverage issues to note:

1. Data for the latest quarter were extracted approximately 10 working days after quarter end. Since the administration systems are live systems there is an increased likelihood that figures will be revised in the future. Therefore, all figures for the latest quarter are provisional
2. These statistics may not equal the sum of month statistics, published separately, which cover the period January 2019 to September 2020, due to differing methodologies including seasonal adjustment. In addition, the administrative systems used to capture data are live systems and are subject to amendments.
3. These statistics may not align with information published separately by Companies House, or with data extracted from the Gazette. Further information on why numbers may not align can be found in the accompanying Methodology and Quality document.

Revisions

These statistics are subject to scheduled revisions, as set out in the published Revisions Policy. Other 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. Any revisions to these statistics will be marked with an 'r' in the relevant table.

[4] The number of active companies register are taken from https://www.gov.uk/search/research-and-statistics?content_store_document_type=published_statistics&organisations%5B%5D=companies-house Incorporated companies in the UK publication for the latest quarter.

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7. Glossary

Key Terms used within this statistical bulletin

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.
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**.
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 **Liquidation** 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 **Liquidation** 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.
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 in these statistics. A third type of winding up, members' voluntary liquidation is not included because it does not involve insolvency.
Partnership Winding-up Orders	This is similar to the **liquidation** 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.
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.
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: https://www.ons.gov.uk/methodology/classificationsandstandards/ukstandardindustrialclassificationofeconomicactivities/uksic2007

This document/publication is also available on our website at https://www.gov.uk/government/collections/insolvency-service-official-statistics.

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