



Insolvency Service Enforcement Outcomes (Experimental Statistics) – July to September (Q3) 2015

Coverage

(dependent on series)

United Kingdom,
Great Britain,
England and Wales

This statistics release contains the latest data on new outcomes obtained as a result of enforcement activities of the Insolvency Service.

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18 November 2015

Frequency of release

Quarterly

Next update

11 February 2016

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Main messages

- The number of directors disqualified continued to decrease year-on-year.
- Bankruptcy restrictions continued to decrease year-on-year, as did the number of bankrupts whose discharge was suspended.
- The average period of director disqualifications and bankruptcy restrictions both increased.
- Decreases in enforcement outcomes have been driven in part by decreasing numbers of insolvencies.

Website

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

Reference

Ins15a/Comms/75

Insolvency Service Enforcement Outcomes: User Feedback

This is a new Official Statistics release and the Insolvency Service is interested in your feedback. Your input will help shape this product and ensure that future releases suit the needs of users.

We are specifically seeking views on the following:

- The content of the release
- Layout and format of this commentary and the accompanying data tables
- Whether the supplementary guidance is sufficiently detailed and clear

Please send your comments to statistics@insolvency.gsi.gov.uk

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1. Key Findings in July to September 2015

<i>Enforcement outcomes are linked to numbers of insolvencies</i>	Corporate insolvencies and bankruptcies have been on a decreasing trend since 2012 and 2009 respectively. This is a driver of changes in the number of enforcement outcomes.
<i>Director disqualifications decreased for the fourth consecutive quarter</i>	In July to September 2015, 253 director disqualifications were obtained (down 27% compared to Q3 2014). Of these, 43% were for over 5 years (up 8 percentage points compared to Q3 2014).
<i>The number of companies wound up in the public interest remained on trend</i>	There were 18 companies wound up in the public interest in Q3 2015, three more than the same quarter the previous year, and broadly in line with the general trend of between 20 and 50 per quarter
<i>Bankruptcy and debt relief restrictions continued to decrease</i>	In July to September 2015, there were 101 bankruptcy and debt relief restriction orders and undertakings obtained (down 39% compared to Q3 2014). These have decreased for seven consecutive quarters.
<i>Suspension of discharge orders decreased for the 11th consecutive quarter</i>	There were 163 suspension of discharge orders obtained in Q3 2015, down 16% compared to the same quarter the previous year. Of these, 90% were against a bankruptcy order made via a creditor's petition.
<i>The average period of disqualifications and bankruptcy restrictions increased</i>	The average period of a director's disqualification was 5.9 years, up 0.6 years compared to the same quarter the previous year. The average period of bankruptcy restrictions was 5.2 years, up 0.4 years.

2. Director Disqualifications

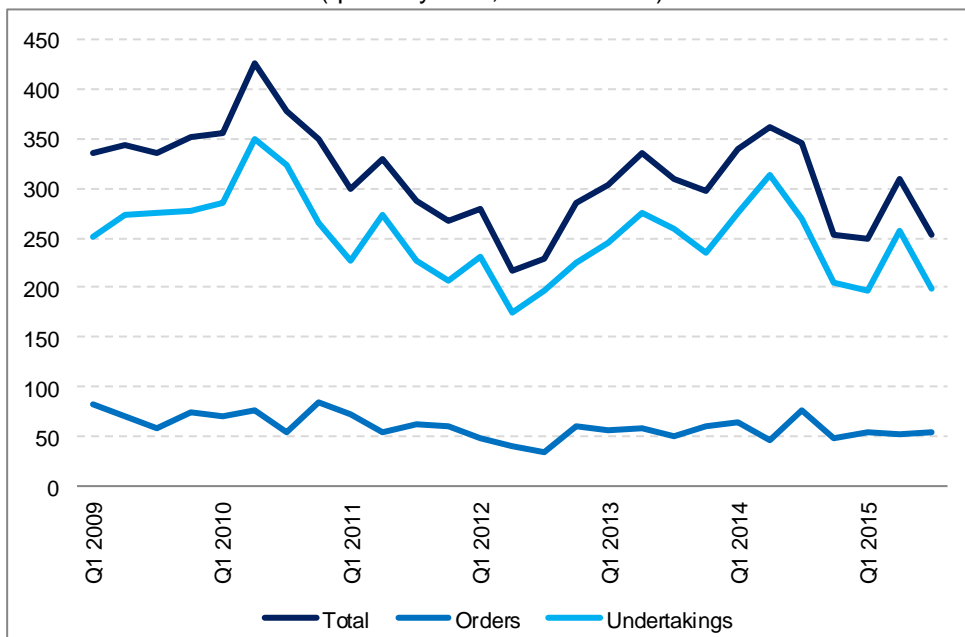
These statistics relate to individuals that have acted as the director of a company in Great Britain, or a company that has an interest in Great Britain, and have been disqualified as a result of the work of the Insolvency Service.

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.

2.1. Disqualification Orders and Undertakings

Figure 1: Director Disqualification Orders and Undertakings
(quarterly data, Great Britain)



Source: Insolvency Service, Department for Business, Innovation & Skills
See Table 1 of the accompanying Excel file for more details

Key Information

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.

In July to September 2015, a total of 253 director disqualifications were obtained. This was a decrease of 27% compared to the same quarter in 2014 and was the fourth consecutive quarter where there has been a decrease compared to the same quarter the previous year.

Of these, there were 54 orders (down 29% compared to the same quarter the previous year) and 199 undertakings (down 26% compared with the same quarter in 2014).

Continued over

The number of disqualifications obtained is related to both the number of company insolvencies and available resources.

- An investigation into a director can be a lengthy process. As the majority of disqualifications obtained by the Insolvency Service are for misconduct in relation to an insolvent company ([see Section 2.2](#)), trends in disqualifications follow trends in company insolvencies. Around 70% of disqualifications are obtained within two years of insolvency; therefore a peak in disqualifications would be expected to occur around two years after a peak in company insolvencies.
- Liquidations and administrations form the majority of company insolvencies, and have been on a decreasing trend since 2013. Further information on the trends of these can be found in the [Insolvency Statistics](#).
- There has been a gradual decrease in the number of directors per company investigated, therefore fewer disqualifications for a given number of investigations.
- The decrease in the number of disqualifications obtained between 2010 and 2012 is thought to be related to a reduction in company insolvencies between 2008 and 2010, as well as changes to the resources available following internal restructuring, training new staff, and the government spending review.

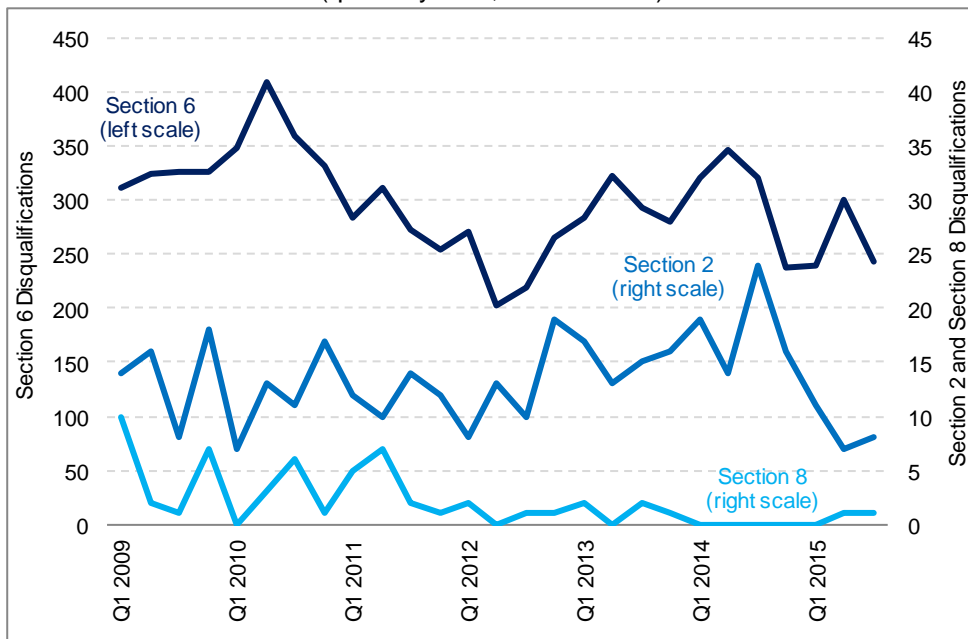
There are different ways in which an investigation into a director can be initiated.

- For companies in a compulsory liquidation, the official receiver will establish the cause or causes of failure of the company as part of their duties. If in the course of that process there indications of potential misconduct emerge, the Insolvency Service will enquire further into the conduct of the directors. Some of those enquiries will result in the official receiver seeking the authority of the Secretary of State to bring disqualification proceedings.
- For insolvent companies not in compulsory liquidation, it is the responsibility of the insolvency practitioner overseeing the case to report any suspected misconduct to the Insolvency Service. Therefore, the number of these reports is driven by the number of non-compulsory company insolvency cases, the majority of which are made up of creditors' voluntary liquidations (CVLs) and administrations.
- It is also possible for a director of a company that is actively trading to be investigated as part of an investigation into the company, leading to a disqualification where appropriate.

The circumstance under which a director is investigated determines the type of disqualification made. More details on this can be found in section 2.2.

2.2. Characteristics of Disqualification Orders and Undertakings

Figure 2: Director Disqualifications by Section of the Act
(quarterly data, Great Britain)



Source: Insolvency Service, Department for Business, Innovation & Skills
See Table 1a of the accompanying Excel file for more details

Key Information

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 of 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.

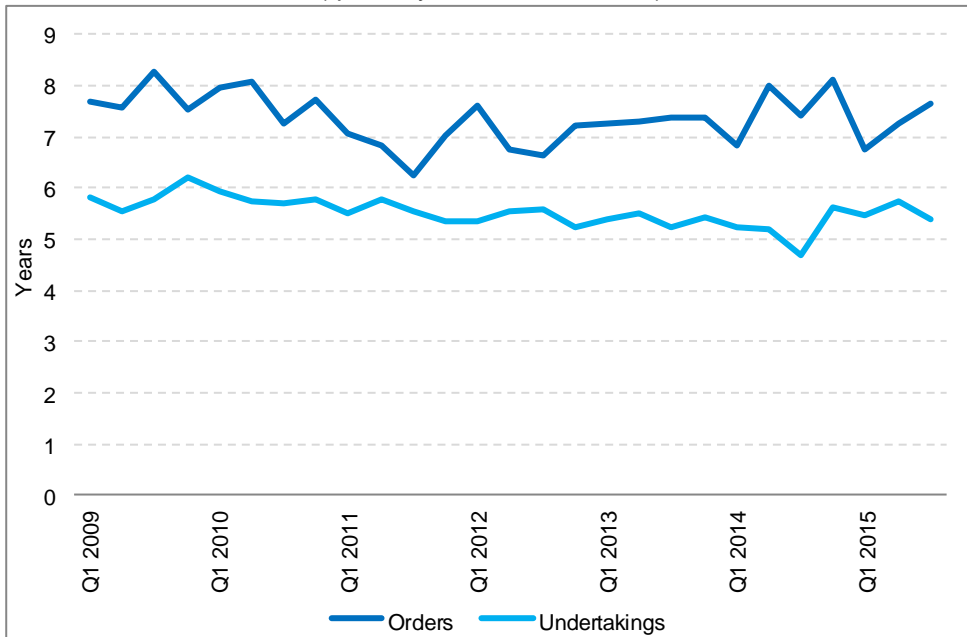
Section 6 and 8 disqualifications can be made as an order or undertaking. As section 2 disqualifications are made following a conviction, they are all orders.

The majority of director disqualifications are made in relation to insolvent companies. In July to September 2015, 244 disqualifications (96% of the total) were made under section 6 of the Company Directors Disqualification Act. This was consistent with the longer term trend of around 95% of disqualifications being made under section 6.

There were also eight disqualifications made under section 2, where the Insolvency Service made a substantial contribution to the investigation.

There was one disqualification made under section 8. Since 2014 there have been few disqualifications made under this section. Where it is considered expedient in the public interest, a director disqualification is primarily sought under section 6. This is an operational decision made to ensure the most effective use of available resources.

Figure 3: Average Length of Director Disqualification Orders and Undertakings
(quarterly data, Great Britain)



Source: Insolvency Service, Department for Business, Innovation & Skills
See Table 1b of the accompanying Excel file for more details

Key Information

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.

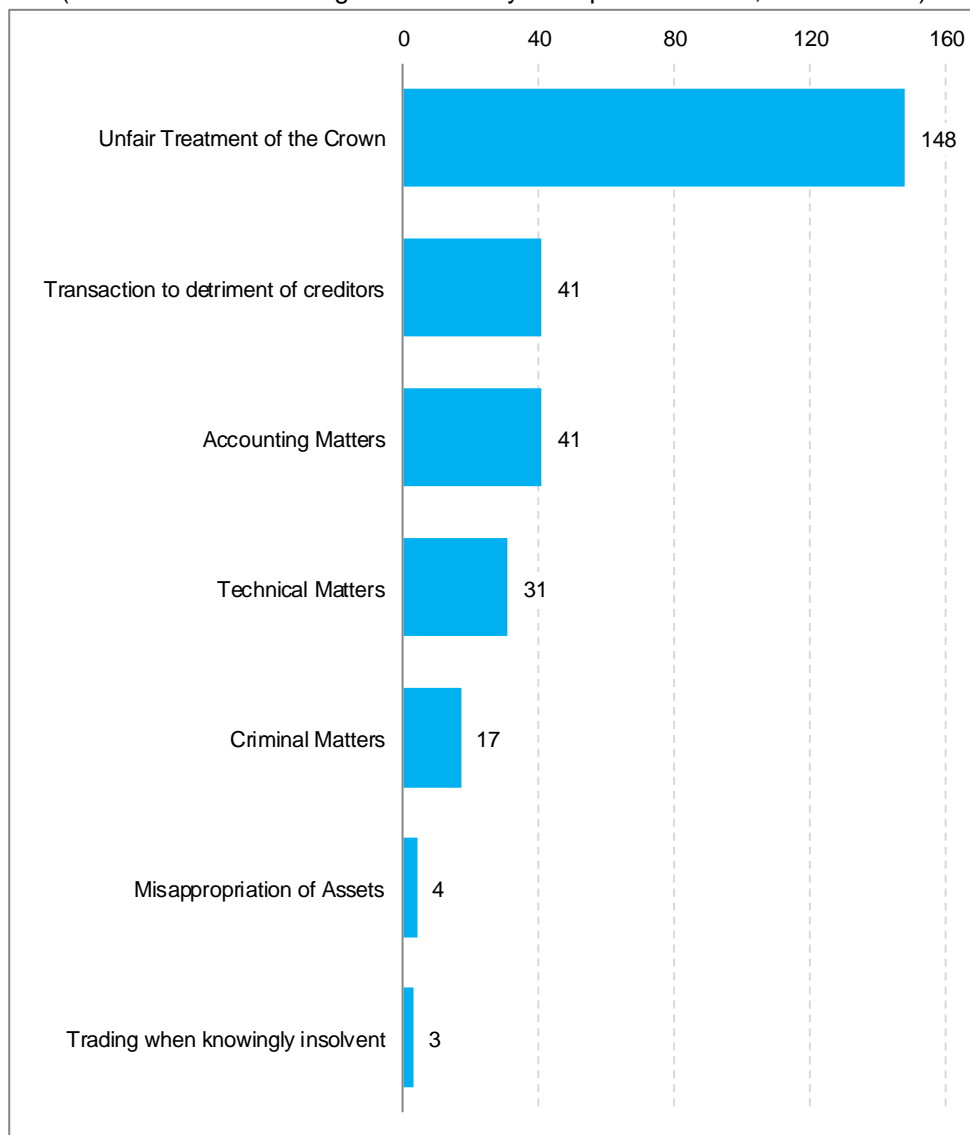
In July to September 2015, the average length of a disqualification was 5.9 years, an increase of 0.6 years on the same period the previous year. The average length of an order was 7.6 years, compared to an average length of 5.4 years for an undertaking. In general, undertakings are shorter than orders.

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.

Of the 253 disqualifications made in July to September 2015, 143 were for 2 to 5 years (57% of the total - down from 65% in July to September 2014), 89 (35%) were for over 5 up to 10 years and 21 directors (8%) were disqualified for over 10 up to 15 years.

Figure 4: Number of Allegations made in Insolvent Company Disqualification Cases

(Orders and undertakings made in July to September 2015, Great Britain)



Source: Insolvency Service
See Table 1c of the accompanying Excel file for more details

Key Information

The allegations shown here are in relation to **disqualifications made under section 6 only**.

For more information about the allegations made in Section 2 and Section 8 disqualifications, please refer to the [Guide to Insolvency Service Enforcement Outcomes](#).

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.

For examples of the behaviours included in each allegation type, please see the [Guide to the Insolvency Service Enforcement Outcomes](#).

For the 244 section 6 disqualifications obtained in July to September 2015, there were a total of 285 allegations recorded.

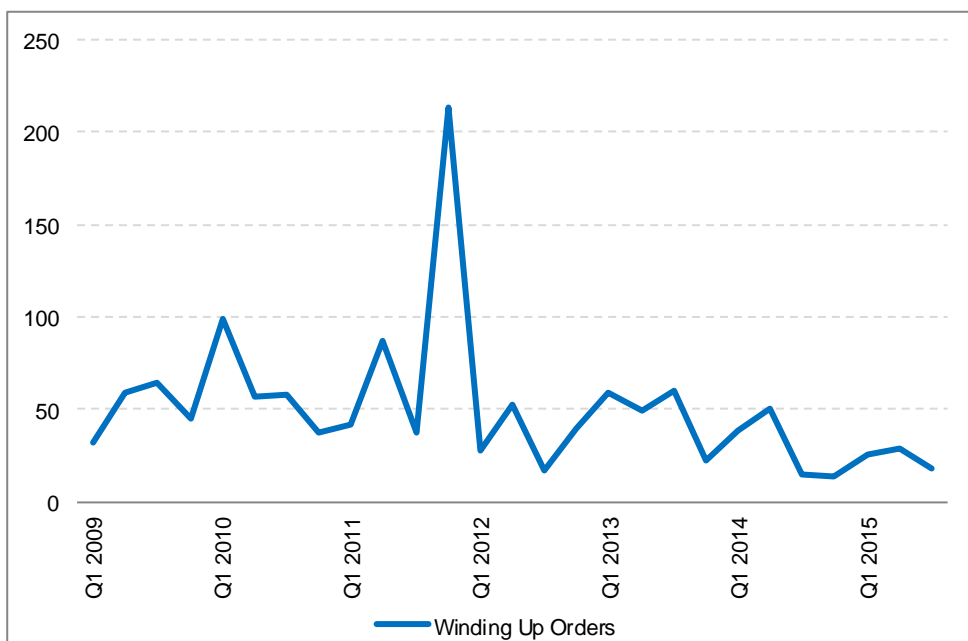
The most common allegation made in Section 6 director disqualifications obtained in July to September 2015 was in relation to the unfair treatment of the Crown (HM Revenue and Customs), compared to other creditors or third parties, in the period prior to the company entering formal insolvency. Unfair 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 the most common allegation made since comparable quarterly records began in April to June 2011.

3. Companies Wound Up in the Public Interest

These statistics relate to companies, including United Kingdom and foreign companies registered at [Companies House](#) and companies which 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.

Figure 5: Companies Wound Up in the Public Interest
(quarterly data, United Kingdom)



Source: Insolvency Service

¹ October to December 2011 includes 61 and 106 winding up orders made as a result of the conclusion of two major investigations.

See Table 2 of the accompanying Excel file for more details

Key Information

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**.

In July to September 2015, 18 companies were wound up in the public interest. This was an increase of 20% (three more cases) compared to the same period the previous year, and broadly in line with the general trend of 20-50 cases a quarter.

As the number of companies wound up in the public interest each quarter is generally small, any changes in the number of cases between quarters can result in large percentage changes. Therefore, this figure should be interpreted with caution.

4. Bankruptcy and Debt Relief Restrictions Orders and Undertakings

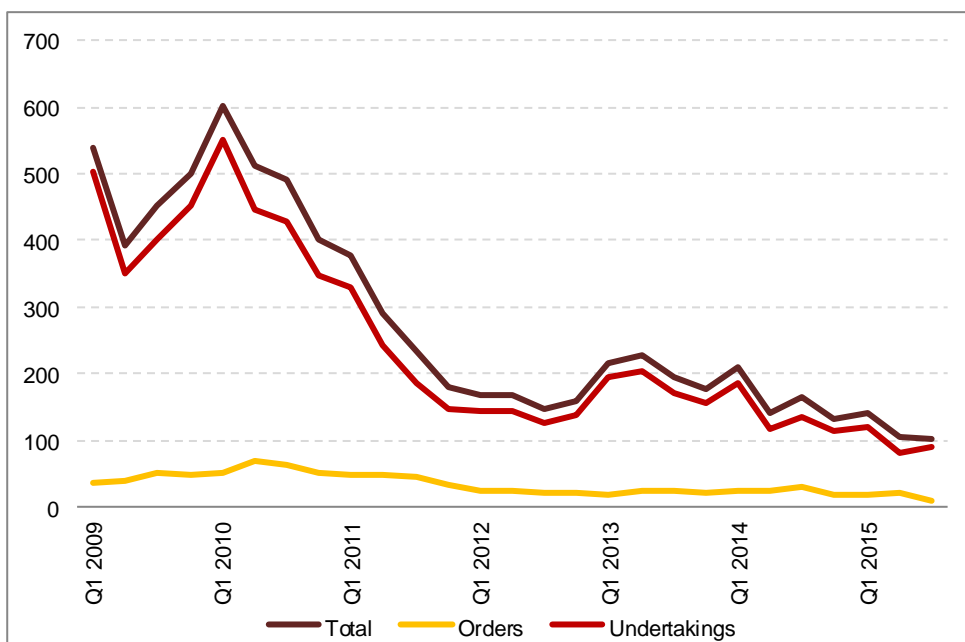
These statistics relate to people subject to a bankruptcy or debt relief order in England and Wales – formal insolvency procedures for individuals who have had problems with debt – where the individual is considered to be culpable.

There are enforcement measures in Scotland and Northern Ireland for insolvent individuals. They are not represented here as they are enforced by [Accountant in Bankruptcy](#) for Scotland and [Department for Trade and Investment, Northern Ireland](#).

There are a number of 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. Further information can be found in the [Guide to Insolvency Service Enforcement Outcomes](#).

4.1. Restrictions Orders and Undertakings

Figure 6: Bankruptcy and Debt Relief Restrictions Orders and Undertakings
(quarterly data, England and Wales)



Source: Insolvency Service
See Table 3 of the accompanying Excel file for more details

Key Information

A **restrictions order** is made by the court after considering evidence submitted by the official receiver showing the individual to have been **dishonest or blameworthy**.

If the individual accepts the allegations made against them, they can offer to enter into a **restrictions undertaking**.

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 any meaningful conclusions from analysing them on their own.

In July to September 2015, a total of 101 restrictions were made, a decrease of 39% compared to the same quarter in 2014, driven primarily by decreases in the number of bankruptcies.

There were 11 restrictions orders made in July to September 2015. This was lower than the trend of 20 to 25 orders in each quarter since January to March 2012. There were also 90 restrictions undertakings, a decrease of 34% compared to the same quarter the previous year.

Continued over

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 11 months on average) the trend in bankruptcy restrictions follows that of bankruptcies by around four quarters. The peak in restrictions orders and undertakings, January to March 2010, was a year after the peak in bankruptcies. Similarly, the recent decreases in the number of bankruptcies have tended to be reflected a year later in the number of bankruptcy restrictions outcomes.

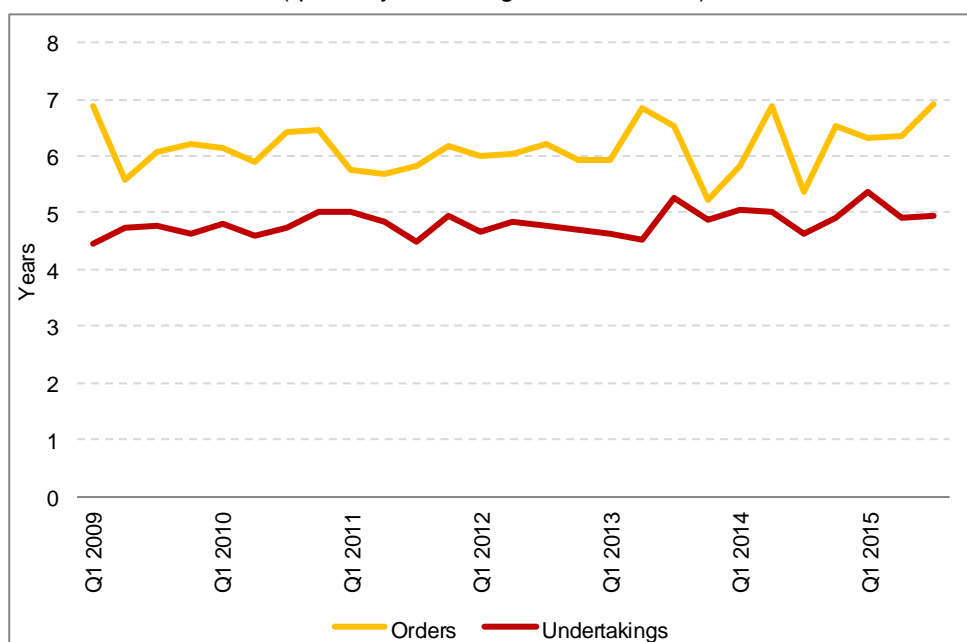
More information on the trends and drivers of the number of individuals entering into formal insolvency procedures, including bankruptcy, debt relief orders and individual voluntary arrangements, can be found in the [Insolvency Statistics](#) publication.

4.2. Characteristics of Restrictions Orders and Undertakings

The average length of restrictions order made in July to September 2015 was 6.9 years, around 1.5 years higher than the average from the same quarter the previous year, though the small number of orders means the data on average length is volatile. The average length of a restrictions undertaking was 5.0 years, which was 0.4 years higher than the same quarter the previous year. The average length of an undertaking has been lower than for an order since 2009.

The most common restriction length between two and five years and 34% of all restrictions obtained in July to September 2015 were for more than five years (seven percentage points higher than the same quarter the previous year).

Figure 7: Average length of Restrictions Orders and Undertakings
(quarterly data, England and Wales)



Source: Insolvency Service

See Table 3a of the accompanying Excel file for more details

Key Information

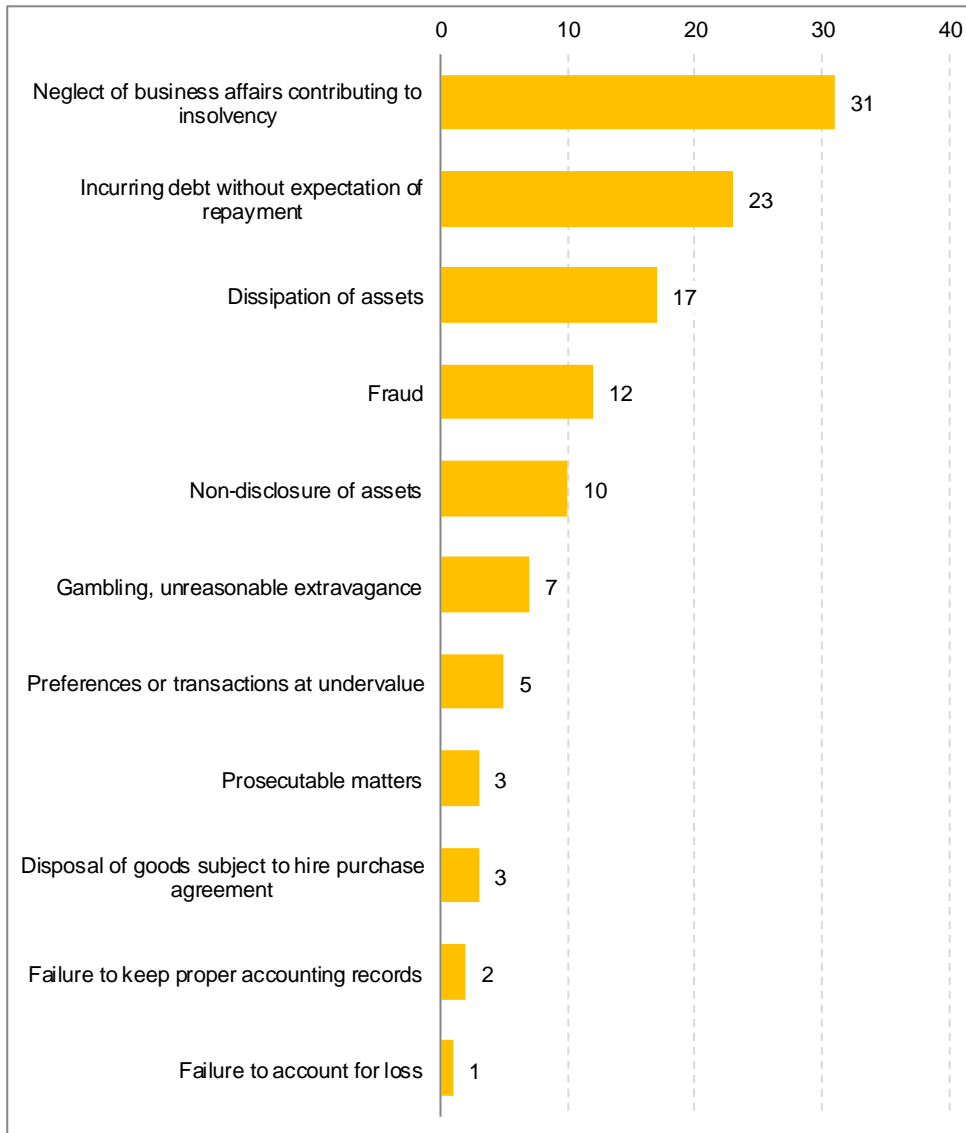
The length of time that a restrictions order or undertaking can be enforced ranges from **2 to 15 years**.

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.

For the 101 restrictions orders and undertakings obtained in July to September 2015, there were 114 allegations recorded.

The most common allegations made were *neglect of business affairs*, with 31 instances; and *incurring debt without expectation of repayment*, with 23 instances. *Neglect of business affairs* has been the most common allegation type since the beginning of 2010.

Figure 8: Number of Allegations Made¹
 (Orders and Undertakings obtained in July to September 2015, England and Wales)



Source: Insolvency Service

¹ Categories where no allegations of that type made are not shown
 See Table 3b of the accompanying Excel file for more details

Key Information

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.

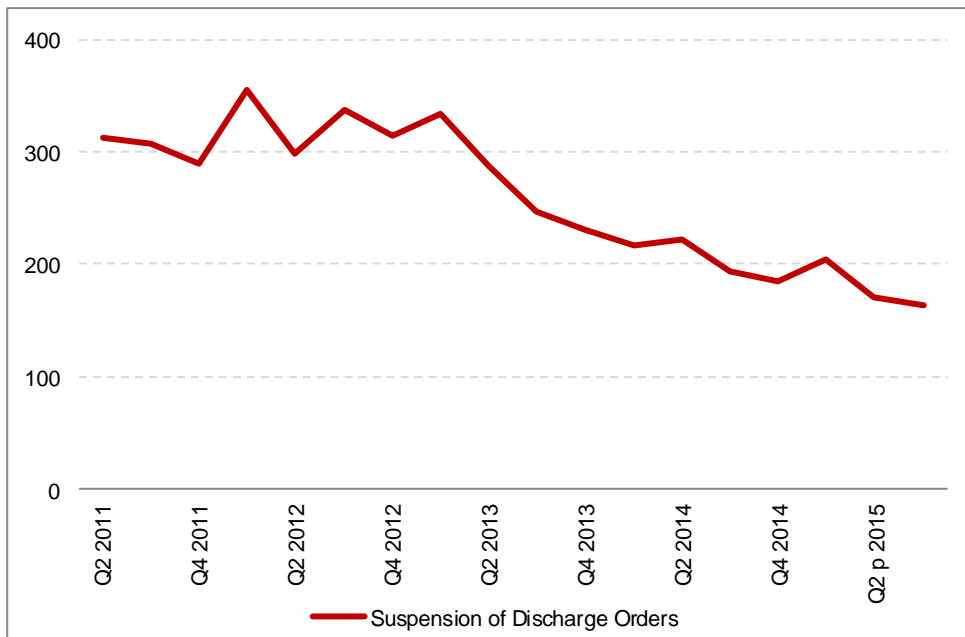
For examples of the behaviours included in each allegation type, please see the [Guide to the Insolvency Service Enforcement Outcomes](#).

5. Suspension of Discharge Orders

These statistics relate to individuals who are subject to a bankruptcy order and have had their automatic discharge suspended for failing to comply with their obligations.

For individuals subject to a debt relief order, the equivalent would be to have the order revoked. However, it is possible for a debt relief order to be revoked for reasons other than non-cooperation, such as a change of circumstances.

Figure 9: Suspension of Discharge Orders
(quarterly data, England and Wales)



Source: Insolvency Service
See Table 4 of the accompanying Excel file for more details

Key Information

If a bankrupt **has failed or is failing to comply with their obligations**, an application can be made to the court for the automatic discharge period of twelve months to be suspended.

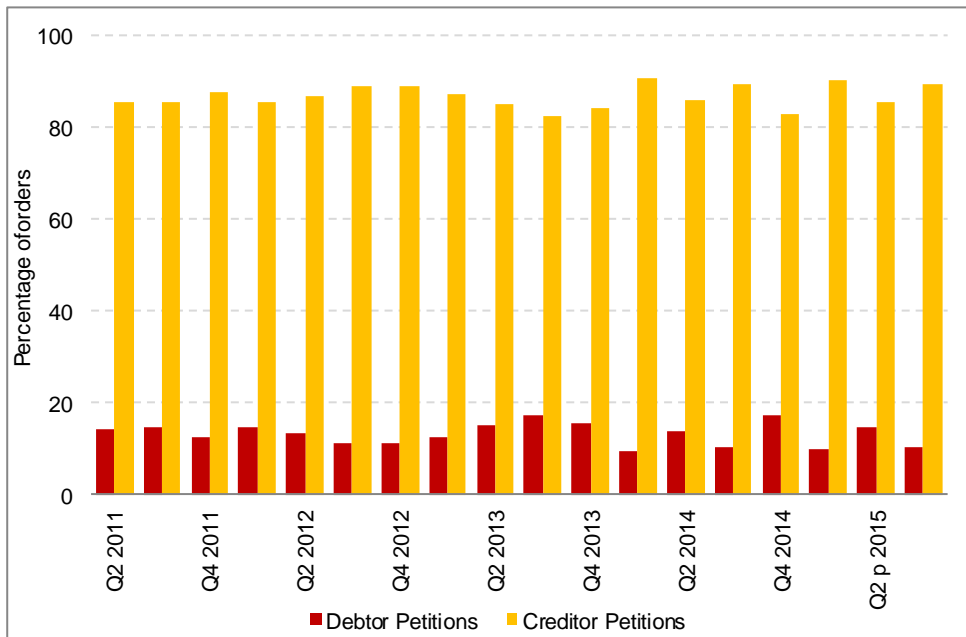
On making a **suspension of discharge order**, the discharge period is extended indefinitely pending the full cooperation of the individual.

Non-cooperation includes non-attendance to interview, obstruction, failure to provide the required information, delay or other serious misbehaviour of the bankrupt.

In July to September 2015, 163 suspension of discharge orders were obtained. This was a decrease of 16% compared to the same quarter in 2014 and a continuation of the decreasing trend.

The number of suspension of discharge orders is linked to the number of bankruptcy cases, in particular those made by a creditor petition. It is more likely that a suspension of discharge order is made in a creditor petition bankruptcy case, as generally they have not chosen to become bankrupt and are less likely to cooperate.

Figure 10: Suspension of Discharge Orders by Petition Type
(Quarterly data, England and Wales)



Source: Insolvency Service

See Table 4 of the accompanying Excel file for more details

Key Information

Debtor petition – where the individual is unable to pay their debts, and applies to the court to declare themselves bankrupt.

Creditor petition – if an individual or company is owed £750 or more, they can apply to the court to make an individual bankrupt.

For more information on the trends in bankruptcy petition types, see the [Insolvency Statistics](#).

In July to September 2015, 90% of suspension of discharge orders were made in creditor petition bankruptcy cases. This was in line with the longer term trend of less than 20% of suspension of discharge orders being made in debtor petitions bankruptcy cases.

As a comparison, in 2014 23% of all bankruptcies were made as a result of a creditor's petition and 77% were made on a debtor's petition.

6. Background Notes

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

Data Sources and Methodology

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

Data Sources

With the exception of Section 2 disqualification orders, these statistics are derived from administrative records held by the Insolvency Service, an executive agency of the Department for Business, Innovation and Skills.

Statistics on Section 2 disqualification orders are derived from administrative records held by the Insolvency Service and the Department for Business, Innovation and Skills.

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 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.

Quality

This section provides information on the quality of the *Insolvency Service Enforcement Outcomes*, to enable users to judge whether or not 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. Further information can be found in the statement on [quality strategy, principles and processes](#), which covers all Official Statistics outputs from the Insolvency Service.

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 all formal types of enforcement outcome available to the Insolvency Service.

The statistics release covers annual and quarterly data from the beginning of 2009, the earliest date from which consistent and reliable information is available.

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* (current contact details are provided at the beginning of this release). More formal engagement will be carried out as part of the annual [User Feedback Exercise](#) on all Insolvency Service Official Statistics.

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 expected to be 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)*

The Insolvency Service has previously published annual statistics on its enforcement outcomes in the [Annual Report and Accounts](#). Information accompanying the annual report up to and including 2013/14 is not consistent with the headline figures reported here, as the data in the *Insolvency Service Enforcement Outcomes* has been through a validation and quality assurance process. Information reported in annual reports and accounts from 2014/15 will be based on the Official Statistics where possible.

[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 seven weeks after the end of the quarter. It is hoped that subsequent releases will be published sooner.

It is not possible to publish this release earlier than the *Insolvency Statistics* (published 29th of the month following the end of the quarter, unless it falls on a weekend or Monday when it would be delayed to the following Tuesday) as some of the headline statistics, in particular for compulsory liquidations, are referred to in *Insolvency Service Enforcement Outcomes*.

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 are able to 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.



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