The Insolvency Service

Insolvency Statistics – April to June 2015 (Q2 2015)

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Scotland
Northern Ireland

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Media enquiries
Michael Gibbs
+44 (0)20 7637 6304
Ade Daramy
+44 (0)20 7596 6187

Author
Matthew Wood
statistics@insolvency.gsi.gov.uk
020 7637 6504

Responsible Statistician
John Perrett

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

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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) and **individual insolvency** (people who are unable to pay debts and enter formal procedures).

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

Main messages

Companies

- **Total company insolvencies in England and Wales decreased and were at the lowest level since Q4 2007.**

- **This decrease was mainly driven by a decrease in compulsory liquidations, which fell to the lowest level since Q4 2013.**

People

- **The total number of people who became insolvent in England and Wales decreased for the fourth successive quarter, to the lowest level since Q3 2005.**

- **The number of bankruptcies, debt relief orders and individual voluntary arrangements all decreased for the fourth consecutive quarter.**

- **The number of individual voluntary arrangements was at the lowest level since Q1 2006.**

Prior notice of change to statistical methods

The Insolvency Service ran a consultation on changing the methodology for statistics on company insolvencies. The outcome of the consultation has been published at https://www.gov.uk/government/consultations/insolvency-statistics-methodology and the resulting changes will be implemented in the next statistics release, due to be published 29 October 2015.

Contents

What is seasonal adjustment, and why has it been applied to these statistics?

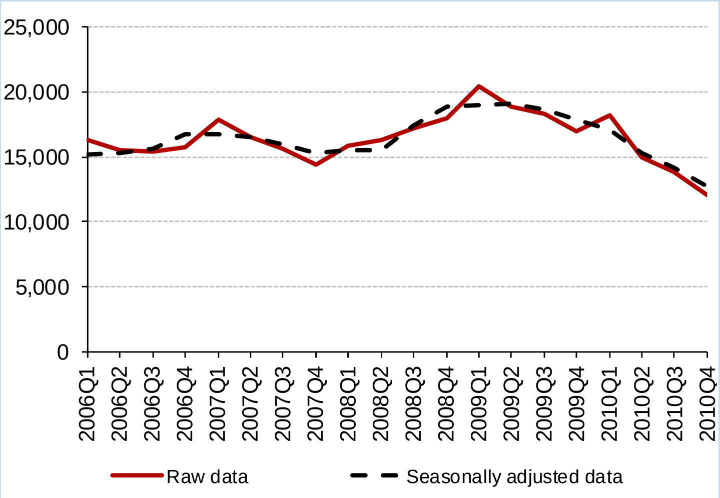
Seasonal adjustment has been used in the *Insolvency Statistics* for a number of years, is commonly used in official statistics, and is the process by which patterns in a data series that are due to seasonal or other calendar influences are removed, to produce a **clearer picture of the underlying behaviour of the data**. This means that data for the latest quarter can be compared with that for the previous (or any other) quarter, without the comparison being distorted by calendar effects.

Several data series in this release – such as bankruptcies – have been seasonally adjusted. Some – such as compulsory liquidations – did not show seasonal patterns and did not require adjustment.

Where possible, seasonally adjusted data are referred to in this release, to aid interpretation of quarter-on-quarter changes. The main exception is the sections on insolvencies in Scotland and Northern Ireland.

The detailed tables which accompany this release contain both adjusted and unadjusted data.

Illustration of seasonal adjustment

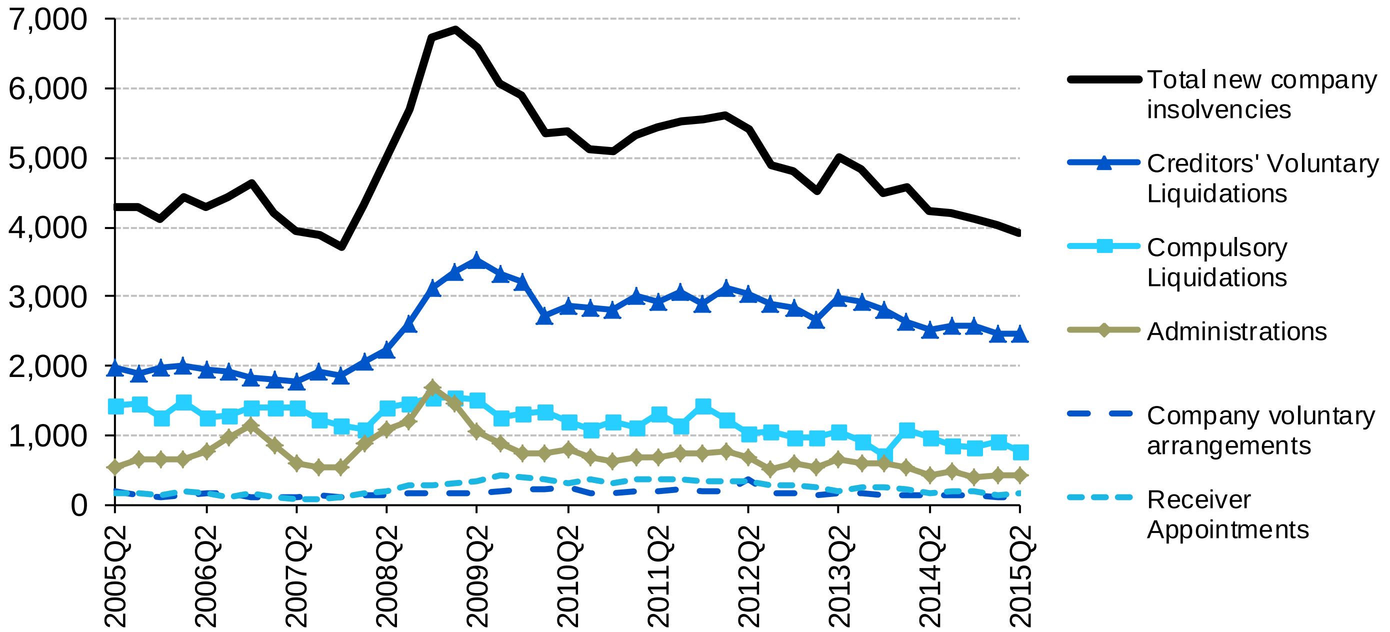


This graph shows the number of bankruptcies in England and Wales each quarter. The unadjusted data has regular peaks in Q1 of each year, which if not accounted for could lead to comparisons between quarters being distorted by these regular effects.

1 Summary for Q2 2015

1.1 Company insolvency in England and Wales *(Further information: section 2)*

Figure 1: Company insolvencies in England and Wales (quarterly data, seasonally adjusted)



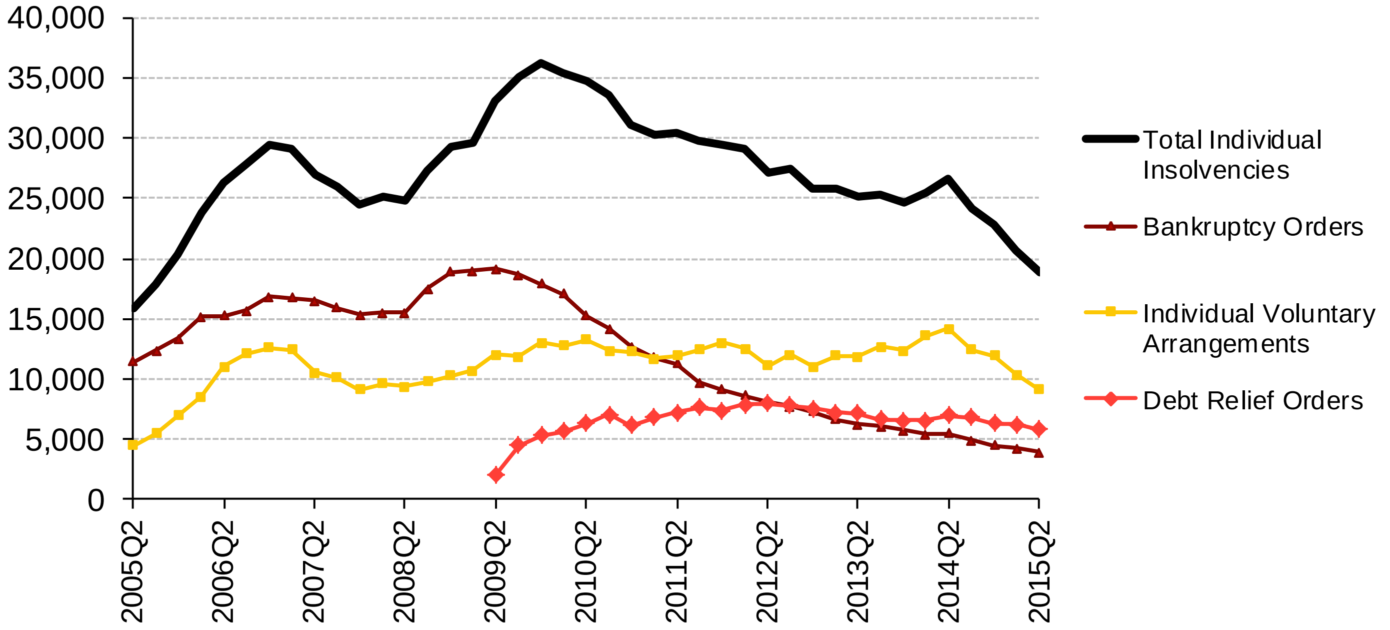
Source: Insolvency Service and Companies House. Excludes CVLs following administration.

Key findings for Q2 2015

Company insolvencies were at the lowest level since Q4 2007	A total of 3,908 companies entered into formal insolvency in Q2 2015, which was 2.9% less than Q1 2015 and 7.5% lower than Q2 2014. The number of company insolvencies has been on a decreasing trend since 2013.
Compulsory liquidations decreased to the lowest level since Q4 2013	A total of 765 companies were subject to a compulsory winding-up order in Q2 2015, a 15.4% decrease on the last quarter and 21.9% lower than Q2 2014. This was the main driver of the decrease in total company insolvencies.
The number of creditors' voluntary liquidations was fairly stable	There were 2,470 companies entering into creditor's voluntary liquidation in Q2 2015, a 0.5% increase on the previous quarter but 2.3% lower compared to the same period in 2014.
Receivership appointments increased, but company voluntary arrangements and administrations decreased	There were 159 receivership appointments in Q2 2015, 12.0% higher than Q1 2015 but 7.0% lower than Q2 2014. There were 91 company voluntary arrangements, the lowest level since Q4 2007. There were 423 administrations in Q2 2015, a 1.2% decrease on the previous quarter but a 4.8% increase on the same period last year.
The liquidation rate was at its lowest level	The liquidation rate in the 12 months ending Q2 2015 was 0.48% of active companies, the lowest level since comparable records began in Q4 1984.

1.2 Individual insolvency in England and Wales *(Further information: section 3)*

Figure 2: Individual insolvencies in England and Wales (quarterly data, seasonally adjusted)



Source: Insolvency Service.

Key findings for Q2 2015

Individual insolvencies were at their lowest level since Q3 2005	There were a total of 18,866 individual insolvencies in Q2 2015, 9.1% lower than Q1 2015 and a decrease of 29.3% compared to Q2 2014.
The number of bankruptcies was at the lowest level since Q4 1990	There were a total of 3,944 bankruptcy orders in Q2 2015, 6.3% lower than Q1 2015 and 27.9% lower than Q2 2014. The number of bankruptcy orders has been on a decreasing trend since 2009. However, the introduction of debt relief orders (DROs) in 2009 is likely to have affected the number of bankruptcies.
The number of DROs was at the lowest level since Q1 2010	There were 5,832 DROs in Q2 2015, which was a 6.1% decrease compared to Q1 2015 and 16.8% lower compared to the same period in 2014.
Individual voluntary arrangements were at the lowest level since Q1 2006	There were 9,090 IVAs in Q2 2015, which was a 12.1% decrease compared to Q1 2015 and 35.9% lower than Q2 2014. IVAs have decreased for four consecutive quarters having previously been on an increasing trend.
The rate of insolvency decreased	In the 12 months ending Q2 2015, 1 in 523 adults (0.19% of the adult population) became insolvent. This was the lowest rate since the 12 months ending Q1 2006.

1.3 Summary tables

Table 1: New company insolvencies in England and Wales[1,2] (seasonally adjusted)[3]

	Number of insolvencies					% change – 2015 Q2 on	
	2014 Q2	2014 Q3	2014 Q4	2015 Q1 r	2015 Q2 p	2015 Q1	2014 Q2
Total company insolvencies	4,225	4,219	4,106	4,025	3,908	-2.9	-7.5
Compulsory liquidations	979	860	827	904	765	-15.4	-21.9
Creditors' voluntary liquidations[2]	2,529	2,569	2,575	2,458	2,470	0.5	-2.3
Administrations	403	471	396	428	423	-1.2	4.8
Company voluntary arrangements	142	144	135	93	91	-2.2	-35.9
Receiverships[4]	171	175	173	142	159	12.0	-7.0

Source: Insolvency Service and Companies House.

p = provisional, r = revised.

[1] Longer series back to 2005 are presented in the accompanying detailed tables.

[2] Excludes creditors' voluntary liquidations following administration (see section 2.1).

[3] The series for compulsory liquidations, company voluntary arrangements and receiverships do not require seasonal adjustment.

[4] Includes non-insolvent receiverships such as Law of Property Act receiverships, which cannot currently be identified separately.

Table 2: Individual insolvencies in England and Wales (seasonally adjusted)[1]

	Number of insolvencies					% change – 2015 Q2 on	
	2014 Q2r	2014 Q3r	2014 Q4r	2015 Q1 r	2015 Q2 p	2015 Q1	2014 Q2
Total Individuals	**26,668**	**24,148**	**22,807**	**20,756**	**18,866**	**-9.1**	**-29.3**
Bankruptcy orders	5,470	4,919	4,505	4,207	3,944	-6.3	-27.9
Debt relief orders	7,006	6,808	6,325	6,213	5,832	-6.1	-16.8
Individual voluntary arrangements	14,191	12,422	11,977	10,336	9,090	-12.1	-35.9

Source: Insolvency Service

p = provisional, r = revised.

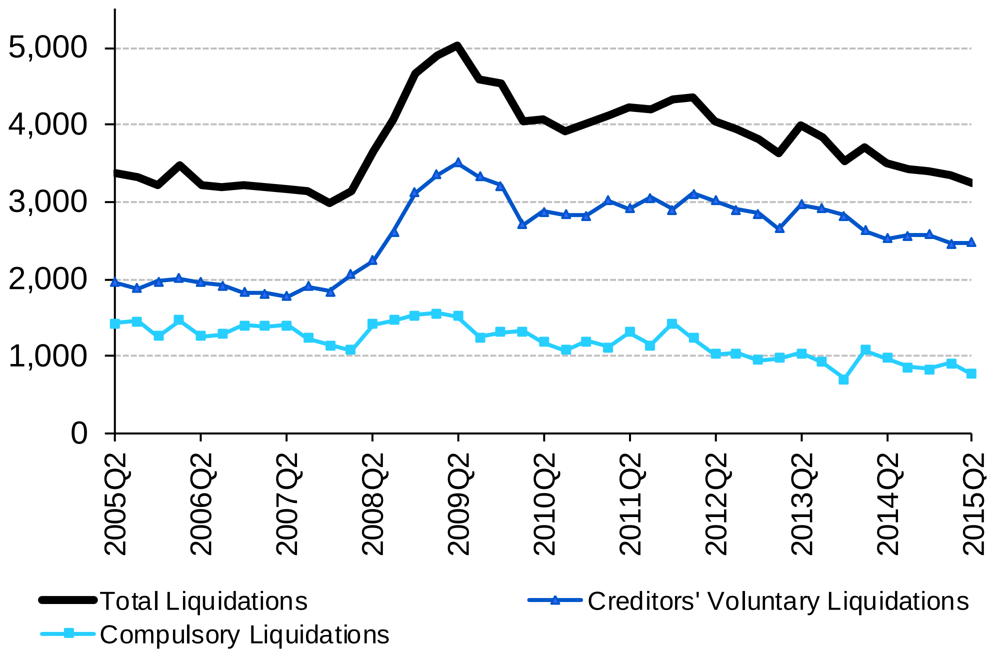
[1] Longer series back to 2005 are presented in the accompanying detailed tables.

2 Company insolvency in England and Wales

These statistics relate to **incorporated companies (including limited liability partnerships)** – a specific legal form of business that is registered at Companies House. Company insolvency (being unable to pay creditors the money they are owed) can be dealt with through a variety of legal processes, including liquidation (section 2.1) which result in the company ceasing to exist; or through company rescue procedures such as administration (section 2.2).

2.1 Company liquidations

Figure 3: Company liquidations in England and Wales[1]
(quarterly data, seasonally adjusted)[2]



Source: Insolvency Service and Companies House.
[1] Where the liquidation was the first insolvency procedure entered into.
[2] Total company liquidations, and creditors' voluntary liquidations, are seasonally adjusted; compulsory liquidations do not require seasonal adjustment.
See Table 1a of the accompanying Excel file for more detail.

Explanation of key terms

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.

Compulsory liquidation – a winding-up order obtained from the court by a creditor, shareholder or director.

Creditors' voluntary liquidation (CVL) – shareholders of a company can themselves pass a resolution that the company be wound up voluntarily.

In either case they are said to have been **wound up**.

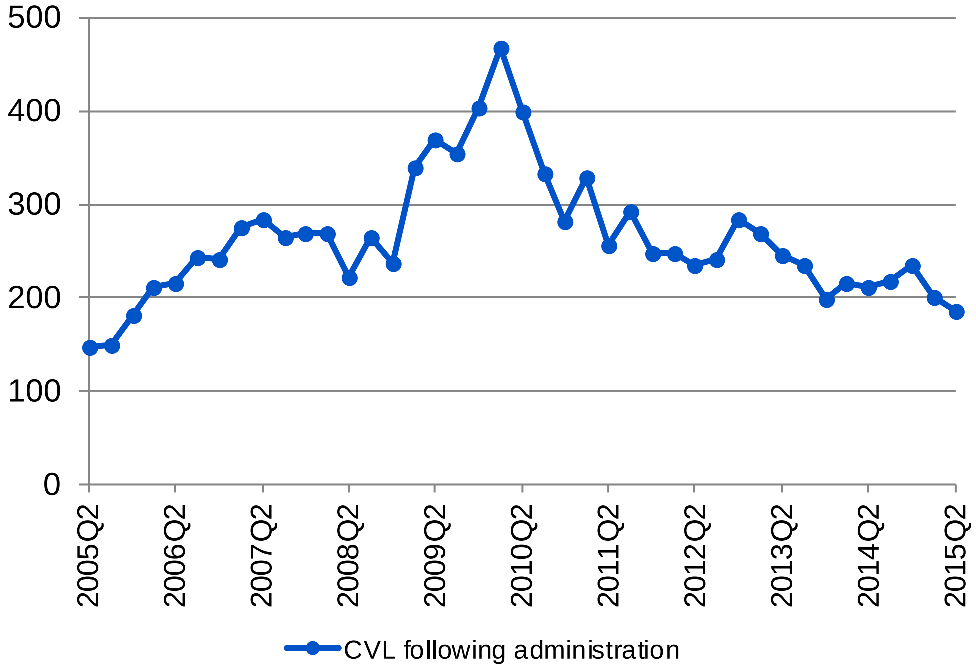
A third type of winding up, members' voluntary liquidation (MVL), is not included because it does not involve insolvency – all creditors' debts are paid in full. Companies House produces statistics on MVLs.

In the second quarter of 2015, there were 3,235 company liquidations – a 3.8% decrease on the previous quarter and 7.8% less than in Q2 2014.

There were 2,470 creditors' voluntary liquidations (CVLs) in Q2 2015, an increase of 0.5% on the last quarter but 2.3% lower than the same period a year ago.

In April to June 2015 there were 765 compulsory liquidations, a decrease of 15.4% on the previous quarter, and down 21.9% compared with the same quarter in 2014. The number of compulsory liquidations was at the lowest level since Q4 2013.

Figure 4: Creditors' voluntary liquidation following administration in England and Wales (quarterly data, not seasonally adjusted)



Source: Companies House.

See Table 2 of the accompanying Excel file for more detail.

Explanation of key terms

An administration (see section 2.2) can end in a number of ways, one of which is by entering **creditors' voluntary liquidation following administration.**

These are not included in the figures above as they do not represent a new company entering into an insolvency procedure for the first time.

Following administration, companies could alternatively be returned to the control of their directors and management; be dissolved; enter compulsory liquidation; or enter a voluntary agreement. No separate figures are available on these outcomes.

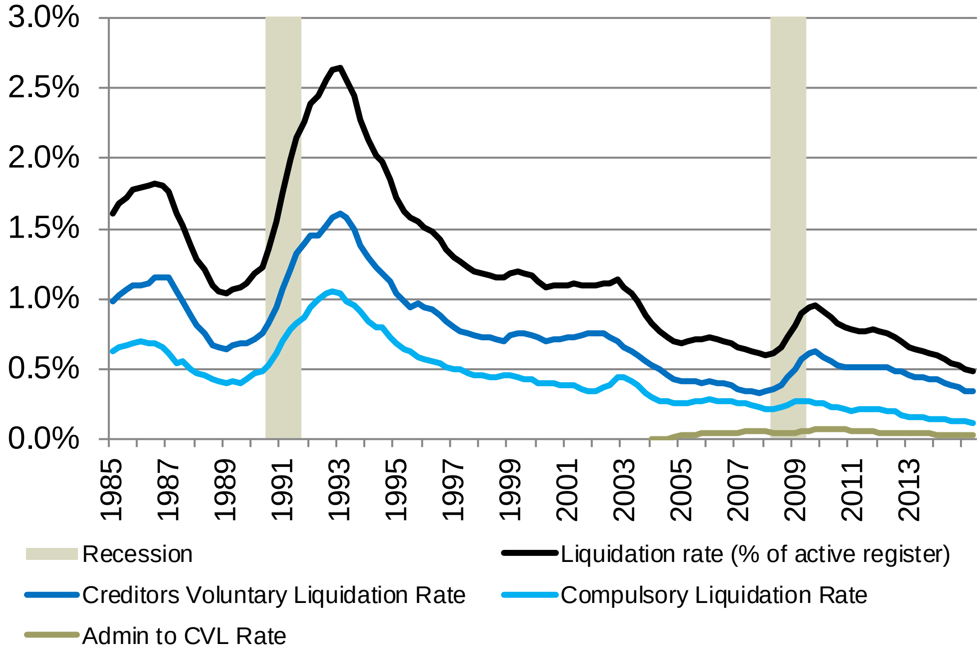
In the second quarter of 2015, 185 companies entered creditors' voluntary liquidation following administration, a decrease of 12.7% on the same quarter of 2014.

The peak in the number of companies entering creditors' voluntary liquidation following administration was seen in 2010. This is in contrast to the peak of liquidations as a first insolvency procedure, which was in 2009. This is because the usual length of an administration is one year (though it can be extended for a further six months), and the number of administrations peaked in 2009 (section 2.2).

Longer-term perspective

Company liquidations may be expressed as the percentage of active companies, as this takes into account changes over time in the underlying population. As liquidation is a final procedure, meaning there is no risk of double counting companies, creditors' voluntary liquidations following administration are included in the total liquidation rate.

Figure 5: Company liquidation rate in England and Wales
(rolling 12-month rates)



Source: Insolvency Service and Companies House.
See Table 3 of the accompanying Excel file for more detail.

Explanation of key terms

Liquidation rate – the number of company liquidations in the latest twelve month period divided by the average number of active companies in that period.

Active companies – all companies which are registered at [Companies House](), minus those in the process of dissolution or liquidation.

The number of active companies has changed considerably over this period: there were 2.9 million active registered companies in Q3 2014; this compares with only about 900,000 in the early 1990s and fewer than 800,000 in 1986.

In the 12 months ending Q2 2015, 1 in 207 active companies (or 0.48% of all active companies) went into liquidation, down from 1 in 200 in the 12 months ending Q1 2015, and 1 in 177 in the 12 months ending Q2 2014. This continues the downwards trend in the rates from 2011. The liquidation rate was at its lowest level since comparable records began in 1984.

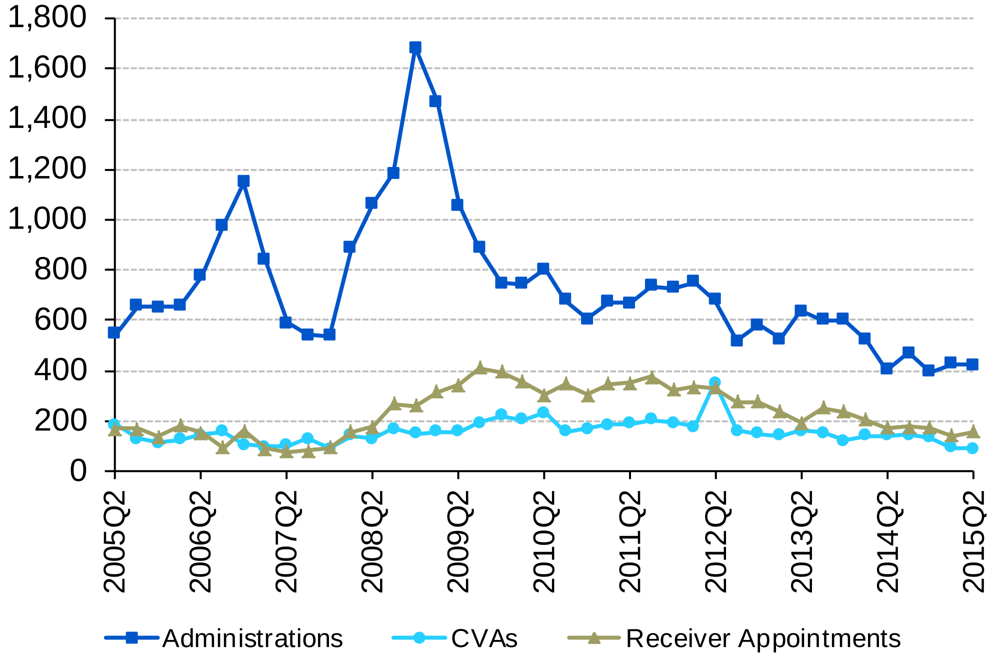
Changes in company liquidation rates are related to economic conditions: in periods of economic growth, liquidation rates tend to decrease. The liquidation rate peaked at 2.6% (24,400 companies) in the year ending March 1993, over a year after the end of the 1990s recession. The next sustained increase in the rate coincided with the 2008-09 recession, when 0.9% (20,500 companies) entered liquidation in the year 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.

2.2 Administrations, company voluntary arrangements, and receiverships

These statistics relate to other types of company insolvency, where the objective is the rescue of the business rather than its winding up.

Figure 6: Other company insolvencies in England and Wales
(quarterly data, seasonally adjusted)[1]



Source: Companies House.

[1] Administrations are seasonally adjusted; receiverships and company voluntary arrangements are not seasonally adjusted as the data do not exhibit regular patterns.

See Table 1a of the accompanying Excel file for more detail.

Explanation of key terms

Administration is when a licensed insolvency practitioner, 'the administrator', is appointed to manage a company's affairs, business and property for the benefit of the creditors. 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.

Company voluntary arrangements (CVAs) are also designed as a 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.

Receivership appointments include instances where a creditor with a floating charge (often a bank) appoints a licensed insolvency practitioner to recover the money it is owed. Receivership appointments also include other, non-insolvency, procedures, for example under the Law of Property Act 1925. It is not currently possible to distinguish between insolvent and non-insolvent receivership appointments so these figures should be treated with caution.

The number of administrations in Q2 2015 was 423, 1.2% lower than Q1 2015 but 4.8% higher than the same period in 2014.

There were 91 company voluntary arrangements (CVAs) in Q2 2015, 2.2% lower than Q1 2015 and a 35.9% decrease compared to Q2 2014. This was the third consecutive quarterly decrease and the lowest number of CVAs since Q4 2007.

In Q2 2015 there were 159 receivership appointments, 12.0% higher than Q1 2015 but a 7.0% decrease compared to Q2 2014.

2.3 Company liquidations by industry

EXPERIMENTAL STATISTICS

These statistics provide a breakdown of company liquidations, by industry, using the Standard Industrial Classification 2007 (SIC2007) – a harmonised set of industry classifications used in other UK Official Statistics. The Excel file which accompanies this release contains equivalent data for other types of company insolvency, and for trading-related bankruptcies, in England and Wales.

The Insolvency Service has classified these statistics as “Experimental Statistics” because the methods used to produce them have changed.

Experimental statistics are defined in the UK Statistics Authority’s *Code of Practice for Official Statistics* as new official statistics that are undergoing evaluation. They are published in order to involve users and stakeholders in their development and as a means to build in quality at an early stage.

Further information on the methods used to produce these statistics is in the Excel file which accompanies this release.

Please send comments on these Experimental Statistics, and any other aspects of this release, to statistics@insolvency.gsi.gov.uk

These statistics are presented with a lag of one quarter, because recording of industry data for compulsory liquidation cases often takes place several weeks following the date of the court order. The accompanying data tables include industry breakdowns for the current quarter (Q2 2015) for creditors’ voluntary liquidations, as well as for administrations, company voluntary arrangements and receiverships.

As Figure 7 shows, in the twelve months ending Q1 2015, the highest number of total liquidations was in the construction sector (2,250 – down 6.8% from the 12 months ending Q4 2014). This comprised 588 compulsory liquidations (down 12.9%) and 1,622 creditors’ voluntary liquidations (down 4.4%).

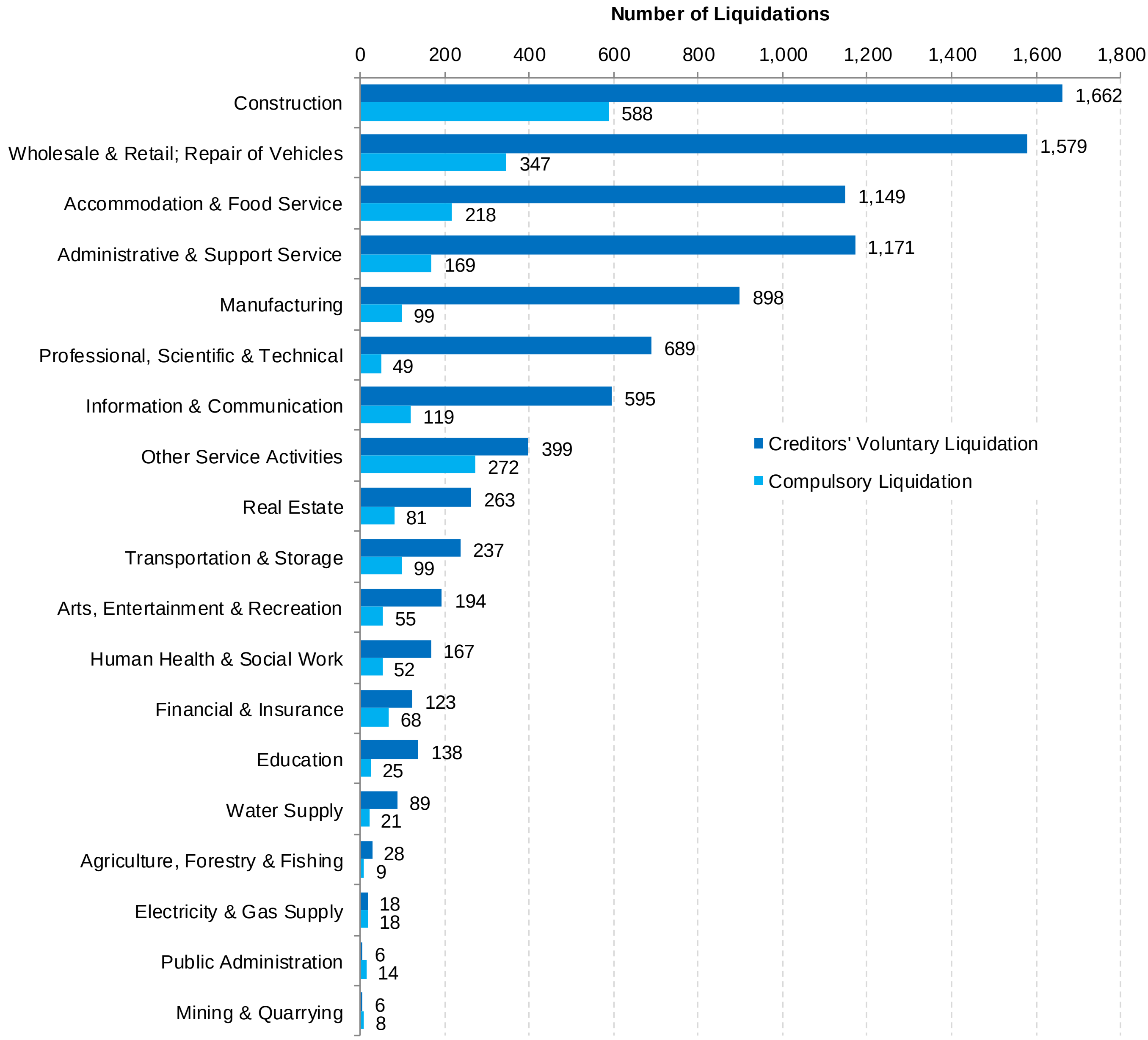
The second highest number of 1,926 liquidations was seen in the wholesale and retail trade sector (347 compulsory liquidations, and 1,579 creditors’ voluntary liquidations). Overall, this was a decrease of 1.7% compared to the 12 months ending Q4 2014.

These statistics do not take into account the base population of companies in each industry sector as this information is not currently available. This means that it is not possible to say whether the rate of liquidations in, for instance, the construction industry was different to the overall rate.

The five industry sectors with the highest number of compulsory liquidations have been the same (though sometimes in a different order) since the 12 months ending Q2 2010: ‘Construction’; ‘Wholesale and retail trade; repair of motor vehicles and motorcycles’; ‘other service activities’; ‘accommodation and food service activities’; and ‘administrative and support service activities’.

For creditors’ voluntary liquidations, the five sectors with the highest number of creditors’ voluntary liquidations are the same as for compulsory liquidations, except for the inclusion of ‘Manufacturing’ for CVLs in place of ‘other service activities’. These five sectors have been the same (though sometimes in a different order) since the 12 months ending Q4 2009.

Figure 7: Total company liquidations in England and Wales by broad industry sector, year ending 2015 Q1[1]



* Where the creditors' voluntary liquidation is the first insolvency procedure entered into (see Notes to Editors).
Industries with fewer than ten liquidations have been excluded.

Source: Insolvency Service and Companies House

[1] A sector breakdown for compulsory liquidations is not yet available for 2015 Q2.

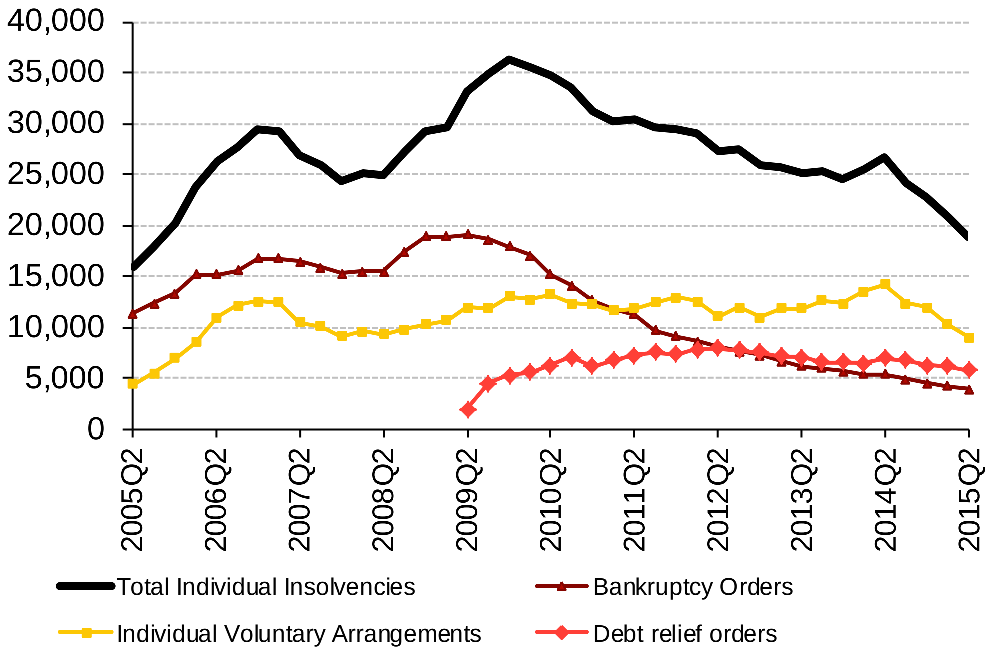
END OF EXPERIMENTAL STATISTICS SECTION

3 Individual insolvency in England and Wales

These statistics relate to **people**, rather than companies, who have had problems with debt and have entered a formal insolvency procedure. There are other, informal, means for individuals to deal with their debts, for example debt management plans, but no official statistics are collected regarding these.

3.1 Bankruptcies, debt relief orders and individual voluntary arrangements

Figure 8: Individual insolvencies in England and Wales[1]
(quarterly data, seasonally adjusted)[2]



Source: Insolvency Service.

[1] Total individual insolvencies for Q2 2009 onwards include Debt Relief Orders, which came into force on 6 April 2009.

[2] Total individual insolvencies, bankruptcy orders and IVAs are seasonally adjusted. The series for DROs does not require seasonal adjustment.

See Table 4a of the accompanying Excel file for more detail.

Explanation of key terms

Bankruptcy orders – 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 places 12 months after the bankruptcy order is granted.

Debt relief orders (DROs) – a form of debt relief available to those who have a low income, low assets and less than £15,000 of debt. 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.

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.

All individuals entering these procedures are listed on the Individual Insolvency Register, and remain on the list until three months after their insolvency ends.

There were a total of 18,866 individual insolvencies in England and Wales in Q2 2015, comprising 3,944 bankruptcies, 5,832 debt relief orders (DROs), and 9,090 individual voluntary arrangements (IVAs). This is the lowest number of individual insolvencies since Q3 2005. Individual insolvencies have generally been on a decreasing trend since 2010, and in Q2 2015 decreased by 9.1% compared with the previous quarter and by 29.3% compared with the same period in 2014.

IVAs comprised 48.2% of all individual insolvencies in Q2 2015, a substantial increase from 23% in 2004 but a decrease of 5 percentage points since the peak in Q2 2014. There were 9,090 IVAs in Q2 2015, which was a 12.1% decrease compared to Q1 2015 and 35.9% lower than the same period in 2014. The number of IVAs decreased for the fourth consecutive quarter and in Q2 2015 was at its lowest level since Q1 2006. This is the first drop below the medium term trend of 10,000 to 15,000 since Q3 2008.

There were a total of 3,944 bankruptcy orders in Q2 2015, 6.3% lower than Q1 2015 and 27.9% lower than in the same period in 2014. This is the lowest level of bankruptcies since Q4 1990. The number of bankruptcy orders has been on a decreasing trend since 2009, and is likely to have been affected by the introduction of DROs in 2009.

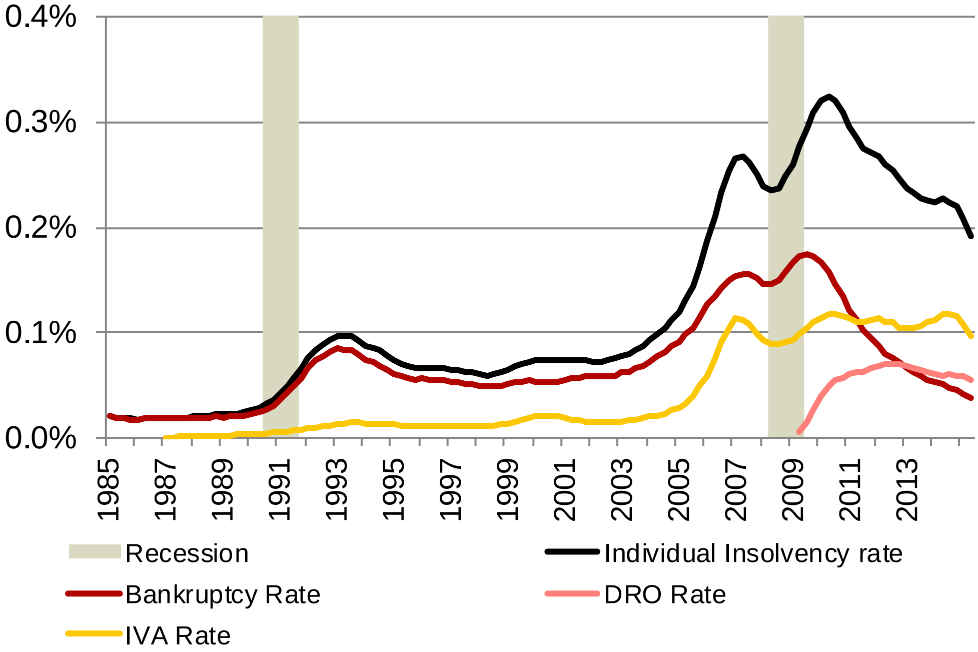
Continued over

There were 5,832 DROs in Q2 2015, which was 6.1% lower than Q1 2015 and a 16.8% decrease compared to Q2 2014. The number of DROs has decreased for four consecutive quarters and at its lowest level since Q1 2010.

Longer-term perspective

Individual insolvencies can be expressed as a percentage of the adult population, as this takes into account changes over time in the underlying population. In this section, rolling 12-month total individual insolvencies are compared with the estimated adult (18+) population of England and Wales.

Figure 9: Individual insolvency rate in England and Wales
(rolling 12-month rates)



Source: Insolvency Service, Office for National Statistics.
See Table 5 of the accompanying Excel file for more detail.

Explanation of key terms

Insolvency rate –the total number of bankruptcies, IVAs and DROs in the latest twelve month period, divided by the average estimated adult (18+) population of England and Wales.

Bankruptcy, IVA and DRO rates are calculated in the same way.

In the 12 months ending Q2 2015, 1 in 523 adults (0.19% of the adult population) became insolvent. This is down from 1 in 478 in the twelve months ending Q1 2015 and the lowest rate since the 12 months ending Q1 2006. With one exception (Q2 2014), the individual insolvency rate has decreased each quarter since mid-2010, but it is still elevated compared with rates of less than 0.1% observed before 2004.

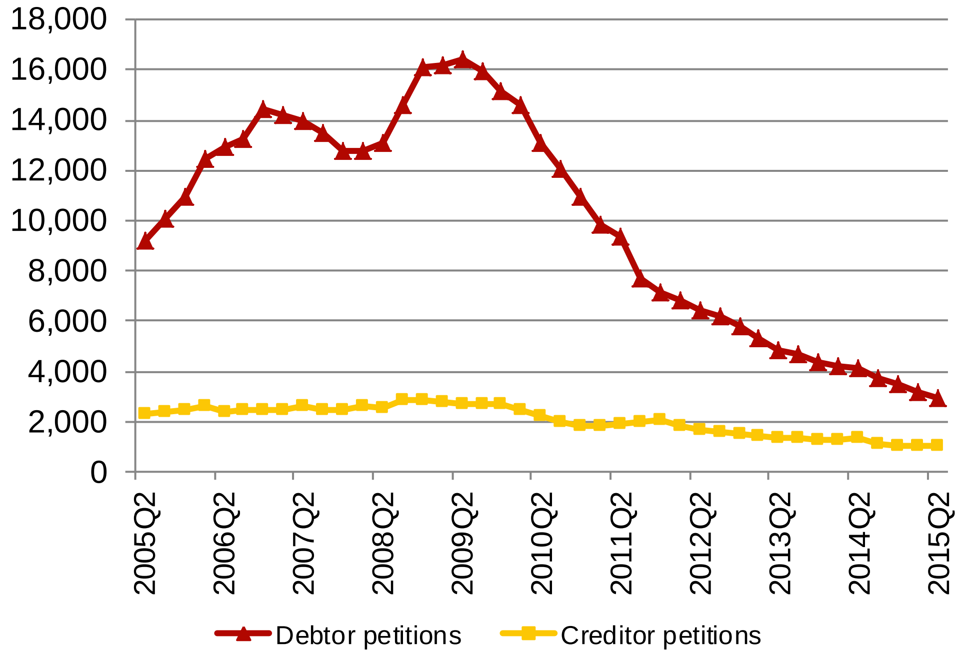
The bankruptcy rate has decreased each quarter since the 12 months ending Q3 2009, while the DRO rate has decreased slightly having remained fairly constant since Q4 2013. The IVA rate decreased for the fourth consecutive quarter.

The individual insolvency rate is related to levels of household debt, and with economic growth. The expansion of credit in the early- to mid-2000s coincided with a large increase in the individual insolvency rate, which abated following the credit crunch in 2007 before increasing again during the 2008-09 recession.

For IVAs specifically, the rapid increase from 2004 to 2006 coincided with high levels of advertising by companies which manage these arrangements. The reduction in 2007 and 2008 could be because of creditors rejecting IVAs with low repayment rates.

3.2 Characteristics of bankruptcies

Figure 10: Bankruptcies in England and Wales: petition type
(quarterly data, seasonally adjusted)



Source: Insolvency Service.

See Table 6a of the accompanying Excel file for more detail.

Explanation of key terms

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

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

Not all petitions to court result in a bankruptcy order. These statistics relate to petitions where a court order was made as a result.

The Ministry of Justice publishes quarterly National Statistics on the total number of bankruptcy petitions presented to court in England and Wales.

For any particular quarter, seasonally adjusted figures for creditor and debtor petition bankruptcies will not sum to the seasonally adjusted figure for total bankruptcies. This is because they have been adjusted separately using different models. Over a calendar year, the totals will match because of the model chosen.

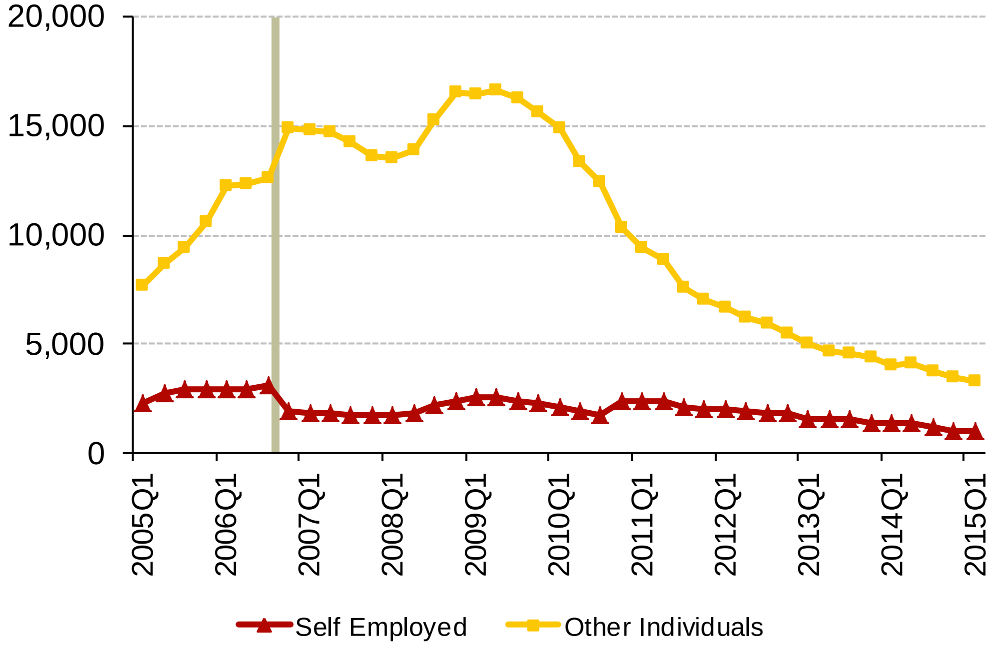
In Q2 2015 there were 2,907 debtor petition bankruptcies, which was 7.5% less than the previous quarter, 29.7% less than the same quarter in 2014 and around 82% lower than the peak in Q2 2009.

There were 1,034 creditor petition bankruptcies, which was 2.7% lower than the last quarter and 21.7% lower than the same quarter in 2014.

The level of debtor petition bankruptcies has been following a generally decreasing trend since 2009. Creditor petition bankruptcy numbers have also been falling over a similar period, though less rapidly and less consistently.

The number of debtor petition bankruptcies increased until 2006, coinciding with increasing levels of household debt. As the availability of credit decreased in 2007 and 2008, so did the number of these cases, before they increased again during the recession of 2008-09.

Figure 11: Bankruptcies in England and Wales: trading status
(quarterly data, seasonally adjusted)



Source: Insolvency Service.

See Table 7a of the accompanying Excel file for more detail.

Explanation of key terms

Self-employed – individuals who have entered bankruptcy, and who have identified themselves as being self-employed.

Other individuals – those who were not self-employed at the point at which they became bankrupt, or where this information is unknown.

Changes have been made to the part of the database used to capture information on trading status and industry codes. This is shown by the vertical line in the graph.

The breakdown by trading status from Q4 2006 should not therefore be considered to be entirely consistent with that for the period before this quarter.

For any particular quarter, seasonally adjusted figures for self employed and other bankruptcies will not sum to the seasonally adjusted figure for total bankruptcies. This is because they have been adjusted separately using different models. Over a calendar year, the totals will match because of the model chosen.

These statistics are presented with a lag of one quarter on most other statistics in this release, because it can take a number of weeks for trading status to be recorded following the date of the bankruptcy order.

In Q1 2015, there were 962 bankruptcies where the individual was self-employed, 7.2% less than Q4 2014 and 30.3% less than Q1 2014. This was a continuation of a generally decreasing trend since 2011.

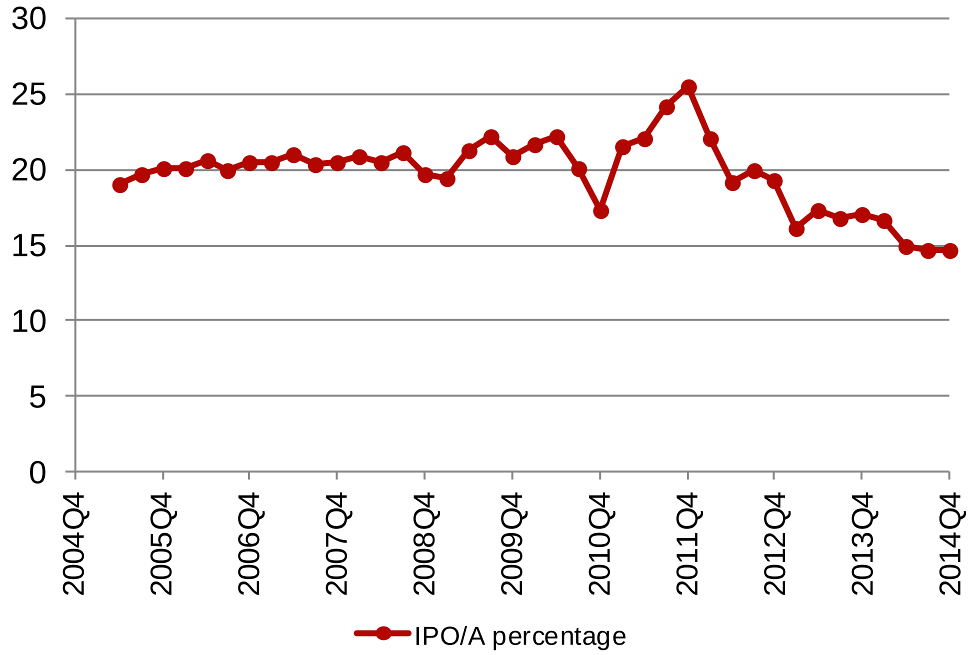
There were 3,245 bankruptcies among other individuals, a decrease of 6.4% compared with the previous quarter, and 19.8% lower than the same quarter the previous year, a continuation of the decreasing trend since late 2009.

The rate of decrease in bankruptcy orders has been less rapid for self-employed individuals than for others. This means that the proportion of bankruptcy orders where the individual was self-employed is higher than it has been in earlier years.

Looking over a longer period, the number of bankruptcies among other individuals followed a similar pattern to debtor petition bankruptcies (see above). This is because most debtor petition bankruptcies (currently around 80%) are for other individuals. For creditor petition bankruptcies, currently around half are self-employed individuals.

Figure 12: Percentage of bankruptcies in England and Wales resulting in income payment agreements / orders

(quarterly data, seasonally adjusted)



Source: Insolvency Service.

See Table 8a of the accompanying Excel file for more detail.

Explanation of key terms

Bankrupts who can make reasonable contributions to their debts are required to do so under an **income payments agreement** (IPA).

If they do not agree, the official receiver or trustee in the bankruptcy will apply to court for an **income payments order** (IPO).

IPA or IPO payments come from surplus income – money left over from income after reasonable living expenses have been deducted.

An IPA or IPO will normally be payable for 36 months.

These statistics are presented with a lag of two quarters on most other statistics in this release, because it can take a number of months for income payment agreements (IPAs) or income payment orders (IPOs) to be made, following the date of the bankruptcy order.

In Q4 2014, 15% of bankruptcy orders made resulted in an IPA or IPO, the same as the previous quarter but 2 percentage points lower than in Q4 2013.

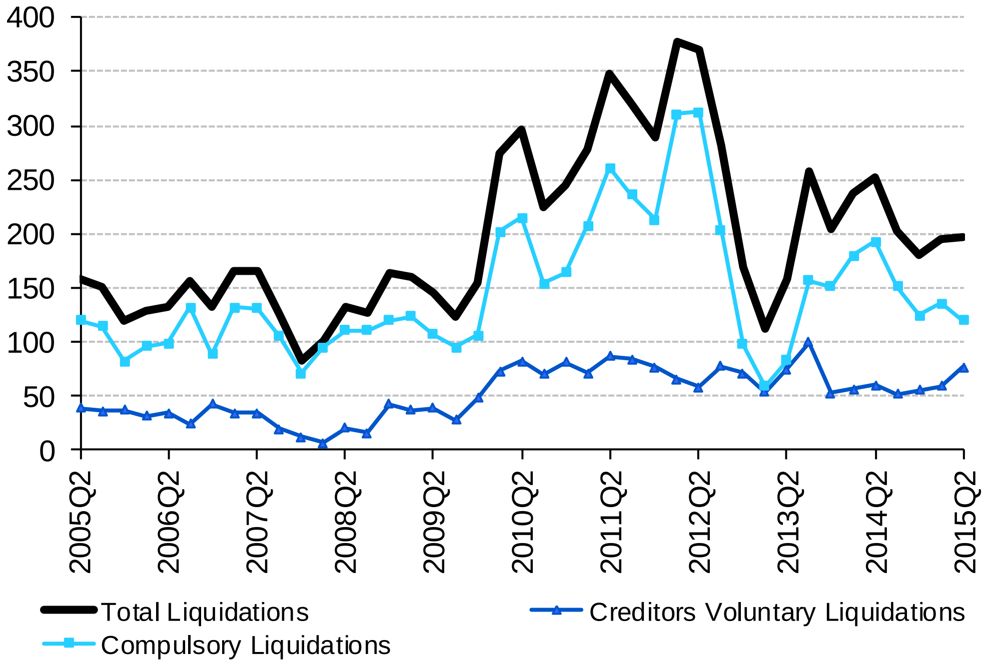
It is only possible to obtain an IPA or IPO if the bankrupt has surplus income. Official receivers have reported that the recent decrease in the percentage of bankruptcies resulting in an IPA or IPO can be explained by income growth having recently been lower than increases in consumer prices, leading to a smaller percentage of bankrupts having surplus income. The most recent statistics show that growth in average weekly earnings was higher than growth in consumer prices, which could affect these statistics in future.

4 Insolvency in Scotland

4.1 Company insolvency

Company insolvency in Scotland is governed by broadly the same legislation as for England and Wales; however, the development of policy on and the recording of information about liquidations and receiverships is devolved to the Scottish Government, so figures are presented separately.

Figure 13: Company liquidations in Scotland
(quarterly data, not seasonally adjusted)



Source: Companies House.

Creditors' Voluntary includes those companies which had previously been in administration or other insolvency procedure.

See Table 9 of the accompanying Excel file for more detail.

Explanation of key terms

See section 2 (company insolvency in England and Wales) for further information.

The Excel file which accompanies this release additionally contains statistics on the number of administrations, receiverships and CVAs in Scotland.

The Accountant in Bankruptcy (AiB), Scotland's Insolvency Service, publishes quarterly Official Statistics on company liquidations. These are based on AiB's administrative records, and are not coherent with these statistics, which are based on data from Companies House.

In the second quarter of 2015, there were 224 total company insolvencies, a decrease of 18% compared to Q2 2014. Of these, 120 were company liquidations – a 37.8% decrease on the same quarter of 2014. Liquidations were fairly stable until 2009, followed by a generally increasing trend until a period of rapid decrease between Q2 2012 and Q1 2013.

The total number of company liquidations in Scotland is driven by the number of compulsory cases. 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.

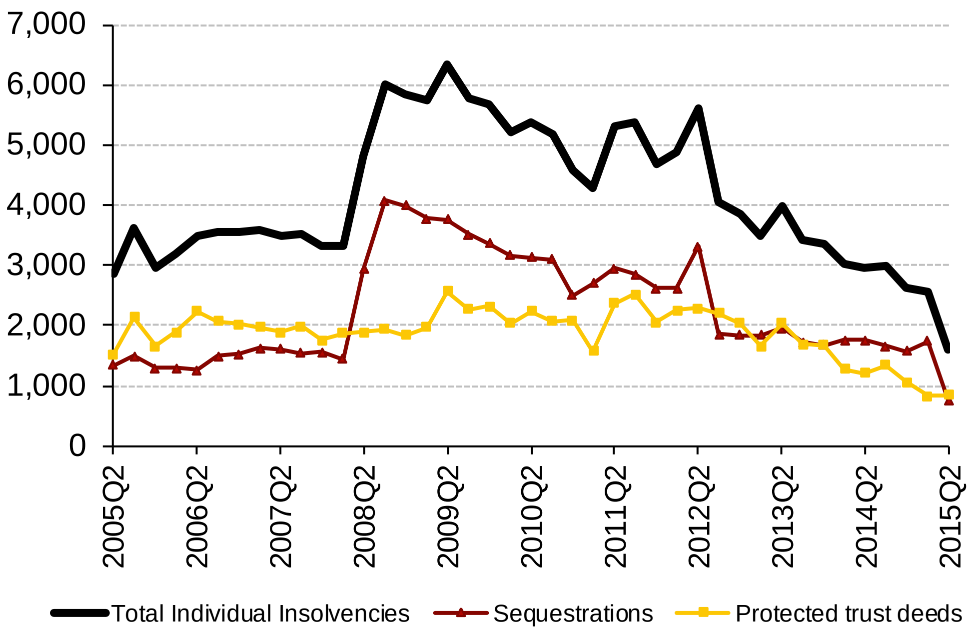
There were 120 compulsory liquidations in the Q2 2015, compared to 77 CVLs. The number of CVLs has remained largely stable, with between 50 and 100 cases in each quarter since 2010.

There were 27 other company insolvency procedures in the second quarter of 2015. This consisted of 2 receivership appointments, 23 administrations and 2 company voluntary arrangements.

4.2 Individual insolvency

Legislation relating to individual insolvency in Scotland is devolved. The [Accountant in Bankruptcy](), Scotland's Insolvency Service, administers individual insolvency in Scotland.

Figure 14: Individual insolvencies in Scotland
(quarterly data, not seasonally adjusted)



Source: Accountant in Bankruptcy (AiB), AiB Quarterly Statistics – Q1 2015/16

The sequestration figures include LILA (Low Income, Low Assets) cases from 1 April 2008, and MAP (Minimal Asset Process) cases from 1 April 2015.

See Table 11 of the accompanying Excel file for more detail.

Explanation of key terms

Sequestration fulfils much the same role as bankruptcy in England and Wales.

In April 2008, the law was changed to offer a new route into sequestration for individuals with **low income and low assets** (LILA), which resulted in a large increase in the number of sequestrations in Scotland.

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

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.

These statistics do not include debt payment programmes under the debt arrangement scheme, which are not formal insolvencies.

In Q2 2015, there were 1,606 individual insolvencies in Scotland, 45.9% lower than the same quarter in 2014. This sharp decrease is mainly driven by a fall in the number of sequestrations: there were 757 in Q2 2015, 56.9% lower than the same period in 2014.

New legislation covering sequestration came into effect on 1 April 2015. Among other things, this introduced mandatory debt advice for individuals seeking statutory debt relief, a common financial tool to assess individuals' ability to contribute to repaying their debts, and a new web-based application form. The Accountant in Bankruptcy has suggested that the large decrease in Q2 2015 may be in part because of money advisors, the insolvency industry and debtors needing to familiarise themselves with new processes.

The legislation also introduced the Minimal Asset Process (MAP), which replaced the Low Income Low Asset route into sequestration from 1 April 2015. In Q2 2015, 220 people went into sequestration via the LILA or MAP route, a decrease of 66% compared with Q2 2014.

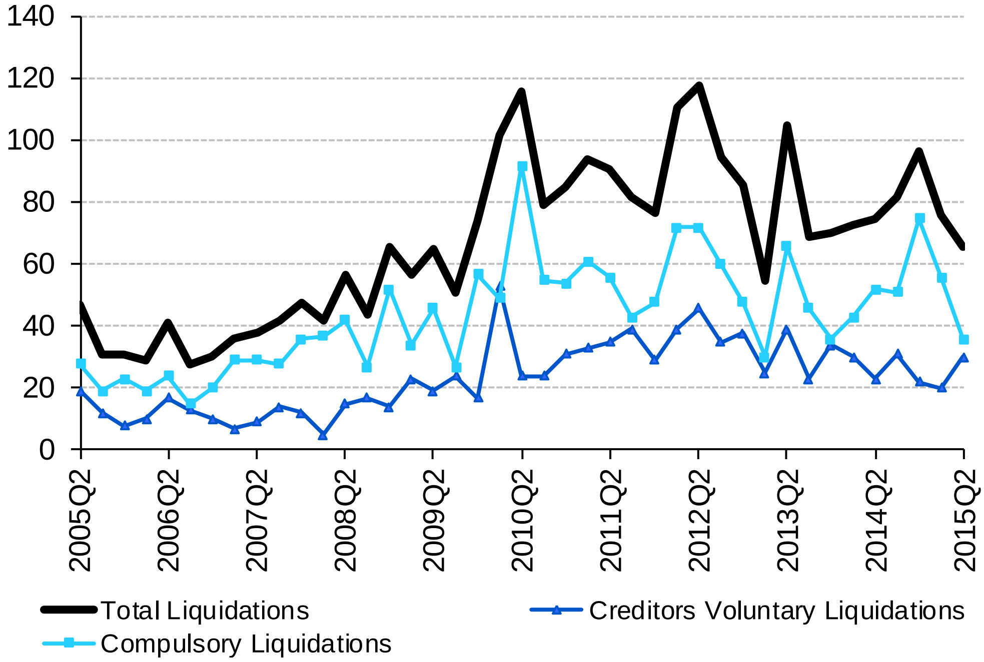
By comparison, the number of protected trust deeds (PTDs) had been fairly stable between 2008 and 2013, but since then has followed a downward trend. This may be because of a corresponding increasing trend in the number of people instead entering debt payment programmes (DPPs) under the Debt Arrangement Scheme. These are not formal insolvencies, but are binding agreements with creditors to repay debts in full over an agreed period. In Q2 2015, there were 849 PTDs, a decrease of 30% compared with Q2 2014.

5 Insolvency in Northern Ireland

5.1 Company insolvency

Company insolvency in Northern Ireland is governed by separate, but broadly similar, legislation to England and Wales, and so figures are presented separately.

Figure 15: Company liquidations in Northern Ireland
(quarterly data, not seasonally adjusted)



Sources: Department for Enterprise, Trade and Investment, Northern Ireland; Companies House.

See Table 12 of the accompanying Excel file for more detail.

Explanation of key terms

See section 2 (company insolvency in England and Wales) for further information.

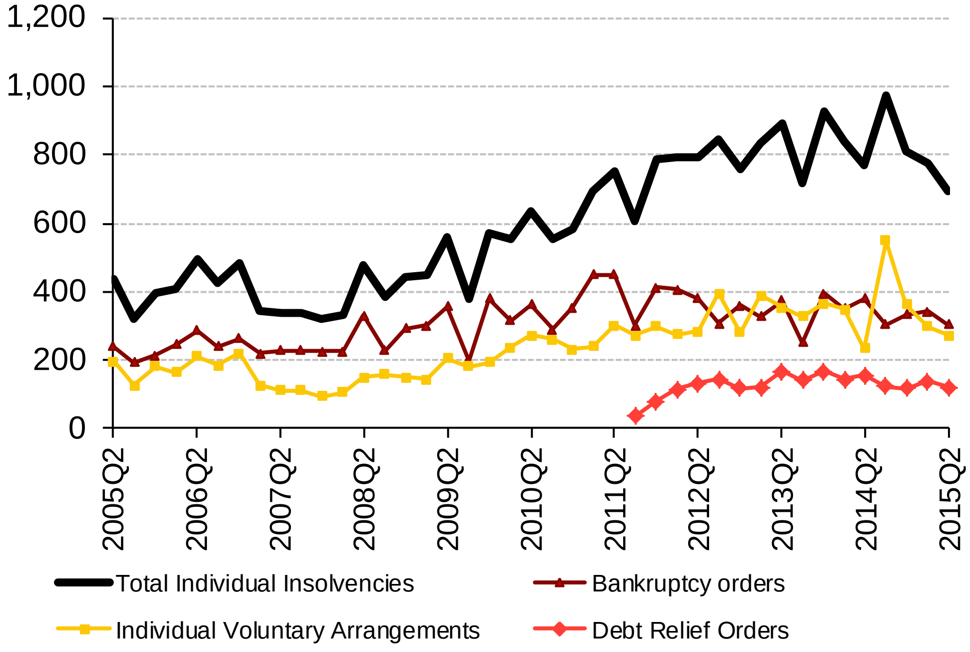
There were 66 company liquidations in Northern Ireland in Q2 2015, 12.0% less than the same quarter in 2014. Of these, 36 were compulsory liquidations (down 30.8% on the same quarter last year), and 30 were creditors' voluntary liquidations (CVLs, up 30.4% on the same quarter last year).

The number of CVLs in Northern Ireland increased between 2007 and 2010, but has been fairly stable since then. The number of compulsory liquidations has been more volatile.

5.2 Individual insolvency

Individual insolvency in Northern Ireland is governed by separate, but broadly similar, legislation to England and Wales, and so figures are presented separately.

Figure 16: Individual insolvencies in Northern Ireland
(quarterly data, not seasonally adjusted)



Source: Department for Enterprise, Trade and Investment, Northern Ireland.
See Table 14 of the accompanying Excel file for more detail.

Explanation of key terms

Bankruptcy orders – 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 places 12 months after the bankruptcy order is granted.

Debt relief orders (DROs) – a form of debt relief available to those who have a low income, low assets and less than £15,000 of debt. There is no distribution to creditors, and discharge from debts takes place 12 months after the DRO is granted.

DROs were introduced in June 2011.

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.

There were 696 individual insolvencies in Northern Ireland in Q2 2015, 9.5% less than the same quarter in 2014. Of these, 304 were bankruptcies (down 19.8% on the same quarter last year), 119 were DROs (down 23.2% on the same quarter last year), and 273 were IVAs (up 16.2% on the same quarter last year).

The total number of individual insolvencies in Northern Ireland had been on a generally increasing trend since 2007. This was driven by increases in the number of IVAs over this period, and the introduction and subsequent increase in the number of DROs. By contrast, the number of bankruptcies had followed a fairly stable trend since 2011.

Though the graph highlights key changes, it should be noted that the volatility in the data is because the numbers of insolvencies are low, so any small changes will result in large percentage changes.

6 Background notes

Further information can be found in the Guide to Insolvency Statistics, including high-level descriptions of the types of insolvency which apply to companies and people; the data recorded and any associated data quality issues; and legislation coming into effect in the period covered by the statistics, which may affect comparisons over time.

Data sources and methodology

More details may be found in Insolvency Statistics Methodology, the Statement of Administrative Sources, the Revisions Policy, and Data Quality Assurance and Audit Arrangements, on the policy and procedures section of the Insolvency Service website.

Data sources

The statistics for England and Wales are derived from administrative records of the Insolvency Service and Companies House, both of which are Executive Agencies of the Department for Business, Innovation and Skills (BIS). For Scotland, the company insolvency statistics are derived from administrative records at Companies House, while figures for individual insolvencies in Scotland are sourced from the Office of the Accountant in Bankruptcy (AiB). The Northern Ireland statistics are derived from administrative records of the DETI Insolvency Service and from Companies House. The adult (18+) population data for England and Wales (used in the calculation of individual insolvency rates) are created using annual mid-year population estimates by single year of age sourced from the Office for National Statistics

Methodology

The statistics are produced via tabulation of raw data collected from the various sources.

The methods used to produce breakdowns by industry are described in more detail in the accompanying Excel file.

Seasonal adjustment is performed on certain data series. The X13-ARIMA-SEATS program (developed by the US Census Bureau) is used for the seasonal adjustment of the *Insolvency Statistics*, this being the recommended program within UK National Statistics. Seasonal adjustment models are reviewed annually: the most recent review was completed in April 2015 with the outcome published on the policy and procedures section of the Insolvency Service website.

Revisions

These statistics are subject to scheduled revisions, as set out in the published 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.

Figures sourced from Companies House (E&W) were revised previously (where appropriate) between 2007 Q1 and 2008 Q1. This reflected inaccuracies identified in the counting of cases during validation following the move to a new IT system in February 2008. The most noticeable revisions were to receiverships (where some companies had been counted more than once); the rest of this series prior to 2007 is not available on a revised basis. However, it should also be noted that because the revised counts have been run against a live database, they do not exactly reflect the original numbers of new cases that would have been reported.

Quality

This section provides information on the quality of the *Insolvency Statistics*, 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 cover 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 Statistics* are the most comprehensive record of the number of corporate and individual insolvencies in England and Wales. They include all formal types of insolvency procedure currently available. Insolvencies in Scotland and Northern Ireland are also included, but are shown separately as they are covered by separate legislation. There are some differences in definition, and policy responsibility for them lies within the devolved administrations. The Statistics Release itself covers the most recent 10 years of annual and quarterly figures; while historic data series are also available (back to 1960 in some cases), as are related sets of Official Statistics on insolvency.

Key users of the *Insolvency Statistics* include the Insolvency Service itself, which has policy responsibility for insolvency in England and Wales and for the non-devolved areas within Scotland and Northern Ireland; other government departments; parliament; the insolvency profession; debt advice agencies; media organisations; academics; the financial sector; the business community and the general public. The headline quarterly statistics are widely reported in national, regional and specialist media on the day of release.

The statistical production team welcomes feedback from users of the *Insolvency Statistics* (current contact details are provided at the end of these Notes). More formal engagement with users has recently included a user feedback survey on Insolvency Service Official Statistics, the results of which have been published at https://www.gov.uk/government/publications/insolvency-service-statistics-user-engagement-feedback.

Accuracy and Completeness *(including the closeness between an estimated or stated result and the [unknown] true value)*

All formal insolvency procedures entered into by a company, a partnership or an individual are required by law to be reported to the appropriate body, so the statistics should be a complete record of insolvency in the United Kingdom.

Generally speaking, numbers of cases are based on the date the insolvency procedure was registered on the administrative recording system, not on the date of the order or agreement. The implication of this is that the published figures should capture all cases (on that definition) in a particular reporting period and they will not be influenced by, for example, the late reporting of orders made leading to missing data. The exceptions for England and Wales are compulsory liquidations and bankruptcy orders (since Q2 2011), and debt relief orders (since their implementation in April 2009), for which new case numbers are reported against the date of the court order. This should be noted when making comparisons of trends over time. Checks are in place to identify and remove duplication of cases, to ensure that returns cover all reporting areas, and to check consistency within tables and between related tables.

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 also publishes individual insolvency statistics on a regional basis, and outcome statistics for individual voluntary arrangements, both as Official Statistics. These report figures on an annual basis, and they differ from the headline quarterly *Insolvency Statistics* in that there are some differences in the case selection criteria and/or the database from which they are sourced; this means that the totals are not identical between different outputs.

Companies House produces monthly official statistics on company insolvencies registered each week, and totals for the period covered by the publication (either four or five weeks). These are not consistent with the *Insolvency Statistics*, which cover calendar quarters.

The Accountant in Bankruptcy (AiB) is required to be notified of all company liquidations and receiverships in Scotland, and publishes quarterly official statistics based on its own administrative records. These differ from the *Insolvency Statistics*, which use data from Companies House as the source. Differences are due to Companies House data using the registration date on its own administrative system, and the Accountant in

Bankruptcy using its own administrative system's date. AiB does not publish information on the number of company voluntary arrangements or administrations, which are a reserved matter for the UK government.

AiB also publishes quarterly statistics on the number of individual insolvencies, which are reproduced in the *Insolvency Statistics*.

The Office for National Statistics produces annual statistics on business "deaths" in its Business Demography publication. These statistics relate to all registered businesses, whereas the *Insolvency Statistics* relate to companies on the Companies House register. Not all business deaths are because of insolvency.

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.)*

The *Insolvency Statistics* are usually published on the 29th of the month following the end of the quarter being reported on; this is the earliest publication date which ensures receipt of all the data inputs, and allows sufficient time for liaising with data suppliers and completing all the steps between this and compilation of the statistical release in its final form ready for publication. The exception to this is where the 29th falls on a weekend or a Monday, when the statistics will be delayed until the following Tuesday, or brought forward to an earlier date if possible.

There is a publication schedule for a year ahead available on the UK National Statistics Publication Hub and the statistics have always been published on target.

Accessibility and Clarity *(Accessibility is the ease with which users are able to access the data. It also relates 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 *Insolvency Statistics* are available free of charge to the end user on the Insolvency Service website. They are released via the Publication Hub and they meet the standards required under the Code of Practice for Official Statistics.

Historic data are also published for the key series, on the National Archives website.

Views on the clarity of the publication are welcomed via the contact details on the cover page of this release.

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.

The series for bankruptcy orders will have been impacted by the introduction (with effect from 6 April 2009) of debt relief orders (DROs). DROs comprise some of those individuals who would have otherwise been declared bankrupt (a subset of DRO-eligible cases, who were advised of the DRO route and chose to take it) and other individuals who, perhaps, could not have afforded the fee to enter into bankruptcy and who may have otherwise been in an informal debt management process, or been unable to access any form of debt resolution. It is not possible to quantify exactly the impact of the introduction of DROs on the number of bankruptcy orders. The series for DROs is currently not long enough to formally seasonally adjust. Table 2 therefore only shows bankruptcy orders and IVAs on a seasonally adjusted basis.

See also the Guide to Insolvency Statistics for additional specific aspects relevant to comparability.

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.

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

Any enquiries regarding this document/publication should be sent to us at statistics@insolvency.gsi.gov.uk.