The Insolvency Service

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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).

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

Main messages

Companies

- **Total company insolvencies increased in Q2 2017, primarily caused by 1,131 connected personal service companies entering liquidation on the same date following changes to claimable expenses rules.**
- **The estimated underlying number of company insolvencies fell to the lowest quarterly level since comparable records began in 2000.**

People

- **Total individual insolvencies decreased in Q2 2017, driven primarily by a decrease in individual voluntary arrangements, which decreased from a record high back to the level seen in 2016.**

Revisions to statistics on individual voluntary arrangements

In this edition, the statistics have been revised due to a data processing error that has now been corrected. The revisions affect individual voluntary arrangements and total individual insolvencies for Q1 2017, to a higher level than previously reported.

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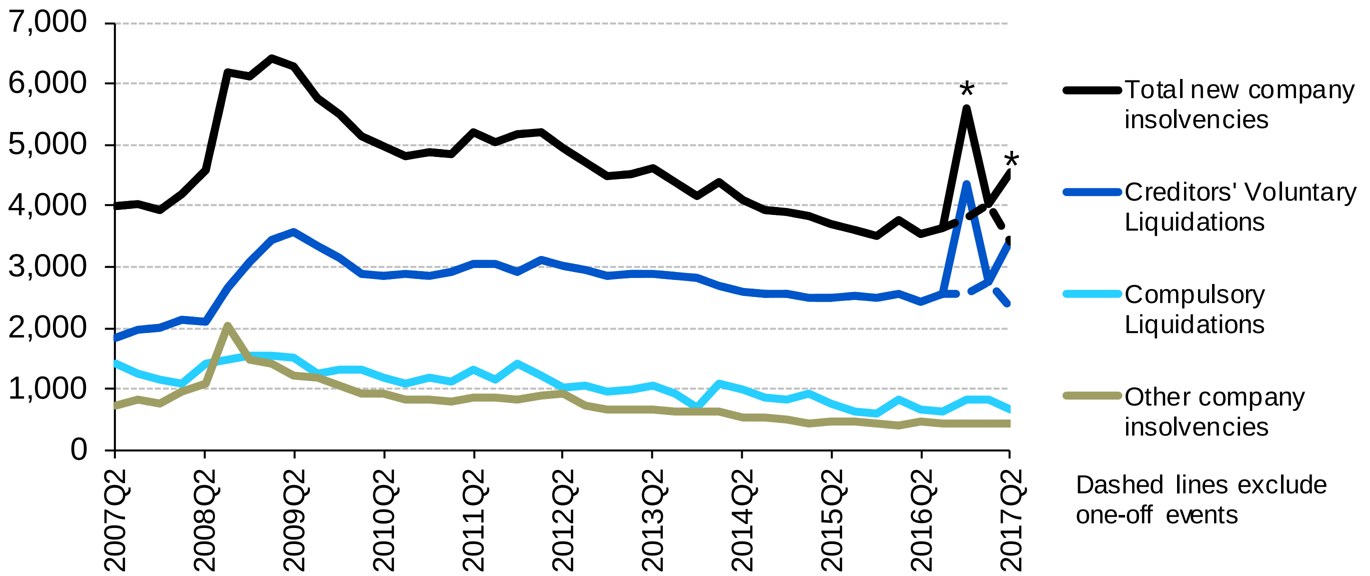
1 Summary for Q2 2017

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

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



* There were one-off events of 1,796 connected personal service companies entering creditors' voluntary liquidation in Q4 2016 and 1,131 in Q2 2017, following changes to claimable expenses rules.

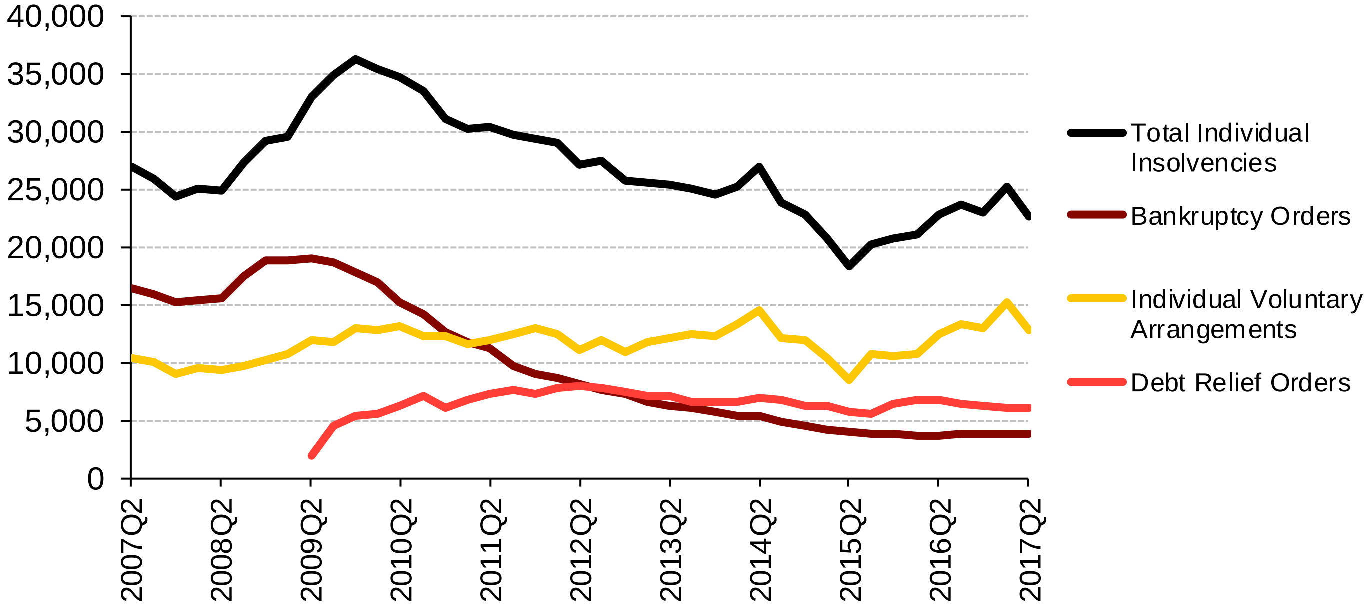
Source: Insolvency Service and Companies House. Excludes CVLs following administration.

Key findings

Creditors' voluntary liquidations comprised the majority of company insolvencies	An estimated 4,547 companies entered insolvency in Q2 2017, consisting of 3,454 creditors' voluntary liquidations (CVLs, 76% of all insolvencies), 672 compulsory liquidations (15%) and 421 other insolvencies (9%).
Company insolvencies increased this quarter due to a one-off event …	Total company insolvencies increased by 12.6% compared to Q1 2017. This was caused by a one off event of 1,131 connected personal service companies (PSCs) entering CVL in Q2 2017 following changes to claimable expense rules.
…but the underlying number of company insolvencies fell to a 17-year low	Excluding these PSCs, the underlying number of companies entering insolvency in Q2 2017 fell by 15.4% compared to Q1 2017 and by 4.0% compared with the same quarter in 2016. This was the lowest quarterly level since comparable records began in 2000.
This was driven by a fall in underlying creditors' voluntary liquidations	The estimated underlying number of CVLs in Q2 2017 fell by 16.0% compared with Q1 2017, and by 4.6% on Q2 2016. This was the lowest underlying level of CVLs since Q2 2008.
Compulsory liquidations and other insolvencies were broadly stable	The number of compulsory liquidations in Q2 2017 fell by 19.8% on the quarter, but was 0.1% higher than in Q2 2016; administrations and company voluntary arrangements were both lower than in Q2 2016 but remained in line with medium term trends.

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

IVAs comprised the majority of individual insolvencies	There were 22,772 individual insolvencies in Q2 2017, consisting of 12,854 individual voluntary arrangements (IVAs, 56% of the total), 6,146 debt relief orders (DROs, 27%) and 3,772 bankruptcies (17%).
Individual insolvencies decreased this quarter	Total individual insolvencies in Q2 2017 were 9.7% lower than in the previous quarter and 0.1% lower than the same quarter the previous year, returning to the level seen in 2016.
This was mainly driven by a decrease in IVAs	The number of IVAs in Q2 2017 fell 15.6% compared with Q1 2017 (which had the largest quarterly number of IVAs since records began), returning to the level seen in 2016.
Bankruptcies were higher than a year ago due to changes to the application process	Bankruptcies overall fell by 2.5% on the quarter, but rose by 4.6% on the year following a change to the application process for debtor bankruptcies in April 2016. Debtor bankruptcies rose 10.3% compared with Q2 2016.
Creditor petition bankruptcies continued to decrease	Creditor petition bankruptcies fell by 13.3% in Q2 2017 compared with Q2 2016 and were at the lowest level in over 14 years.
Debt relief orders (DROs) rose slightly this quarter	DROs increased by 0.4% on the quarter, but fell by 8.8% on the year, to the second lowest level since changes to eligibility criteria took effect in October 2015.

1.3 Summary tables

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

	Number of insolvencies					% change – 2017 Q2 on:	
	2016 Q2 p	2016 Q3 p	2016 Q4 p	2017 Q1 p	2017 Q2 e	2017 Q1	2016 Q2
Total new company insolvencies[4]	**3,557**	**3,625**	**5,594**	**4,038**	**4,547**	**12.6**	**27.8**
Underlying total insolvencies[4]	***3,557***	***3,625***	***3,798***	***4,038***	***3,416***	***-15.4***	***-4.0***
Compulsory liquidations	671	636	810	838	672	-19.8	0.1
Creditors' voluntary liquidations[2,4]	2,434	2,547	4,353	2,764	3,454	25.0	41.9
Underlying CVLs[4]	*2,434*	*2,547*	*2,557*	*2,764*	*2,323*	*-16.0*	*-4.6*
Administrations	343	366	349	355	337	-5.1	-1.7
Company voluntary arrangements	109	70	82	79	84	6.3	-22.9
Receiverships	0	5	0	2	0	-100.0	n.a.

Source: Insolvency Service and Companies House.

p = provisional, r = revised, e = estimated, n.a. = not applicable

[1] Longer series back to 2007 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] There were 1,796 company insolvencies in 2016 Q4 and 1,131 in 2017 Q2 due to one-off events (personal service companies entering insolvency following a change to tax claimable expenses rules).

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

	Number of insolvencies					% change – 2017 Q2 on:	
	2016 Q2	2016 Q3	2016 Q4	2017 Q1r	2017 Q2 p	2017 Q1	2016 Q2
Total individual insolvencies	**22,796**	**23,663**	**22,999**	**25,214r**	**22,772**	**-9.7**	**-0.1**
Bankruptcy orders	3,607	3,883	3,828	3,868	3,772	-2.5	4.6
Debt relief orders	6,741	6,490	6,243	6,119	6,146	0.4	-8.8
Individual voluntary arrangements	12,447	13,290	12,929	15,226r	12,854	-15.6	3.3

Source: Insolvency Service

p = provisional, r = revised.

[1] Longer series back to 2007 are presented in the accompanying detailed tables.

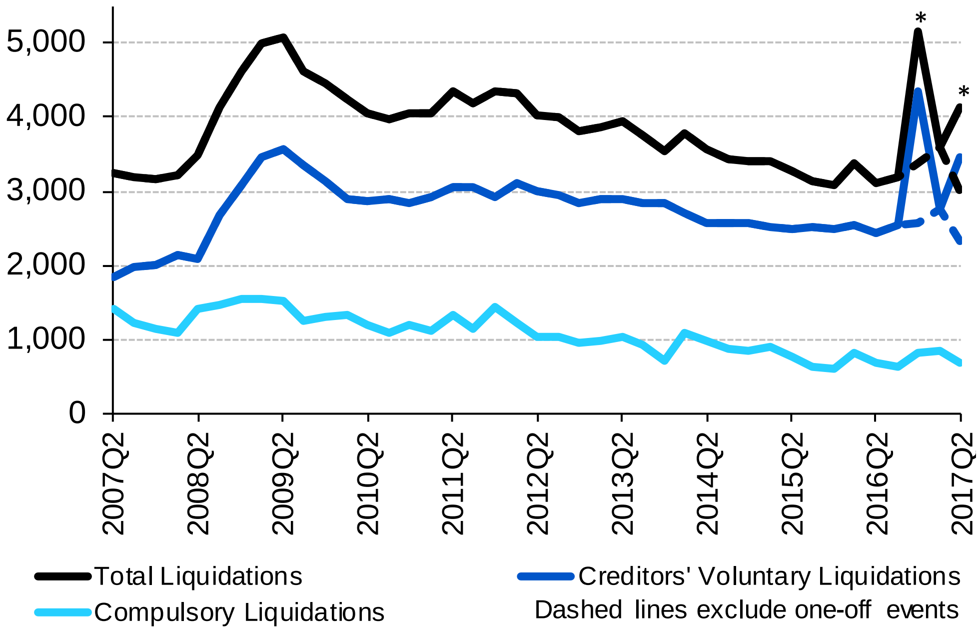
[2] The series for debt relief orders does not require seasonal adjustment.

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]



* There were one-off events of 1,796 connected personal service companies entering creditors' voluntary liquidation in Q4 2016 and 1,131 in Q2 2017, following changes to claimable expenses rules..

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.

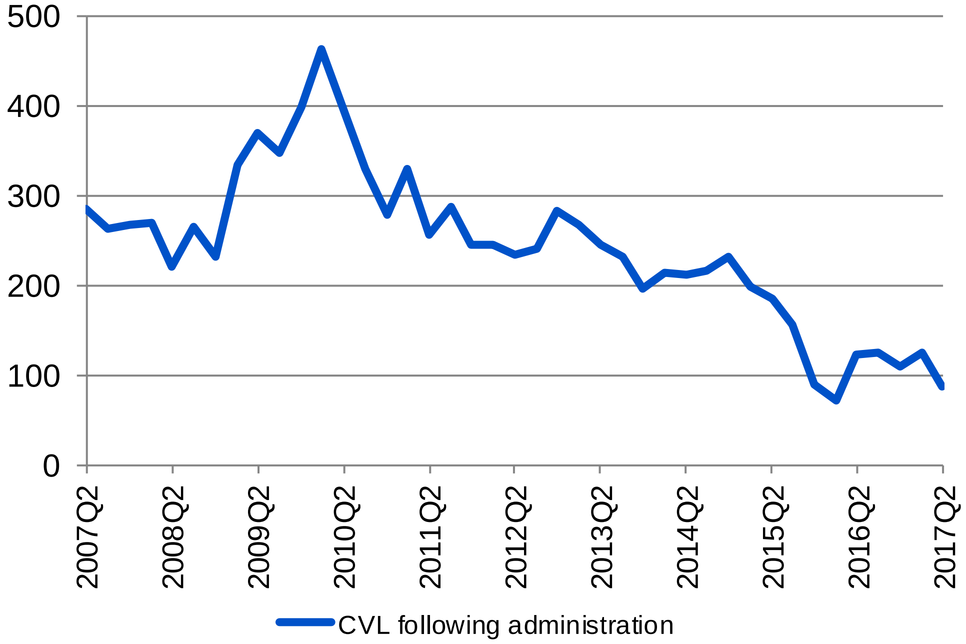
There were an estimated 4,126 insolvent company liquidations in this quarter, comprising 3,454 creditor voluntary liquidations (CVLs, 83.7% of total insolvent company liquidations) and 672 compulsory liquidations (16.3% of total insolvent company liquidations).

In Q2 2017, company liquidations saw a 14.6% rise on the previous quarter. This was caused by a one-off event of 1,131 connected personal service companies (PSCs) entering CVL in Q2 2017 following changes to claimable expenses rules.

Excluding these PSCs, underlying total liquidations fell by 16.9% on the previous quarter and by 3.5% on the same period last year, while underlying CVLs dropped by 16.0% on Q1 2017 and 4.6% on Q2 2016.

Compulsory liquidations in Q2 2017 decreased by 19.8% on the previous quarter but increased by 0.1% on the same period a year ago. Compulsory liquidations for the past two years have been fairly stable, with quarterly numbers between 590 and 840. This is a change from when the series peaked at 1,555 in 2009 Q1 and then followed a generally decreasing trend.

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.

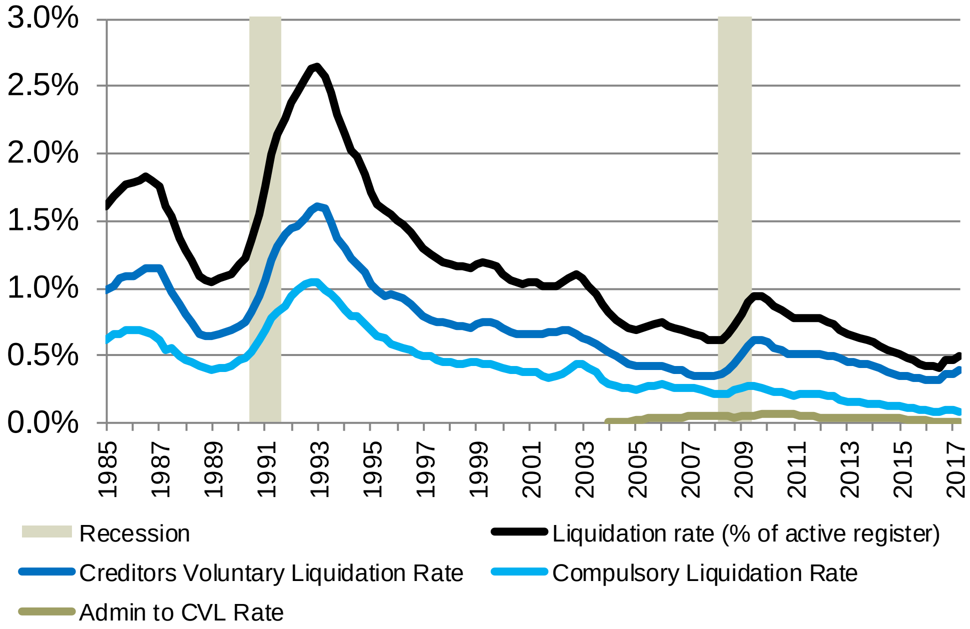
In Q2 2017, an estimated 88 companies entered creditors' voluntary liquidation following administration, a decrease of 29.0% on the same quarter of 2016. It should be noted that, because numbers of insolvencies are low, any small changes will result in large percentage changes.

The peak in the number of companies entering creditors' voluntary liquidation following administration was seen in early 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 late 2008 / early 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 3.1 million active registered companies in Q3 2015; this compares with only about 900,000 in the early 1990s and fewer than 800,000 in 1986.

In the 12 months ending Q2 2017, an estimated 1 in 204 active companies (or 0.49% of all active companies) went into liquidation, up slightly from 1 in 212 in the 12 months ending Q1 2017, and 1 in 240 in the 12 months ending Q2 2016. This rise in liquidation rates has been due to the one-off increases in creditors' voluntary liquidations in Q4 2016 and Q2 2017. The underlying liquidation rate has dropped to one in 247.

Up until Q3 2016, there had been a downward trend in the rates from 2011, with the lowest liquidation rate recorded in Q3 2016 since comparable records began in 1984.[1]

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% (24,300 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% (19,200 companies) entered liquidation in the year ending December 2009.

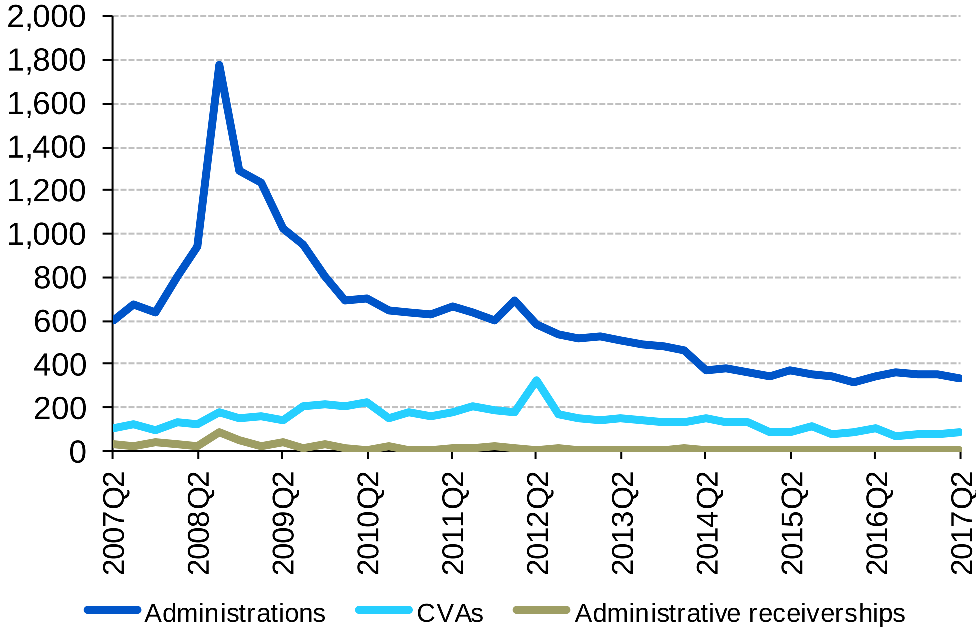
Although the number of liquidations was slightly higher in 1993 than in 2009, the rate of liquidations was substantially higher in 1993. This is because the number of active companies more than doubled over this period, so a much smaller proportion of the total number of companies entered liquidation in 2009.

[1] Counts of creditors' voluntary liquidations are available on a consistent basis back to 2000Q1. On average, historical data from 2000 to 2015 were revised downwards by 0.5%. It is unlikely that revisions to data before 2000 would bring liquidation rates below current levels.

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.

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 include other, non-insolvency, procedures, for example under the Law of Property Act 1925.

In Q2 2017 there were an estimated 337 administrations, 5.1% lower than in Q1 2017 and 1.7% lower than the same period in 2016, but on a fairly stable trend since 2014.

There were an estimated 84 company voluntary arrangements (CVAs) in Q2 2017, 6.3% higher than the previous quarter but 22.9% lower than Q2 2016, and following a relatively stable trend.

In Q2 2017 there were no administrative receiverships. Since 2012 there have tended to be fewer than ten cases per quarter, because use of this procedure is restricted to certain types of company or to floating charges created before September 2003.

2.3 Total new company insolvencies by industry

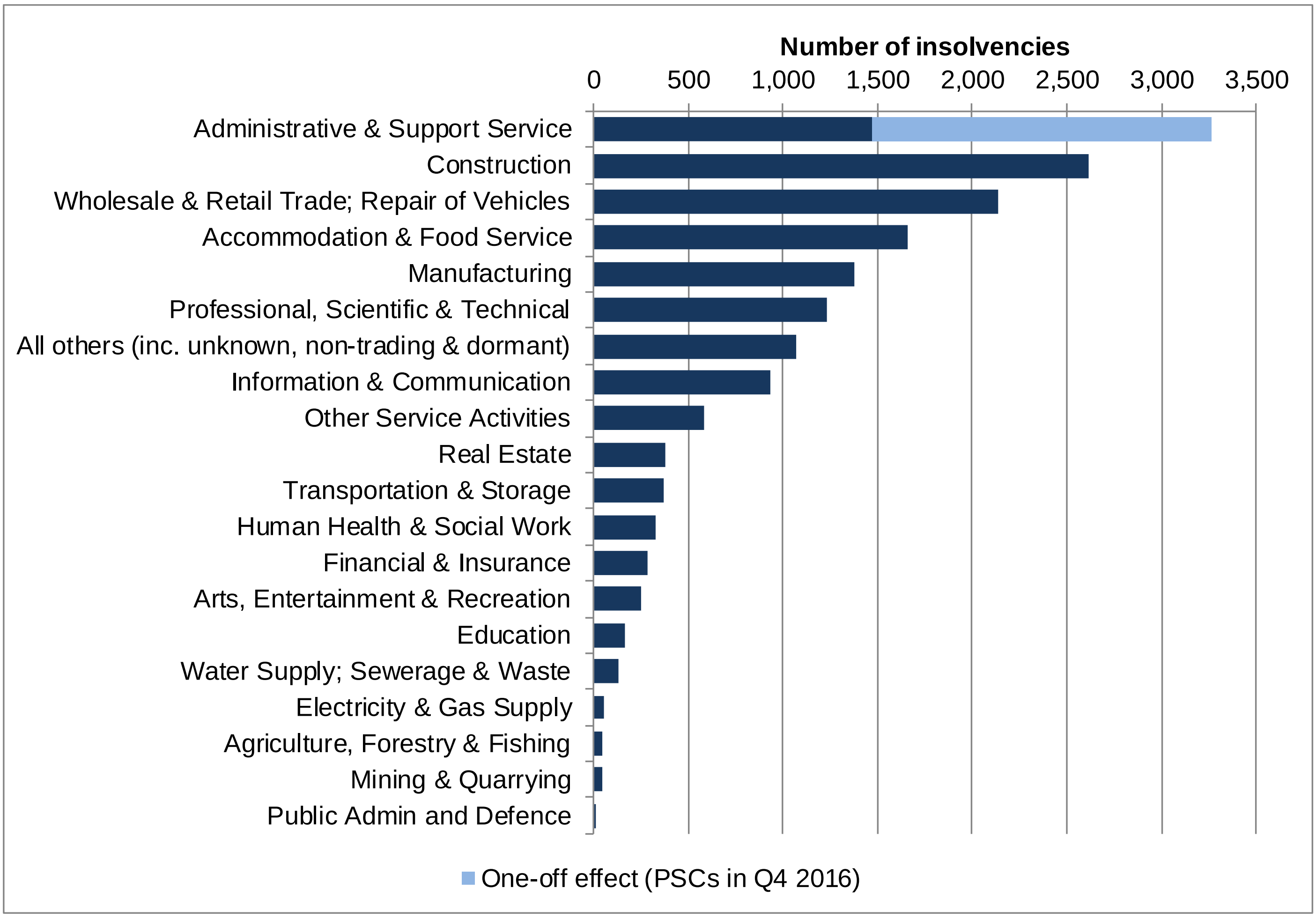
These statistics are presented with a lag of one quarter, because it allows time for more complete data to be collected by industry.

In the twelve months ending Q1 2017, the highest number of new company insolvencies was in the administrative and support services sector (3,264 – up 1.3% from the 12 months ending Q4 2016). This sector accounts for such a large proportion of insolvencies due to 1,796 connected personal service companies (PSCs) entering liquidation on the same date in Q4 2016 following changes to claimable expenses rules.

The second highest number of new company insolvencies was the construction sector with 2,615 new company insolvencies in the 12 months ending Q1 2017, which was an increase of 2.3% compared to the 12 months ending Q4 2016.

The third highest number of new company insolvencies was the Wholesale & Retail Trade (including repair of vehicles) sector with 2,139 new company insolvencies in the 12 months ending Q1 2017, which was an increase of 3.8% compared to the 12 months ending Q4 2016. These three sectors accounted for 47% of all company insolvencies.

Figure 7: Total new company insolvencies in England and Wales by broad industry sector, year ending Q1 2017[1]



Source: Insolvency Service and Companies House.

[1] A sector breakdown for company insolvencies is not yet available for Q2 2017.

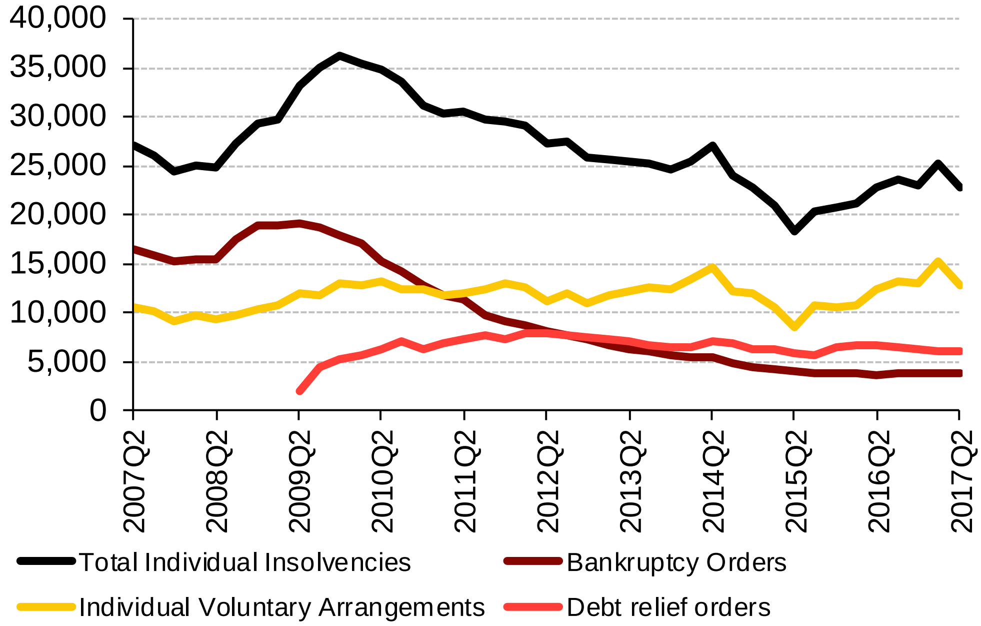
These statistics provide a breakdown of company insolvencies by industry, using the Standard Industrial Classification 2007 (SIC2007) – a harmonised set of industry classifications used in other UK Official Statistics. The Excel file which accompanies this release contains equivalent data broken down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

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 place 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 £20,000 of debt (£15,000 before October 2015). There is no distribution to creditors, and discharge from debts takes place 12 months after the DRO is granted. DROs were introduced in April 2009.

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 was a total of 22,772 individual insolvencies in England and Wales in Q2 2017, comprising 3,772 bankruptcies (16.6% of total insolvencies), 6,146 debt relief orders (DROs, 27.0% of total insolvencies), and 12,854 individual voluntary arrangements (IVAs, 56.4% of total insolvencies).

Individual insolvencies decreased 9.7% compared with the previous quarter. This was mainly driven by changes in IVAs, which decreased by 15.6% compared with Q1 2017. At the same time, bankruptcies fell by 2.5% but DROs rose by 0.4%.

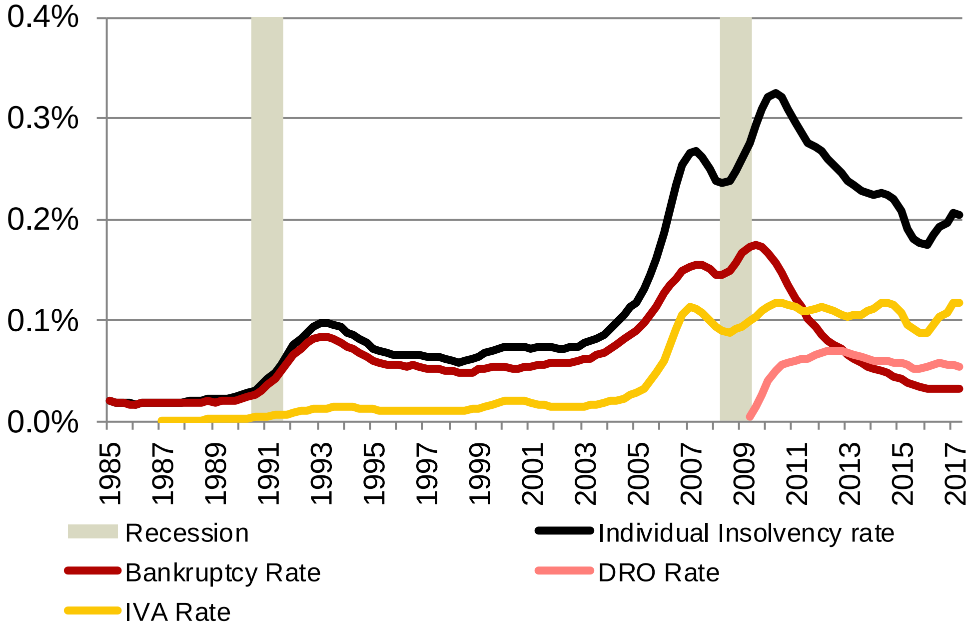
Year on year, individual insolvencies decreased 0.1% compared with Q2 2016. This stability masked differing trends with IVAs rising year on year by 3.3% and bankruptcies by 4.6%, while DROs fell by 8.8%.

These changes occurred against a backdrop of (i) changes to the process for people making themselves bankrupt (see section 3.2) and (ii) changes to DRO eligibility criteria, introduced in October 2015 with DROs becoming available to people with up to £20,000 debt (up from £15,000) and £1,000 assets (up from £300).

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.

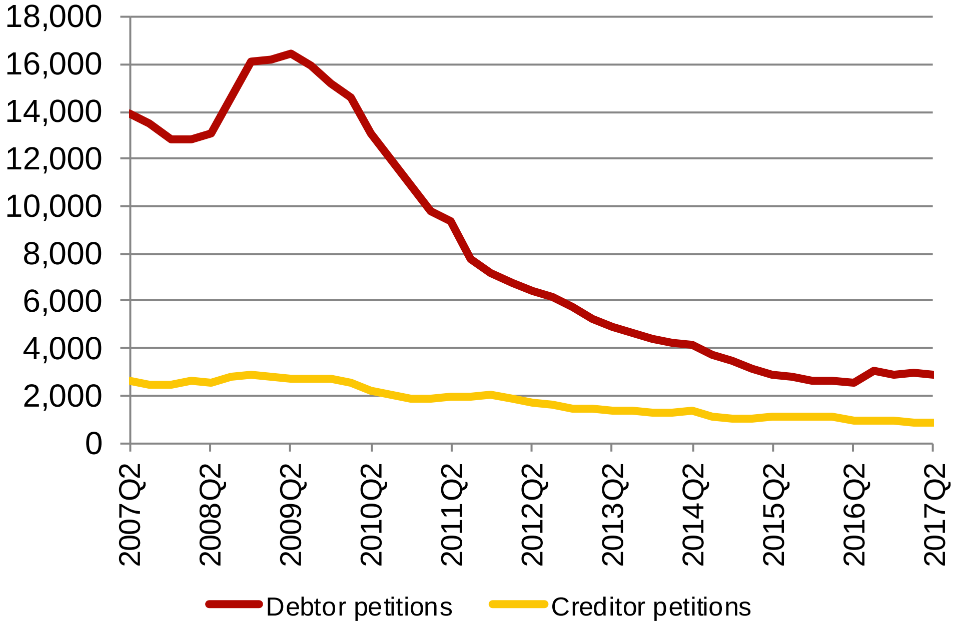
In the 12 months ending Q2 2017, 1 in 489 adults (0.20% of the adult population) became insolvent. This was slightly down from 1 in 486 in the twelve months ending Q1 2017.

On a rolling 12-month basis, the bankruptcy rate has been fairly stable since Q1 2016, the IVA rate increased for the fifth consecutive rolling 12-month period, and the DRO rate fell for the third consecutive rolling 12-month period.

The individual insolvency rate is related to levels of household debt, and economic growth. The current individual insolvency rate remains elevated compared with rates of less than 0.1% before 2004. In the early- to mid-2000s, there was a large expansion of credit which coincided with a large increase in the individual insolvency rate.

3.2 Characteristics of bankruptcies

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



Source: Insolvency Service.

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

Explanation of key terms

Debtor application – where the individual is unable to pay their debts, and applies online to make themselves bankrupt.

Creditor petition – if a creditor is owed £5,000 or more (£750 before October 2015), they can apply to the court to make an individual bankrupt.

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

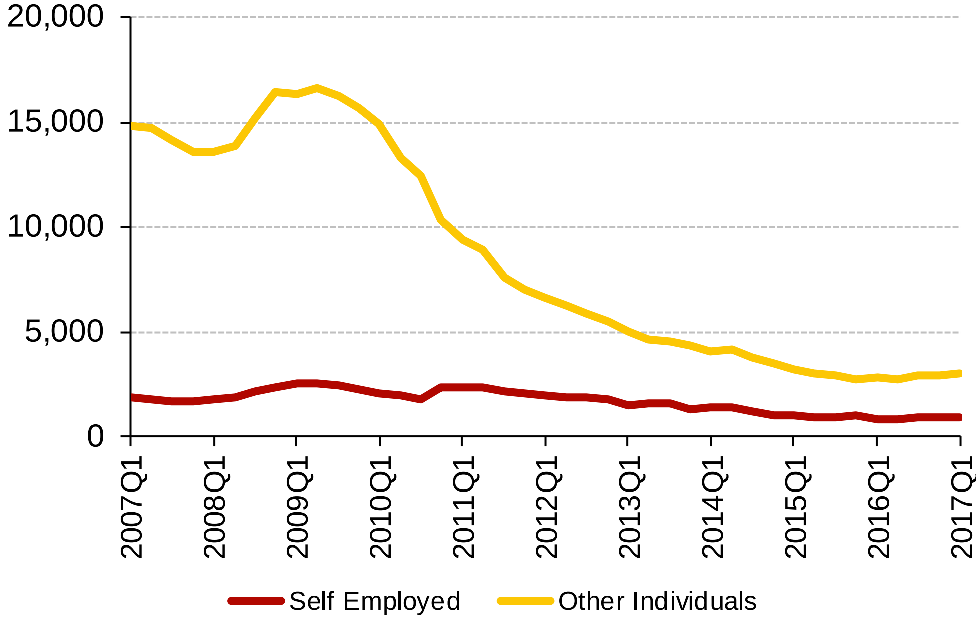
The Ministry of Justice publishes quarterly National Statistics on the total number of bankruptcy petitions presented to court in England and Wales.

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 2017, 2,839 bankruptcies were made on the application of the debtor, which was 4.6% lower than the previous quarter but 10.3% more than the same quarter in 2016. This year on year rise is likely to be due to a change to the process for people making themselves bankrupt, which has removed the courts from the process. Since 6 April 2016, applications must be submitted online via the central UK Government website, https://www.gov.uk/, to the adjudicator within the Insolvency Service. The process also allows the costs of the application to be made by instalments.

There were 831 creditor petition bankruptcies in Q2 2017, which was 3.6% lower than the previous quarter and 13.3% lower than the same quarter in 2016. This year on year decrease in creditor petition bankruptcies is likely to be linked to a change in the minimum debt a creditor must be owed to make someone bankrupt, which increased from £750 to £5,000 for petitions presented from 1 October 2015. The delayed impact of such a change on creditor petition bankruptcy statistics is likely to be due to the time lag between when the petition is presented and an order is made at court.

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.

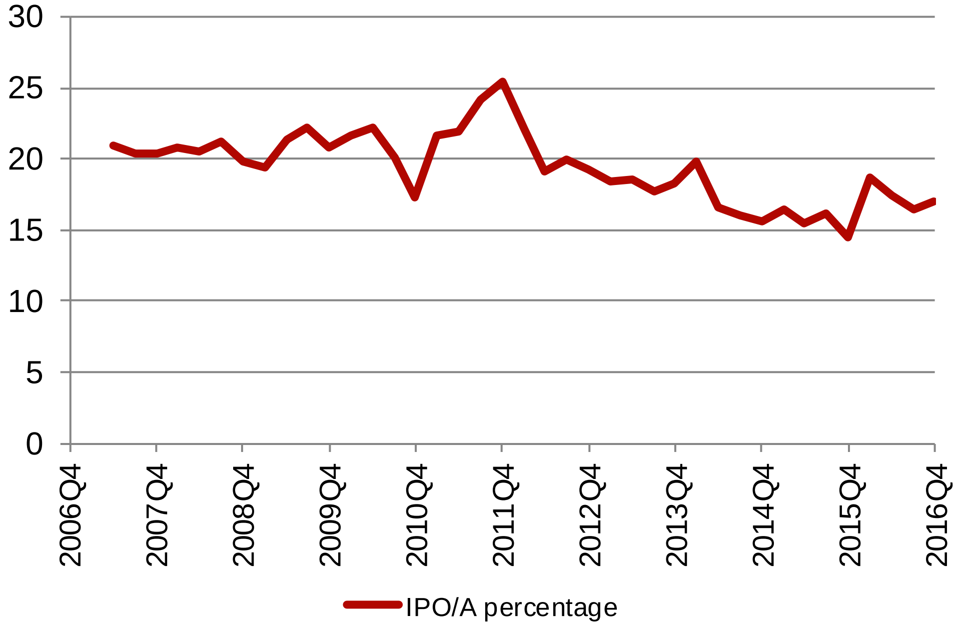
For any particular quarter, seasonally adjusted figures for self employed and other bankruptcies will not sum to the seasonally adjusted figure for total bankruptcies. This is because they have been adjusted separately using different models. Over a calendar year, the totals will match because of the 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 2017, there were 884 bankruptcies where the individual was self-employed, which was 3.3% lower than Q4 2016 but 3.2% greater than the same quarter the previous year, continuing a broadly stable trend since Q1 2016.

There were 3,013 bankruptcies among other individuals, an increase of 3.0% compared with the previous quarter and 5.6% higher than the same quarter the previous year. This increase is likely to be linked to changes to the process for people making themselves bankrupt.

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 2016, 17.1% of bankruptcy orders made resulted in an IPA or IPO, which was 0.6 percentage points higher than Q3 2016.

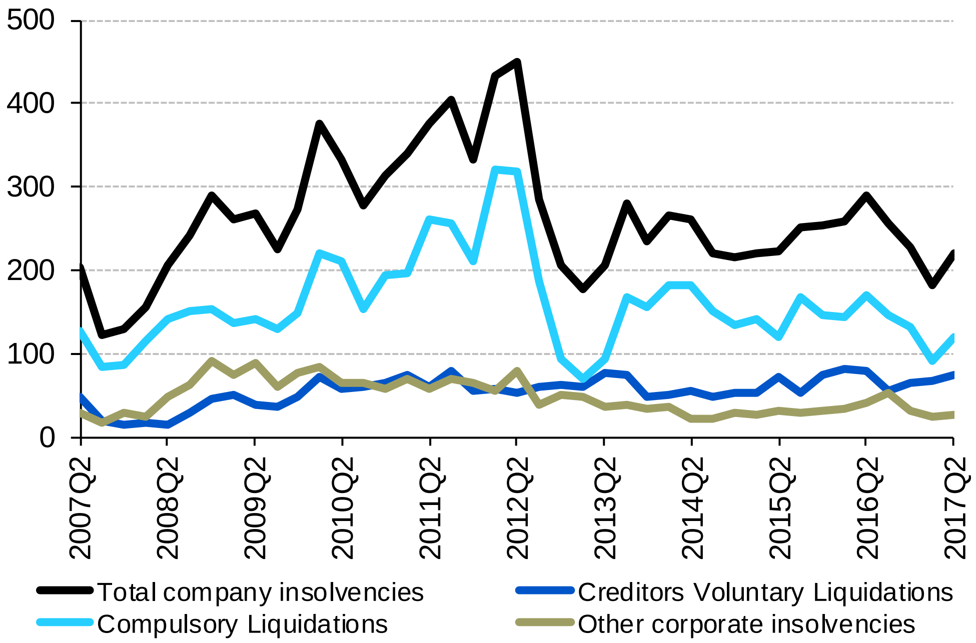
The percentage of bankruptcy orders with an IPA or IPO peaked at 25.5% in Q4 2011 and there has been a general downward trend to 2015 Q4, following which there has been a rise.

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 insolvencies in Scotland
(quarterly data, not seasonally adjusted)



Source: Companies House.

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 Q2 2017, there were an estimated 220 total company insolvencies, a decrease of 24.1% compared to Q2 2016. Of these, 193 were company liquidations – a 22.2% decrease on the same quarter of 2016.

In Q2 2017, there were an estimated 119 compulsory liquidations, a 29.6% decrease since Q2 2016.

The majority of company liquidations in Scotland are compulsory liquidations. 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.

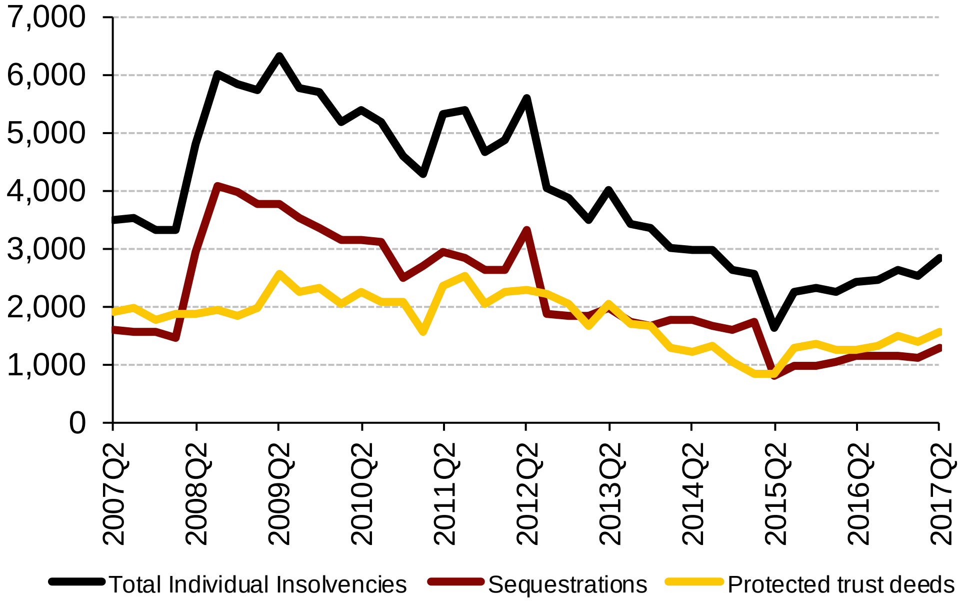
There were an estimated 74 CVLs. The number of CVLs has remained largely stable, with usually between 50 and 80 cases in each quarter since 2010.

There were an estimated 27 other company insolvency procedures in Q2 2017 (22 administrations and five receivership appointments). There were no company voluntary arrangements during this period.

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).

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 2017, there were 2,839 individual insolvencies in Scotland, 17.3% higher than the same quarter in 2016 and a continuation of a generally increasing trend since late 2015.

There were 1,289 sequestrations in Q2 2017, an increase of 11.2% compared to Q2 2016. Of these, 499 people went into sequestration via the Minimal Asset Process route.

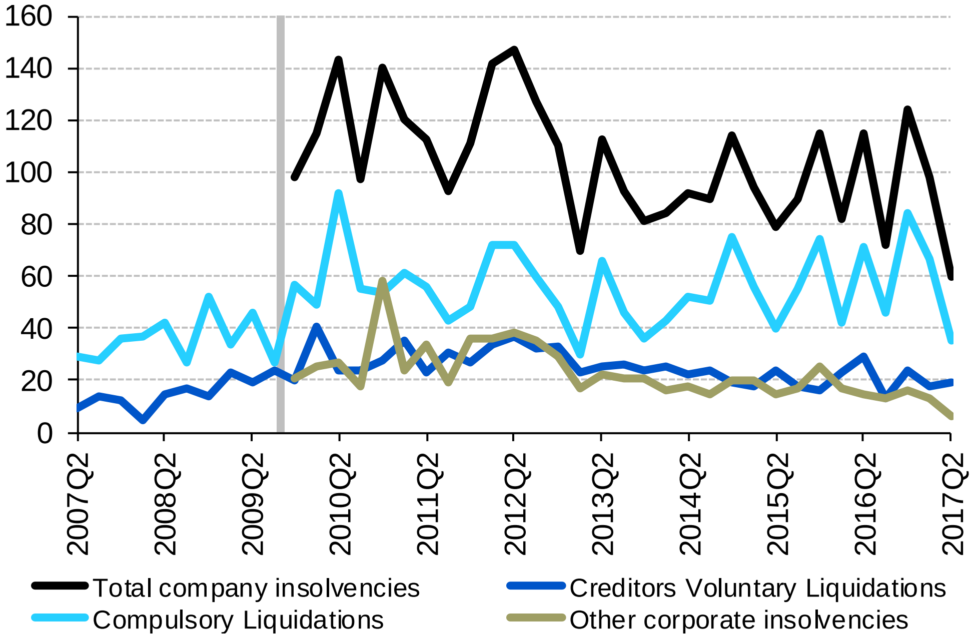
In Q2 2017, there were 1,550 Protected Trust Deeds (PTDs), an increase of 22.9% compared with Q2 2016. Recent changes to insolvency legislation have aligned the minimum periods that individuals are required to contribute to their insolvency estate to four years for both sequestrations and PTDs; prior to this, individuals entering sequestration were required to make contributions for three years. Following this change, it is likely that some individuals entered PTDs rather than bankruptcy.

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 insolvencies in Northern Ireland
(quarterly data, not seasonally adjusted)



Sources: Department for the Economy, Northern Ireland; Companies House.

Vertical line indicates discontinuity in methods – data from 2009Q4 not directly comparable with previous data. Creditors' Voluntary Liquidations before 2009 Q4 includes those companies which had previously been in administration.

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.

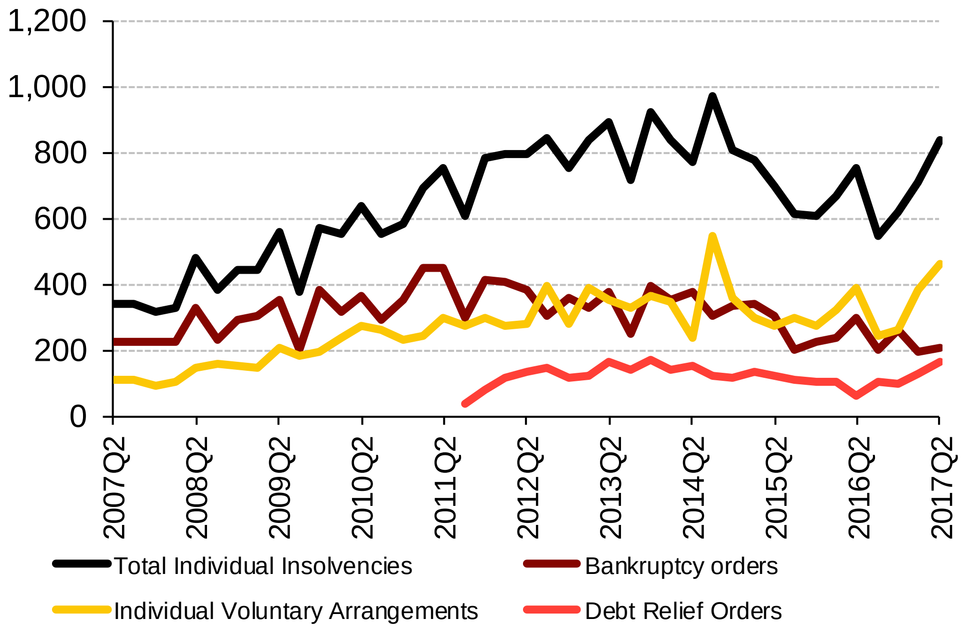
There were an estimated 60 company insolvencies in Northern Ireland in Q2 2017, 47.8% less than the same quarter in 2016 and the lowest number of company insolvencies since comparable records began in Q4 2009.

Of these, 35 were compulsory liquidations (down from 71 in the same quarter last year), and an estimated 19 were creditors' voluntary liquidations (CVLs, down from 29 in Q2 2016). There were an estimated zero administrations, six company voluntary arrangements and zero administrative receiverships in Q2 2017.

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 £20,000 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 839 individual insolvencies in Northern Ireland in Q2 2017, 11.6% more than the same quarter in 2016.

In Q2 2017 there were 208 bankruptcies, down 30.4% on the same quarter last year. This change coincided with a change in the minimum debt a creditor must be owed to make someone bankrupt, which increased from £750 to £5,000 for petitions presented from 30 November 2016.

There were 464 IVAs, an increase of 18.4% on the same quarter last year. This was the second highest quarterly number of IVAs in the last ten years and the highest level since Q3 2014.

There were 167 DROs, up 173.8% on the same quarter last year and the highest quarterly number of DROs since Q4 2013. This rise followed a change to eligibility criteria introduced on 30 November 2016 with DROs becoming available to people with up to £20,000 debt (up from £15,000) and £1,000 assets (up from £300).

Though the graph highlights 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, Energy and Industrial Strategy (BEIS). 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 Department for the Economy's 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. More information is available in a separate methodology document.

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 2017 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. The latest quarter's data sourced from Companies House are adjusted to predict late registrations, then revised the following quarter to reflect cases being entered on to the administrative system at a later date. The size of such revisions will vary. More information can be found in the analysis of estimation accuracy.

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. 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.

A new method for producing statistics on company insolvencies was introduced in 2015. A revised historical time series using the new method was provided back to 2000Q1 for England and Wales, and for Scotland. For Northern Ireland, the data required were only available back to 2009Q4. However, it should also be noted that because the revised counts have been run against a live database, which includes subsequent corrections, they may not exactly reflect the original numbers of new cases that would have been reported at the time. More information can be found in the analysis of historical revisions.

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 can be found here:

Summary of User Feedback on Insolvency Statistics

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 of the order or agreement of the insolvency procedure, not on the date it was registered on the administrative recording system. The implication of this is that the published figures will 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 before Q2 2011; individual voluntary arrangements; and corporate insolvencies before Q1 2000 (when the methodology changed). 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 by location, age and gender, 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 quarterly official statistics on company insolvencies registered. These are not consistent with the *Insolvency Statistics*, because of differences in counting rules.

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 the Accountant in Bankruptcy using its own administrative system's date rather than the start date of the insolvency. 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, and in the Guide to Insolvency Statistics.

Company insolvency statistics after 2000 Q1 (England and Wales, and Scotland) and 2009 Q4 (Northern Ireland) are not directly comparable with earlier periods because of a change to methods.

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.