



The Insolvency
Service

Insolvency Statistics: Change to the method for statistics on company insolvencies

Last reviewed: January 2018

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Summary

In accordance with our [revisions policy](#), we are pre-announcing a change to the methodology used to calculate the number of company insolvencies in a given quarter. This document sets out the reasons for making the change, and a summary of the impact it will have on the statistics.

Currently, company insolvencies are counted from the date the insolvency started, with statistics for the most recent quarter being an estimate based on incomplete data. Recent instances of bulk insolvencies of connected companies have had an impact on the quality of these initial estimates.

To address this, from April 2018, most company insolvencies will be counted from the date of registration. This means that statistics will no longer be estimated and then revised between quarters, and we will be able more readily to identify and account for bulk insolvencies.

This change does not affect statistics on compulsory liquidations in England & Wales and in Northern Ireland, for which data are obtained from administrative records from the Insolvency Service in each jurisdiction.

All statistics in this document are not seasonally adjusted (NSA).

If you have comments or feedback regarding this change, please contact the Insolvency Service's statistics team via email at statistics@insolvency.gsi.gov.uk. If we do not hear compelling feedback to the contrary, we intend to implement this change beginning with the 2018Q1 edition of the Insolvency Statistics (to be published in April 2018).

Background

In 2015, having found weaknesses in the method used to calculate company insolvencies, the Insolvency Service ran a [public consultation](#) proposing changes to the method. Three options were presented:

1. No change.
2. Count insolvencies in the quarter they are first registered at Companies House (regardless of when they actually started).
3. Count insolvencies in the quarter they started (regardless of when they were registered).

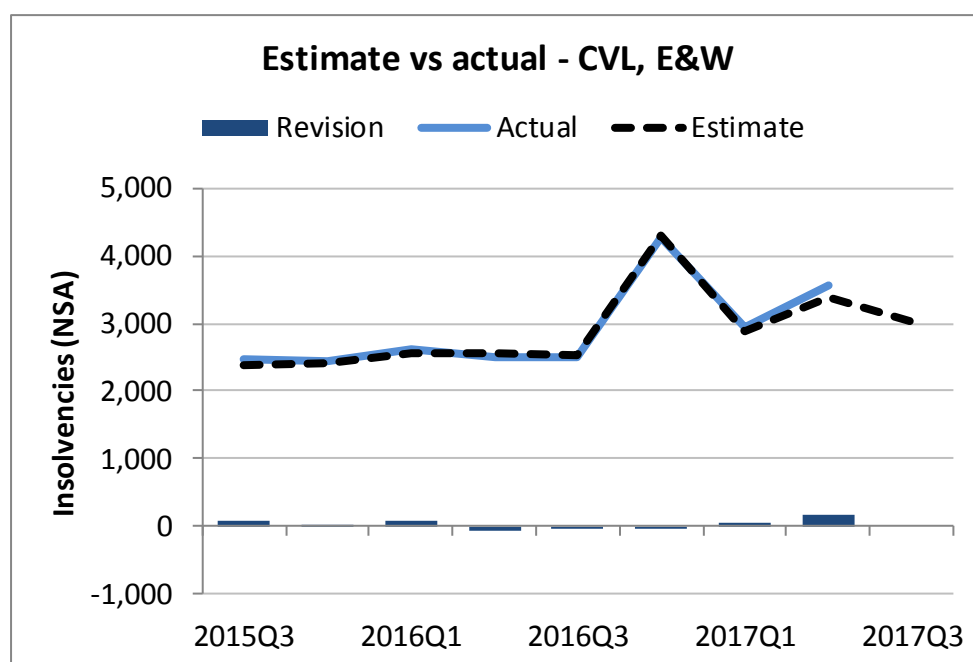
The main advantage of option 2 was that it would provide an accurate record of all insolvencies. The main disadvantage was that, since insolvencies were frequently registered late, the statistics for a given quarter were likely to be an over- or underestimate of the “true” position.

The main advantage of option 3 was that statistics for a given quarter would accurately reflect the number of insolvencies. The disadvantage was that, since insolvencies were frequently registered late, statistics for the most recent quarter would be estimated, and revised in subsequent quarters.

After considering responses to the consultation, the Insolvency Service selected option 3, and implemented the change in October 2015. Details of the method used were [published](#). Using historic data, the Insolvency Service calculated the accuracy of first estimates of company insolvency, if this method had been in place since 2008. [The results were also published](#). In each quarterly edition of the Insolvency Statistics, the latest quarter’s statistics and the change since previous periods were referred to as “estimated”.

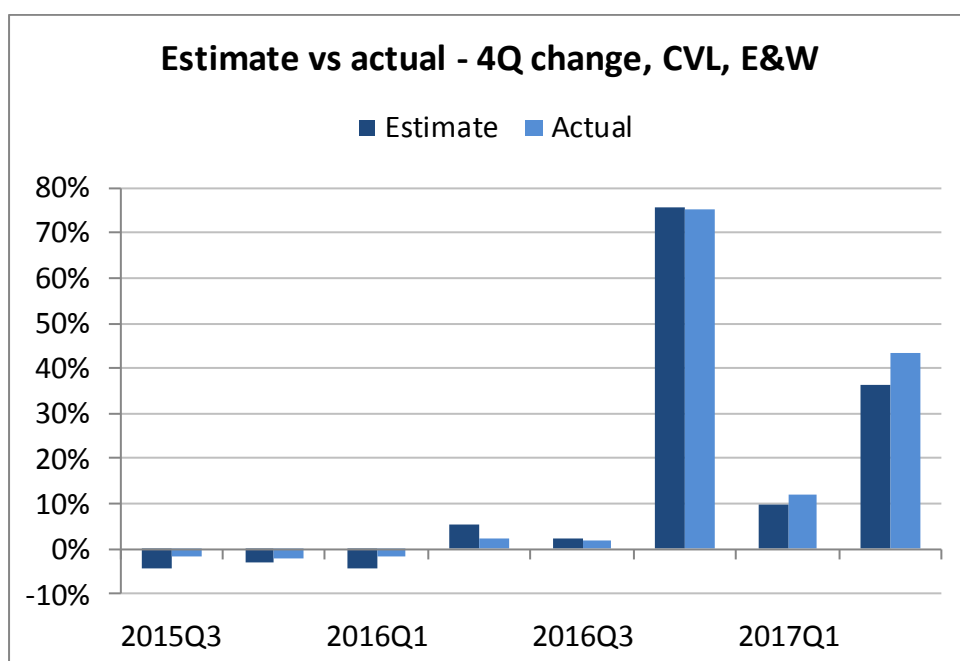
Reasons for change

The difference between first estimates of company insolvencies, and subsequent revisions, has been monitored by the Insolvency Service’s statistics team on an ongoing basis. By and large, the differences have been fairly small in absolute terms, with the exception of creditors’ voluntary liquidations (CVLs) in England and Wales (E&W) in 2017Q2.



This period coincided with an unusually high numbers of CVLs of connected companies, which themselves resulted from a closure of a tax loophole which made the companies unviable. These CVLs were also registered on the Companies House website in the following quarter. A similar set of “bulk insolvencies” was also recorded in 2016Q4, but as these were registered in the same quarter these could be accounted for.

The statistics team was made aware of these bulk insolvencies by operational colleagues in the Insolvency Service, and made proactive adjustments to the statistics to account for their expected effects. However, the difference between the estimate and the revised figure for CVLs was larger in nominal terms compared with periods without bulk insolvencies. Moreover, these revisions also affected the percentage difference between a given period and the same quarter the previous year: in 2017Q2, the estimated percentage change compared with 2016Q2 was +36%, which was subsequently revised to +44%.



The statistics team is aware of a further tranche of bulk insolvencies, which have not all been registered on the same date, which in turn reduces the ability to estimate the effect on the statistics. Further bulk insolvencies cannot be ruled out in the future.

The result of this could be that revisions to the data may change the narrative – for example we may initially estimate that numbers of insolvencies have decreased, but revised data may instead show an increase – which would undermine the usefulness of the statistics as a measure of recent trends.

Details of the change

Beginning in the 2018Q1 edition of the statistics (to be published in April 2018), we are planning to change to produce statistics using option 2 outlined above. We will also provide statistics on a consistent basis back to 2000Q1. This will give the following benefits to users:

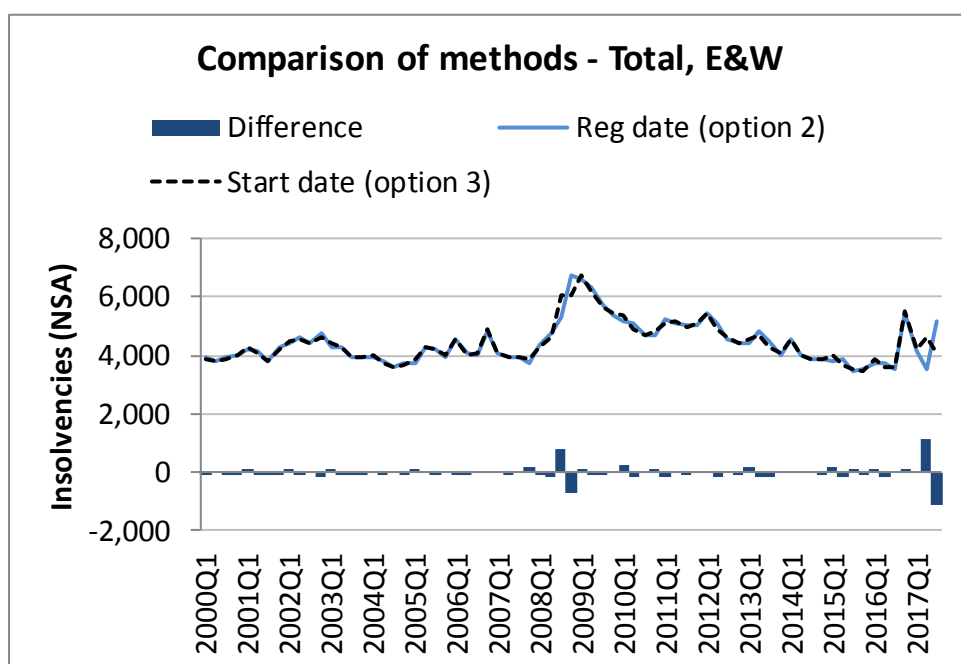
- The statistics will not be revised between editions (except in the case that processing errors are identified).
- We will be able more readily to identify and account for bulk insolvencies.
- We will be able to publish breakdowns at industry level covering the latest quarter (the current method only allows us to publish these statistics three months in arrears).

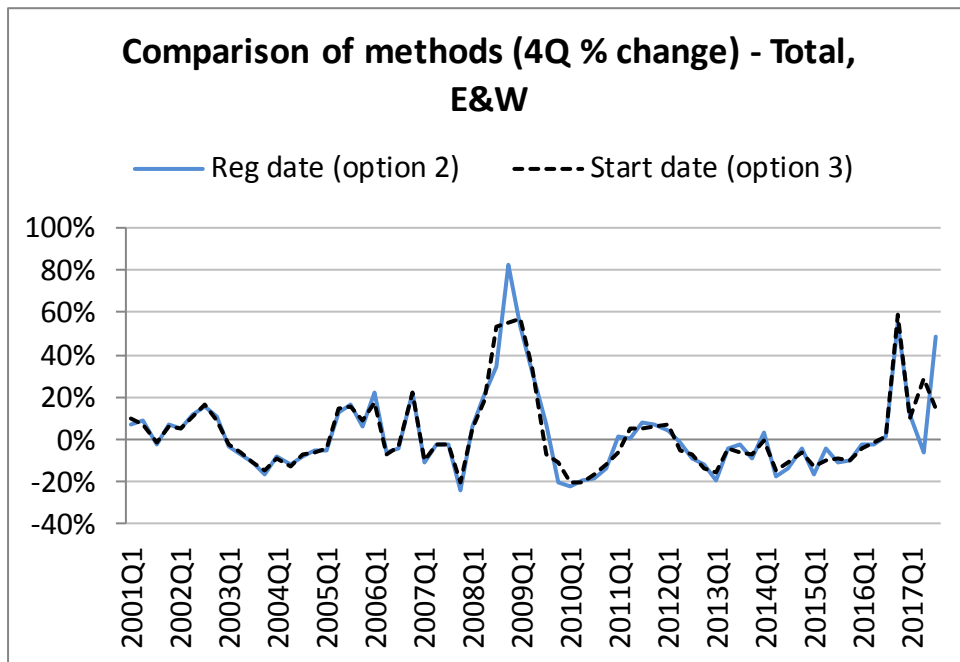
Impact of the change

The chart below shows the volumes of company insolvencies each quarter since 2000Q1, using both the option 2 and option 3 methods. The time series for the two methods is highly aligned, the largest differences occurring when bulk insolvencies are registered in the quarter after they started. In most cases, the difference in one quarter is cancelled out the following quarter.

Similarly, the percentage change in the statistics compared with the same period a year earlier is closely aligned between the two methods, except where bulk insolvencies are registered late.

It follows that statistics based on date of registration are a good proxy for the “true” number of insolvencies in a given period.





Communicating the change

We will:

- Pre-announce the change in the 2017Q4 edition of the Insolvency Statistics.
- Describe the reasons for the change and the impact it will have (this document).
- Notify known users in advance of the change.
- Publicise the change using other channels e.g. the Insolvency Service's Twitter account.
- Draw attention to the change in the 2018Q1 edition of the Insolvency Statistics.

If you have comments or feedback regarding this change, please contact the Insolvency Service's statistics team via email at statistics@insolvency.gsi.gov.uk.

Detailed impact of the change

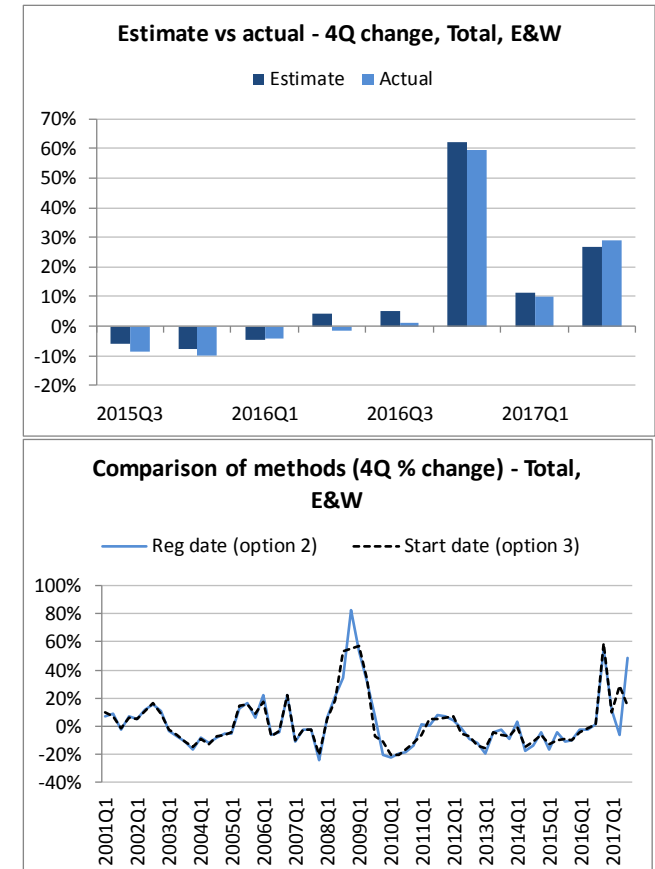
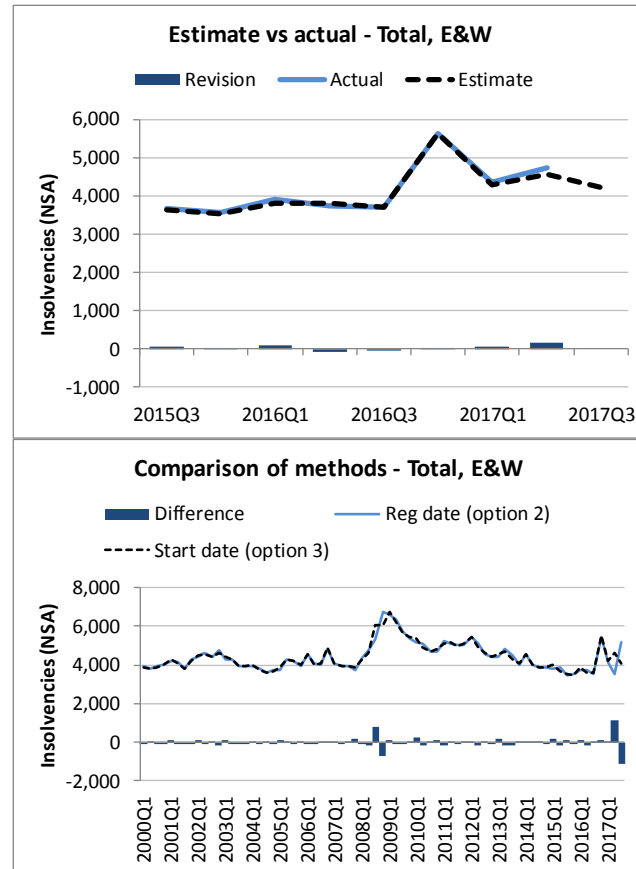
England & Wales

Total company insolvencies

The difference between the first estimate of the total number of company insolvencies in England and Wales, and the actual number, tended to be fairly small in absolute terms with the exception of in 2017Q2 when a bulk insolvency event was registered late with Companies House.

There was one occasion where the first estimate was that insolvencies had increased since the same period the previous year, but when the figures were revised this was changed to a decrease.

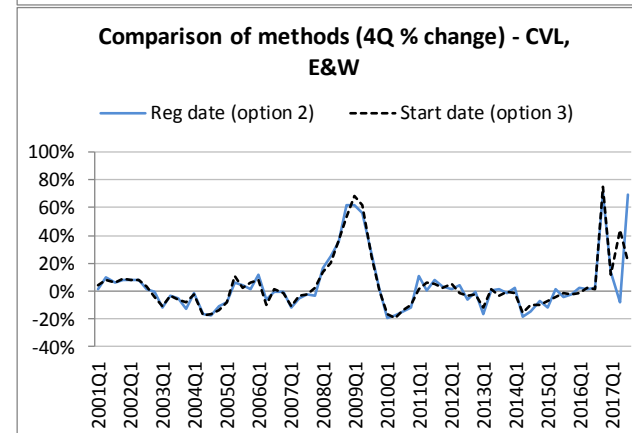
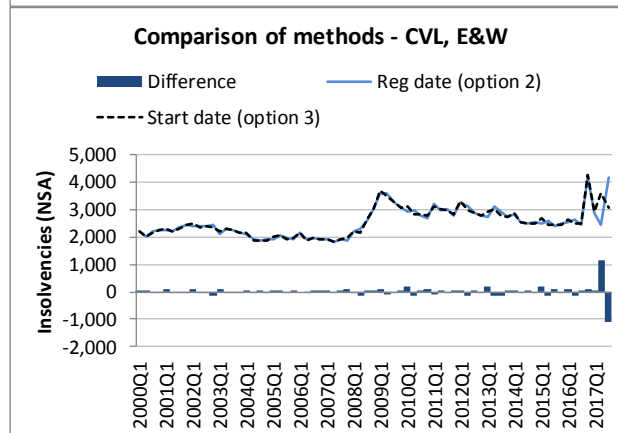
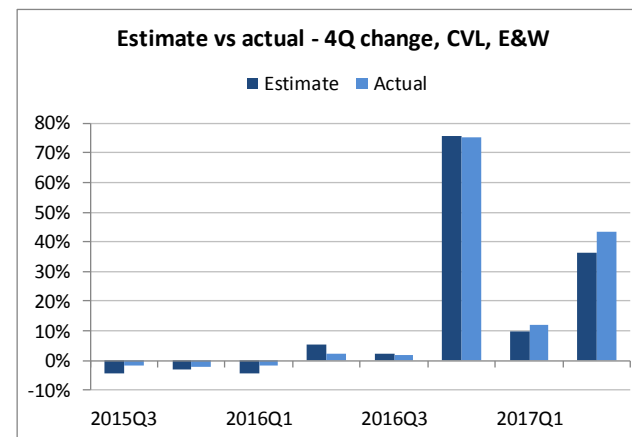
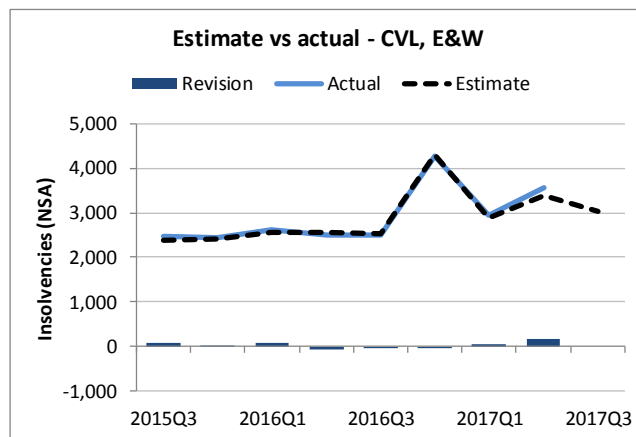
Comparing option 3 (the current method) with option 2 (the proposed change), the time series are very closely aligned except where there have been bulk insolvency events that have been registered in the following quarter.



Creditors' voluntary liquidations (CVLS)

The difference between the first estimate of the number of CVLs in England and Wales, and the actual number, tended to be fairly small in absolute terms with the exception of in 2017Q2 when a bulk insolvency event was registered late with Companies House.

Comparing option 3 (the current method) with option 2 (the proposed change), the time series are very closely aligned except where there have been bulk insolvency events that have been registered in the following quarter.



Compulsory liquidations

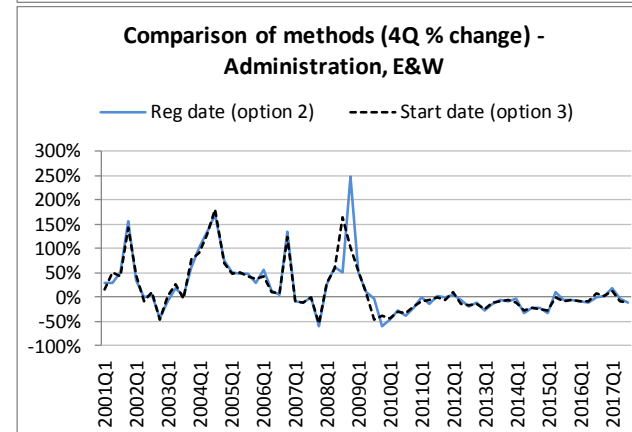
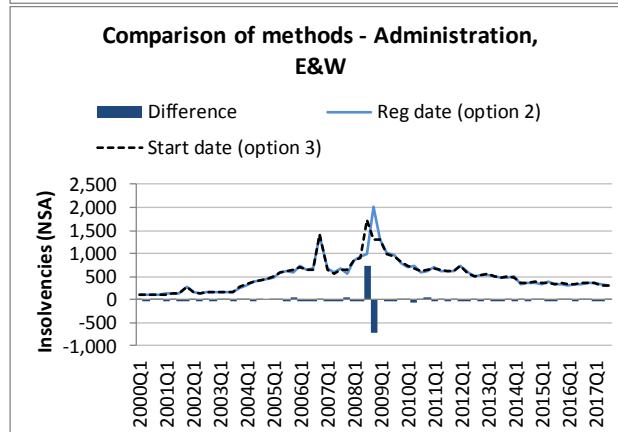
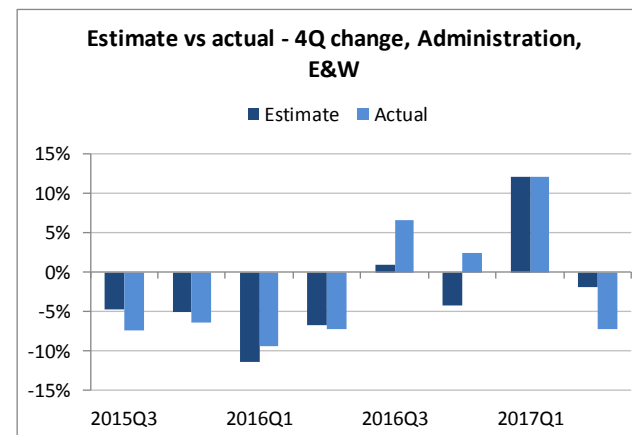
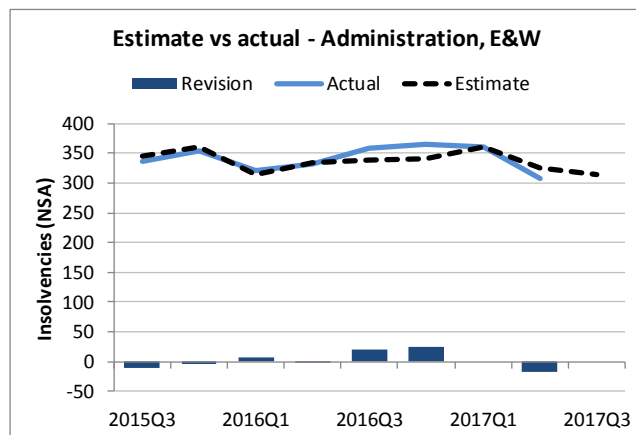
Statistics on compulsory liquidations in England and Wales are obtained from administrative records of the Insolvency Service, and the method for producing quarterly statistics is not changing as part of this proposal.

Administrations

The difference between the first estimate of the number of administrations in England and Wales, and the actual number, tended to be fairly small in absolute terms.

There was one occasion where the first estimate was that insolvencies had decreased since the same period the previous year, but when the figures were revised this was changed to an increase.

Comparing option 3 (the current method) with option 2 (the proposed change), the time series are very closely aligned except where there have been bulk insolvency events that have been registered in the following quarter.

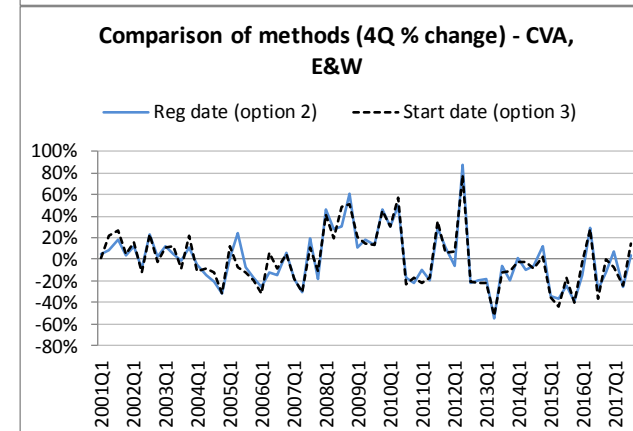
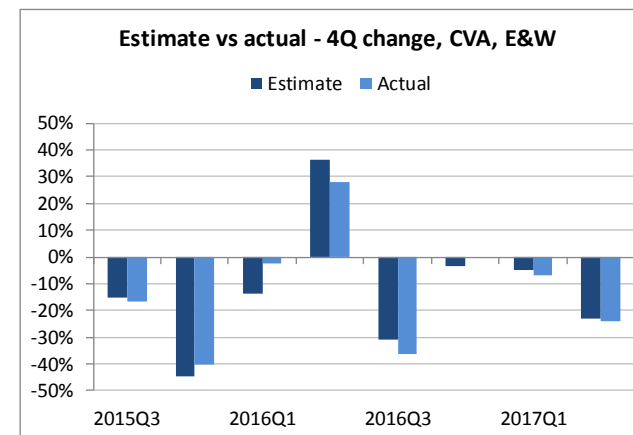
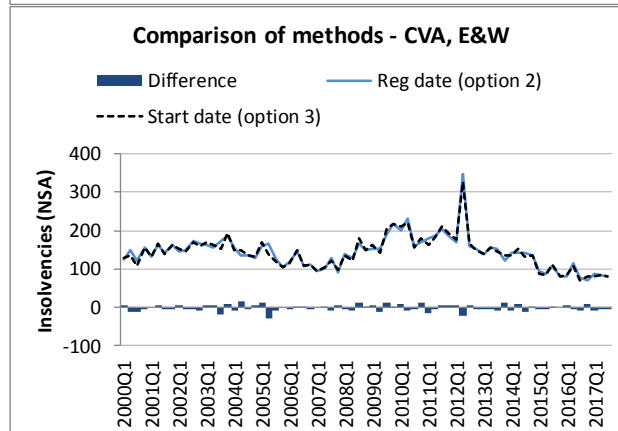
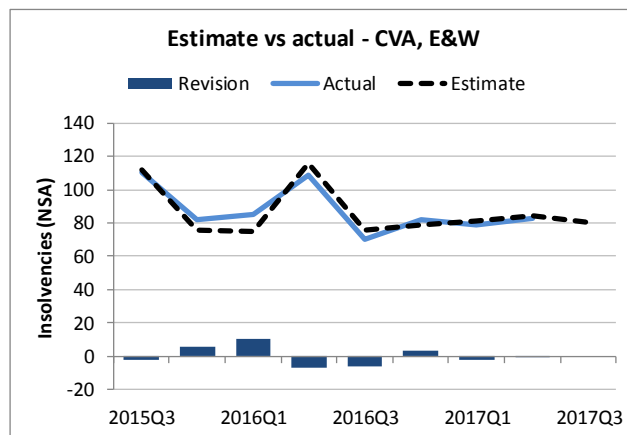


Company voluntary arrangements (CVAs)

Volumes of CVAs each quarter have been fairly small – usually fewer than 100 companies each quarter.

The difference between the first estimate of the number of CVAs in England and Wales, and the actual number, tended to be fairly small in absolute terms – usually fewer than ten companies.

The time series since 2000 are closely aligned for both option 2 and option 3.

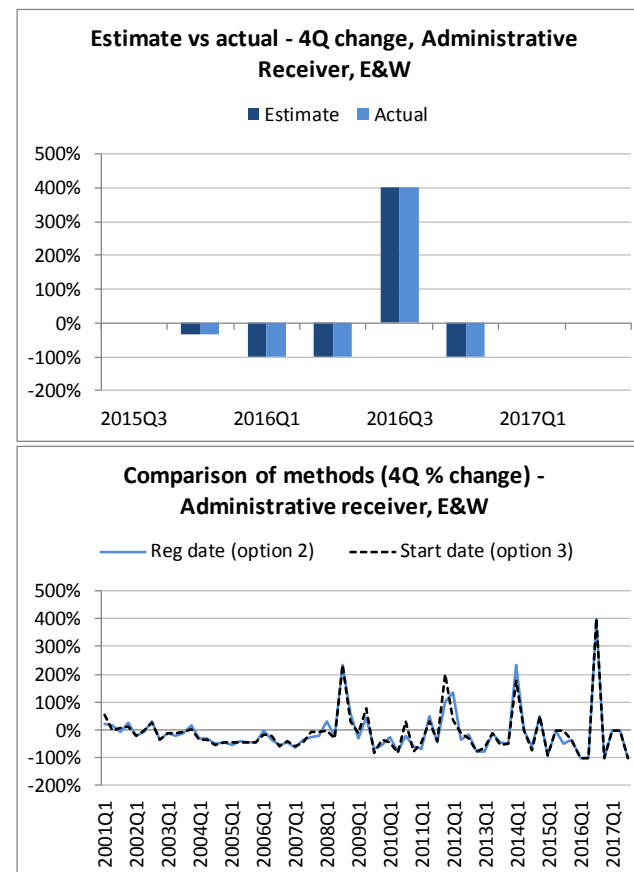
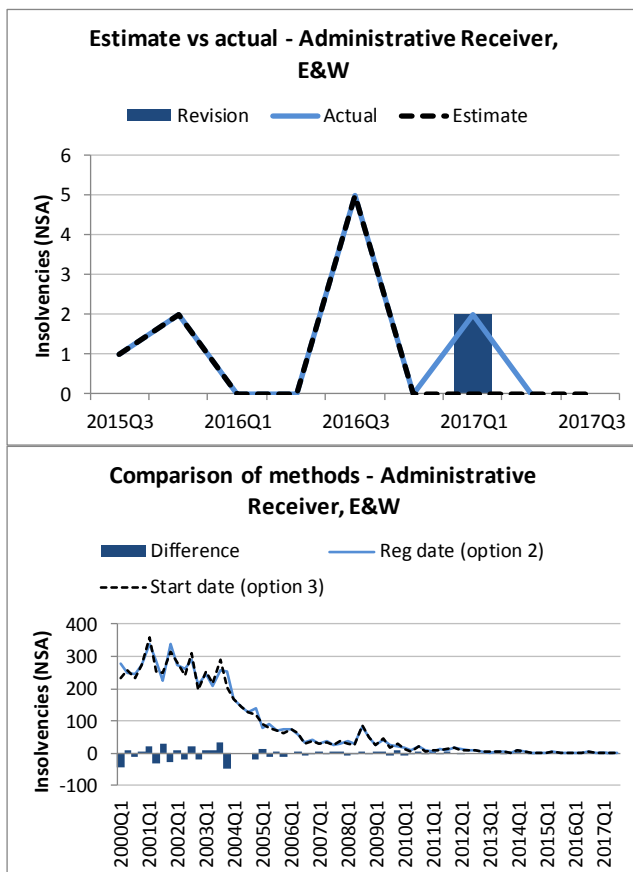


Administrative receiverships

The number of administrative receiverships has been very low since 2010 – and in recent quarters there have been a maximum of five cases. Because of this, no adjustment is made to account for late registration of administrative receiverships.

There tended to be no difference between the first estimate of the number of administrative receiverships in England and Wales, and the actual number – the exception being in 2017Q1 when two cases were registered in the following quarter.

Comparing option 3 (the current method) with option 2 (the proposed change), the time series are very closely aligned.

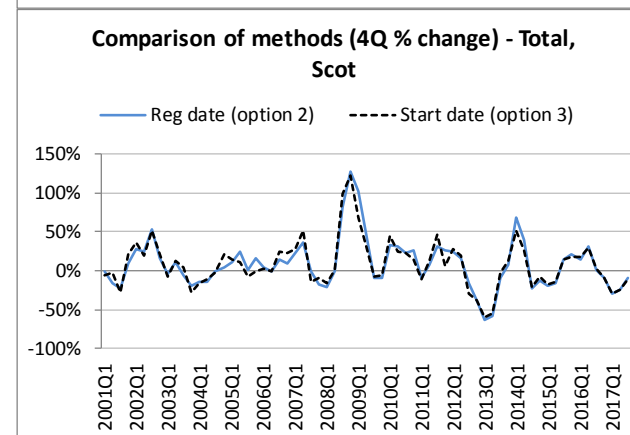
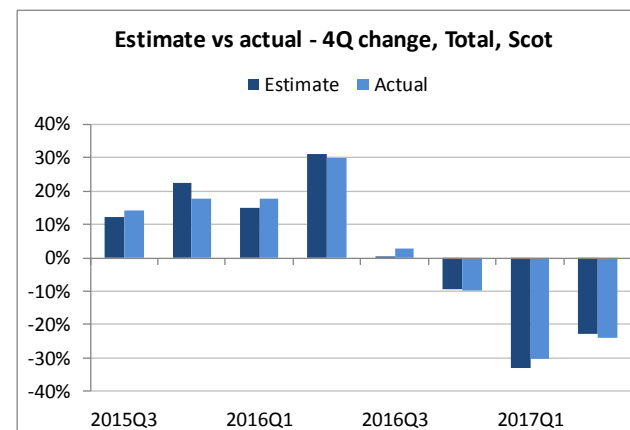
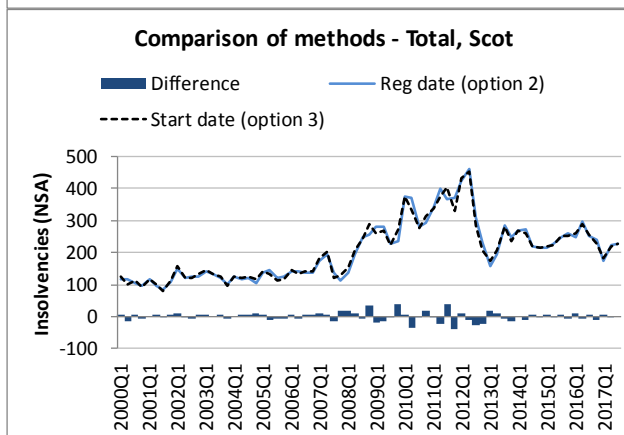
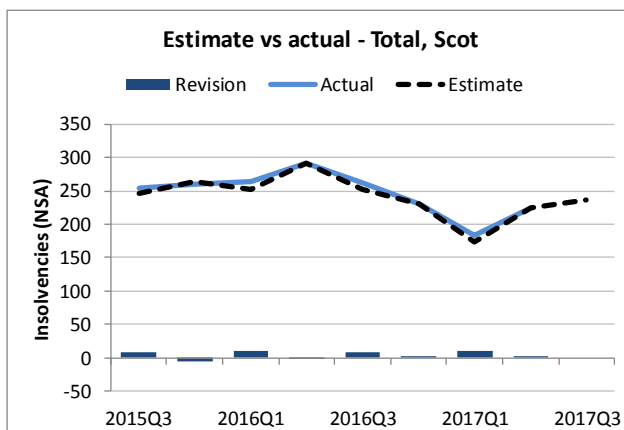


Scotland

Total company insolvencies

The difference between the first estimate of the total number of company insolvencies in Scotland, and the actual number, tended to be fairly small in absolute terms.

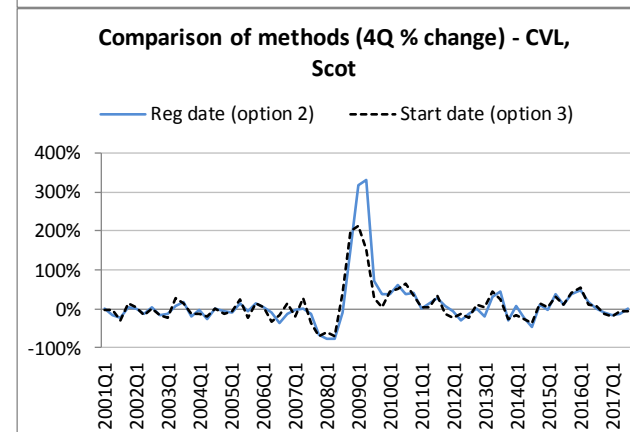
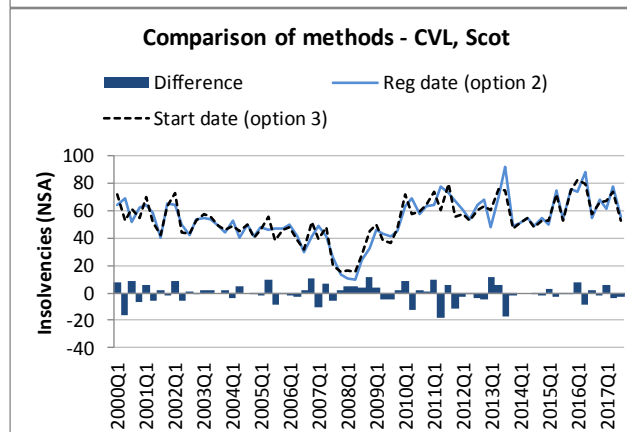
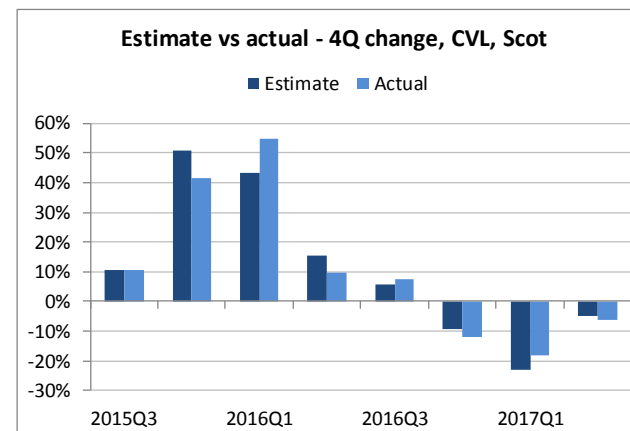
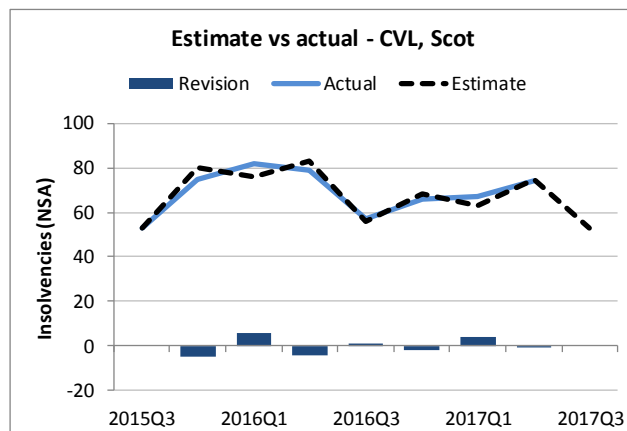
Comparing option 3 (the current method) with option 2 (the proposed change), the time series are very closely aligned.



Creditors' voluntary liquidations (CVLS)

The difference between the first estimate of the number of CVLs in Scotland, and the actual number, tended to be fairly small in absolute terms.

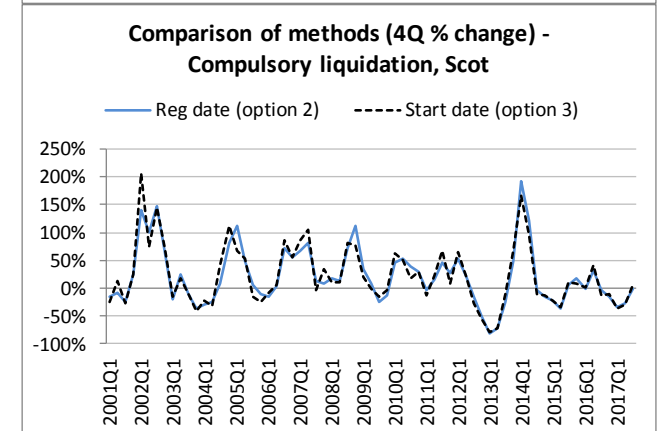
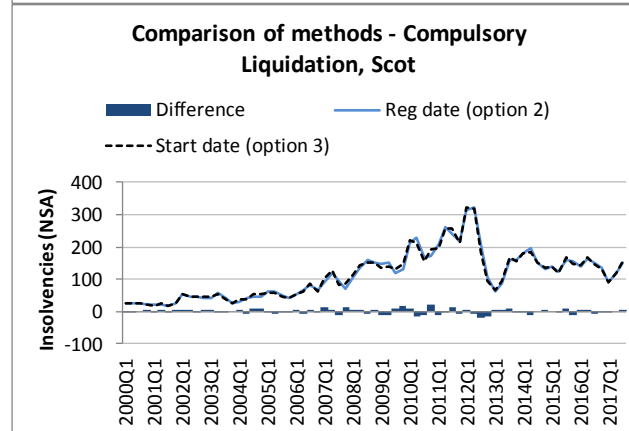
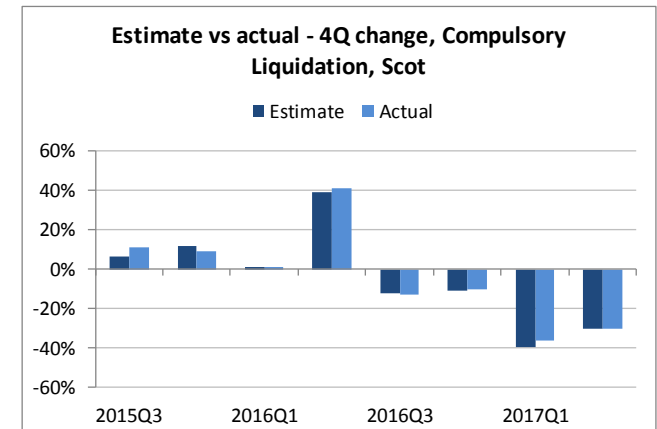
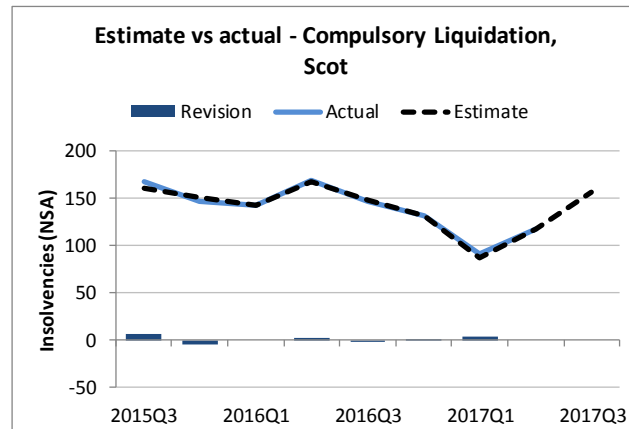
Comparing option 3 (the current method) with option 2 (the proposed change), the time series are very closely aligned.



Compulsory liquidations

The difference between the first estimate of the number of compulsory liquidations in Scotland, and the actual number, tended to be fairly small in absolute terms.

Comparing option 3 (the current method) with option 2 (the proposed change), the time series are very closely aligned.

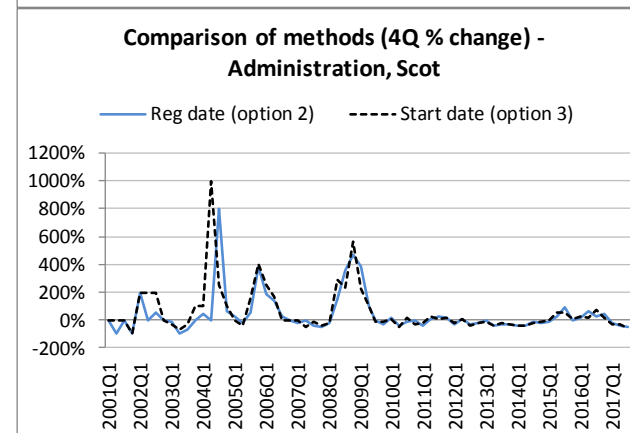
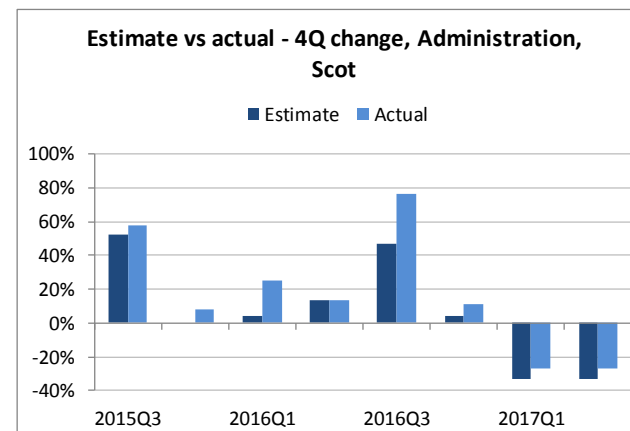
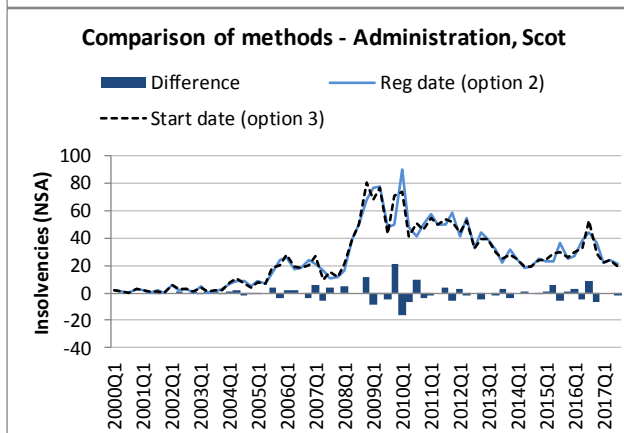
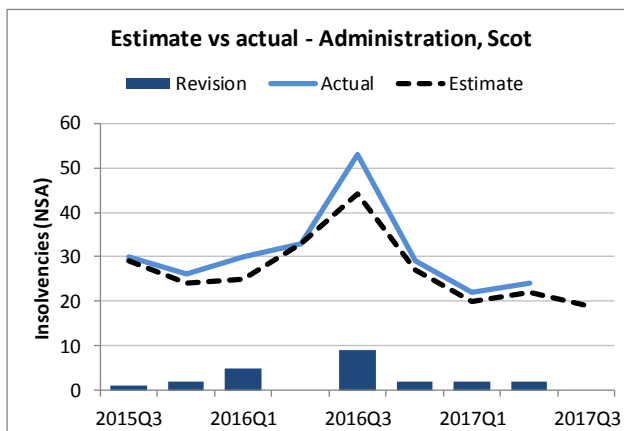


Administrations

The number of administrations in Scotland each quarter has been very low since 2010. Because of this, no adjustment is made to account for late registration of administrations, and all revisions are upwards.

The difference between the first estimate of the number of administrations in Scotland, and the actual number, tended to be fairly small in absolute terms.

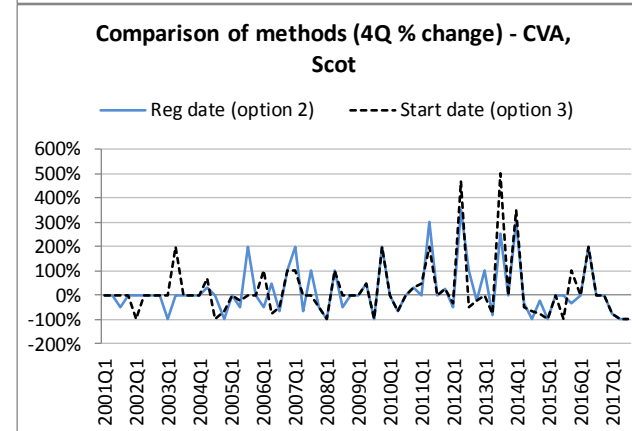
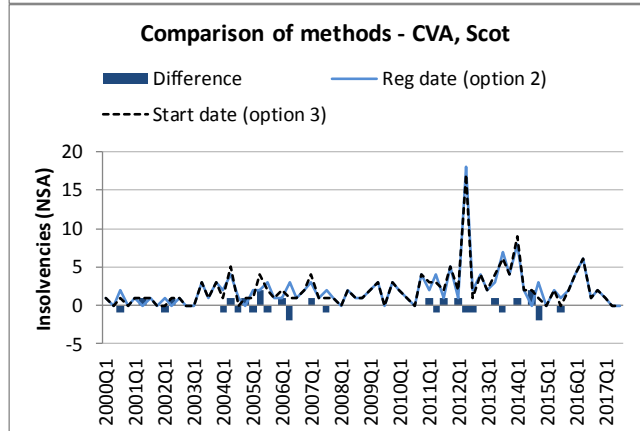
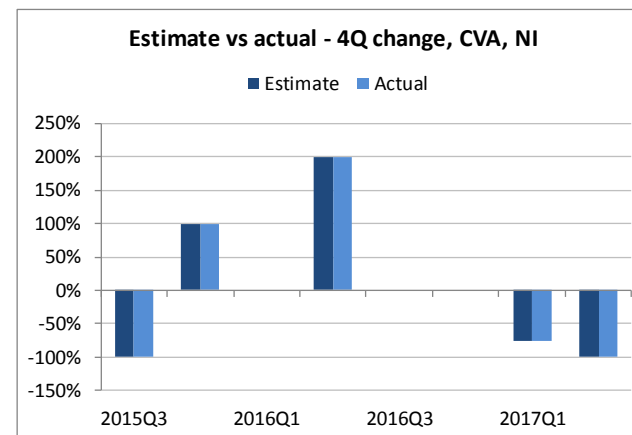
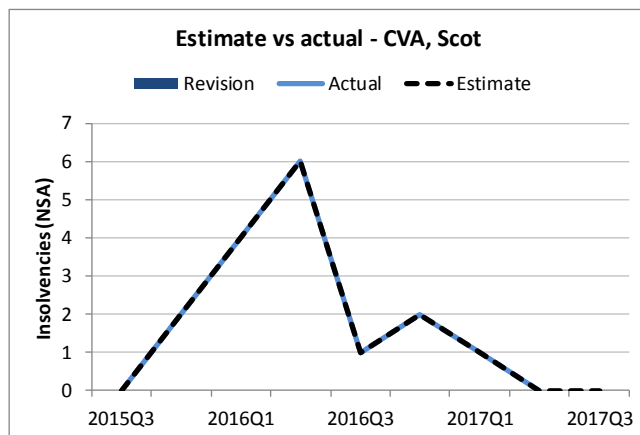
Comparing option 3 (the current method) with option 2 (the proposed change), the time series are very closely aligned.



Company voluntary arrangements (CVAs)

The number of CVAs in Scotland each quarter has been very low since 2010. Because of this, no adjustment is made to account for late registration of CVAs, and there have been no revisions to date.

Comparing option 3 (the current method) with option 2 (the proposed change), the time series are very closely aligned.

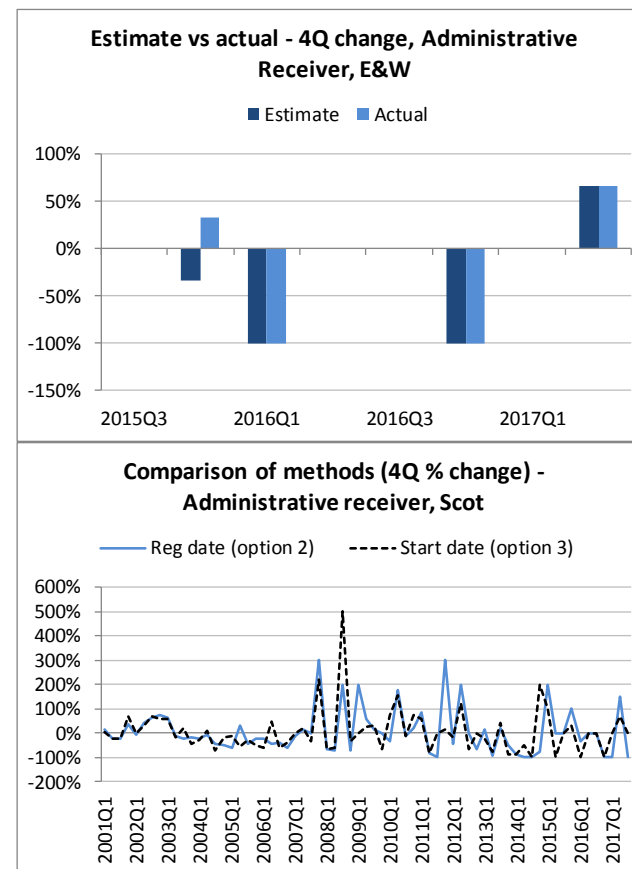
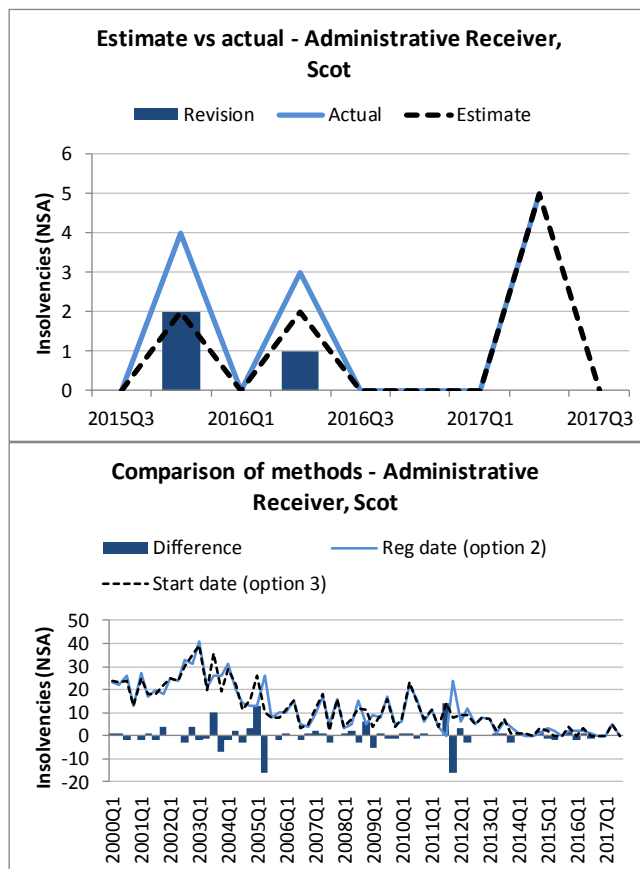


Administrative receiverships

The number of administrative receiverships in Scotland each quarter has been very low since 2010. Because of this, no adjustment is made to account for late registration of administrative receiverships, and all revisions are upwards.

The difference between the first estimate of the number of administrations in Scotland, and the actual number, tended to be fairly small in absolute terms.

Comparing option 3 (the current method) with option 2 (the proposed change), the time series are very closely aligned.

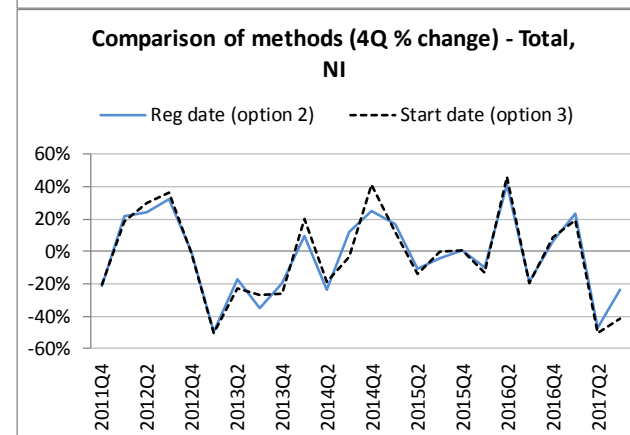
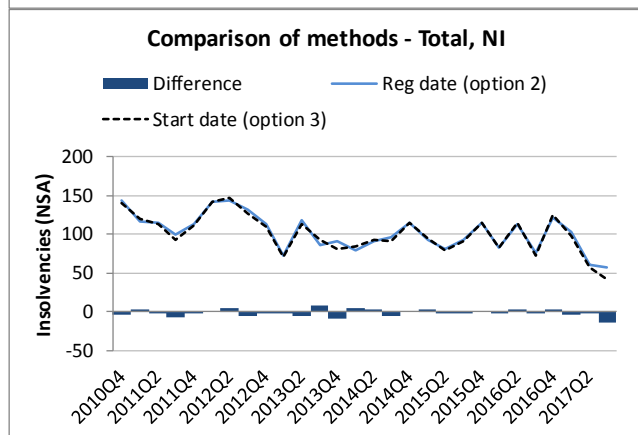
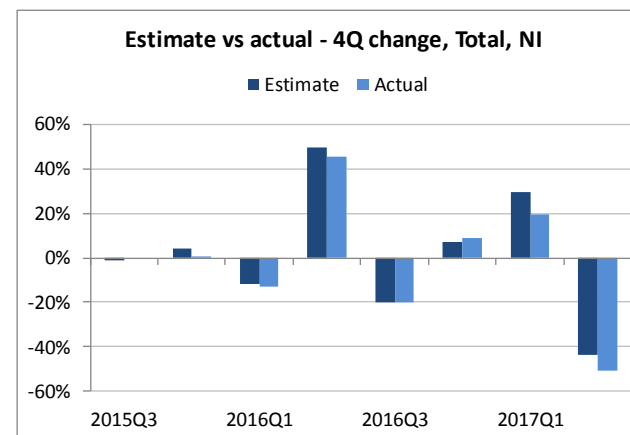
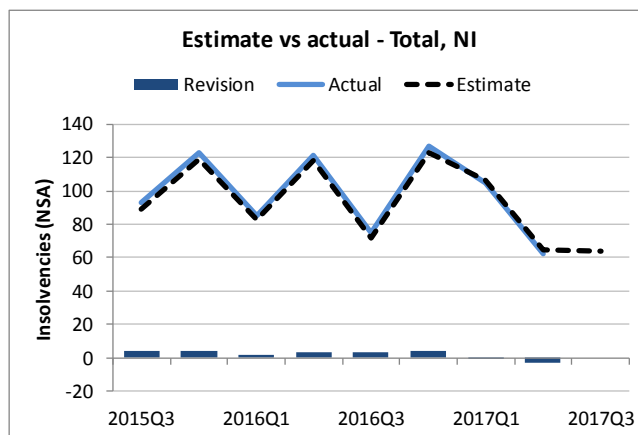


Northern Ireland

Total company insolvencies

The difference between the first estimate of the total number of company insolvencies in Northern Ireland, and the actual number, tended to be fairly small in absolute terms. Because most statistics are not adjusted to take account of late registrations, most revisions tend to be upwards.

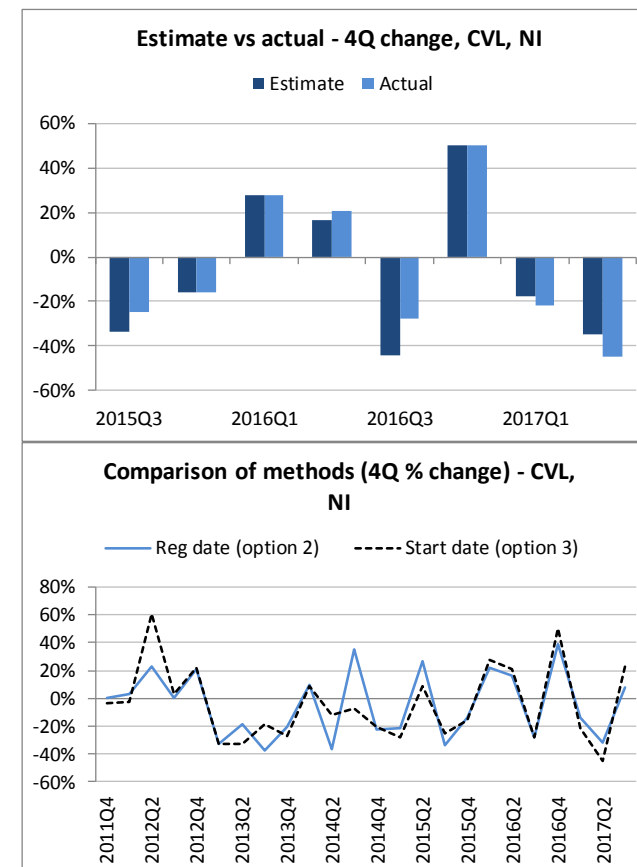
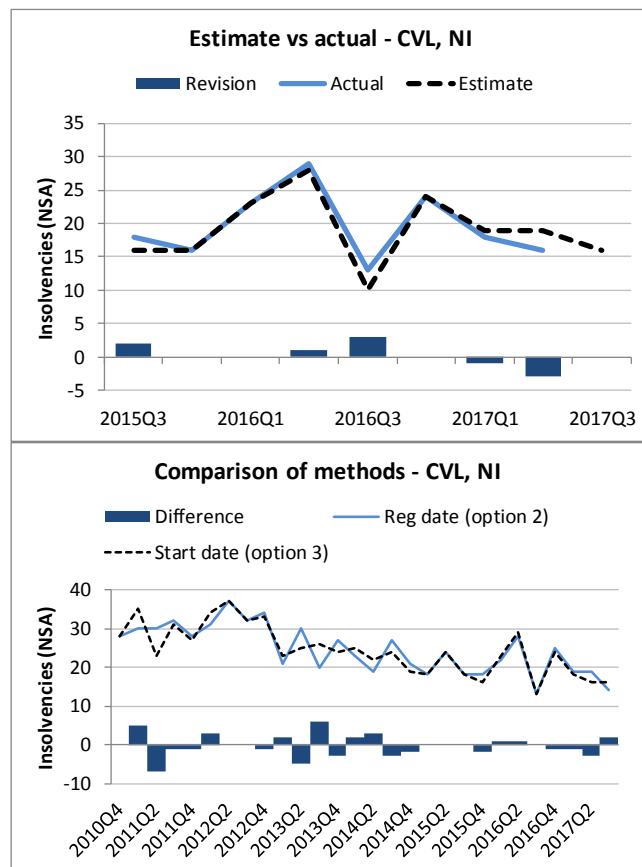
Comparing option 3 (the current method) with option 2 (the proposed change), the time series are very closely aligned.



Creditors' voluntary liquidations (CVLS)

The difference between the first estimate of the number of CVLs in Northern Ireland, and the actual number, tended to be fairly small in absolute terms.

Comparing option 3 (the current method) with option 2 (the proposed change), the time series are very closely aligned.



Compulsory liquidations

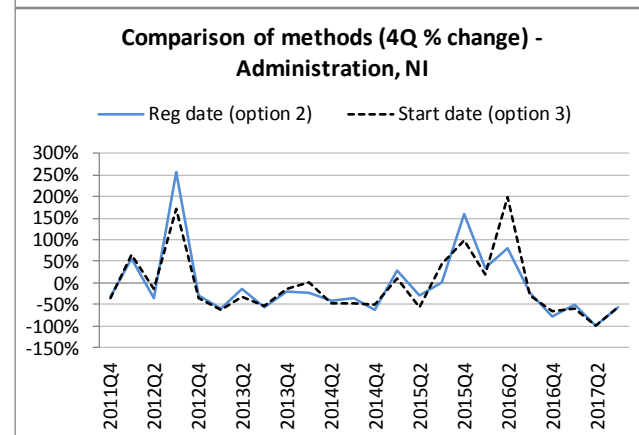
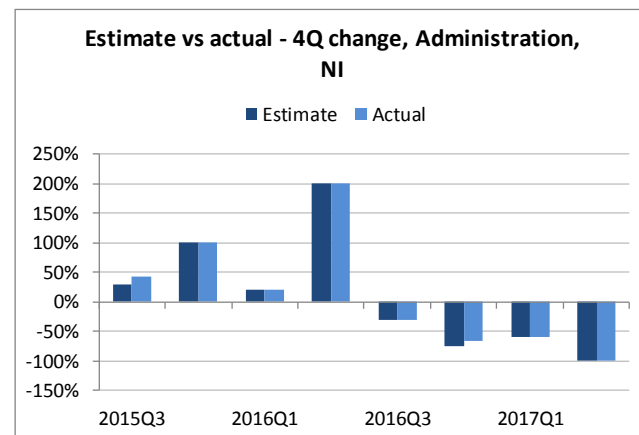
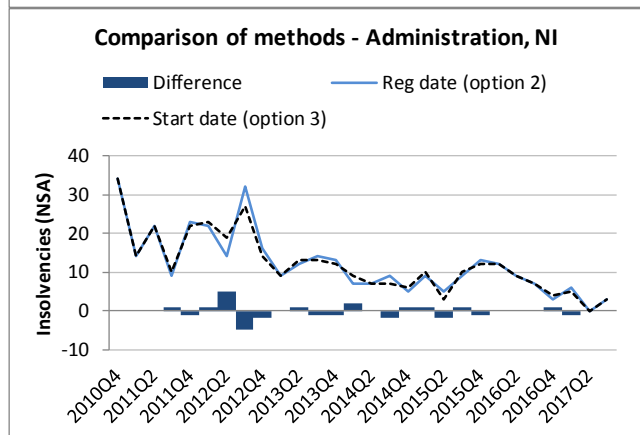
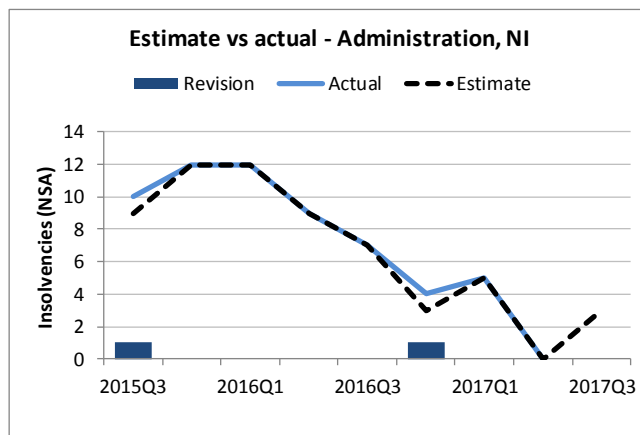
Statistics on compulsory liquidations in Northern Ireland are obtained from administrative records of the Insolvency Service in Northern Ireland, and the method for producing quarterly statistics is not changing as part of this proposal.

Administrations

The number of administrations in Northern Ireland each quarter has been very low since 2010. Because of this, no adjustment is made to account for late registration of administrative receiverships, and all revisions are upwards.

The difference between the first estimate of the number of administrations in Northern Ireland, and the actual number, tended to be fairly small in absolute terms.

Comparing option 3 (the current method) with option 2 (the proposed change), the time series are very closely aligned.

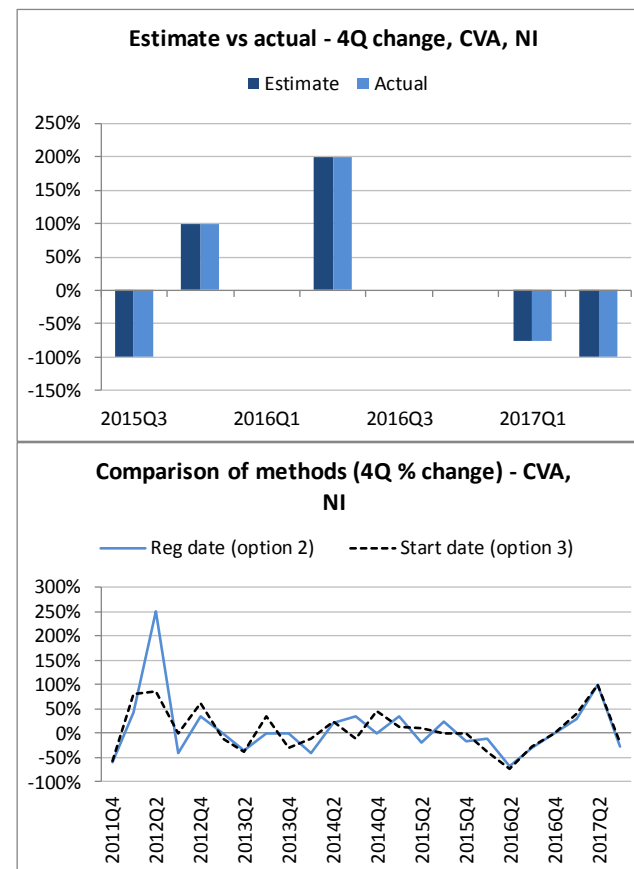
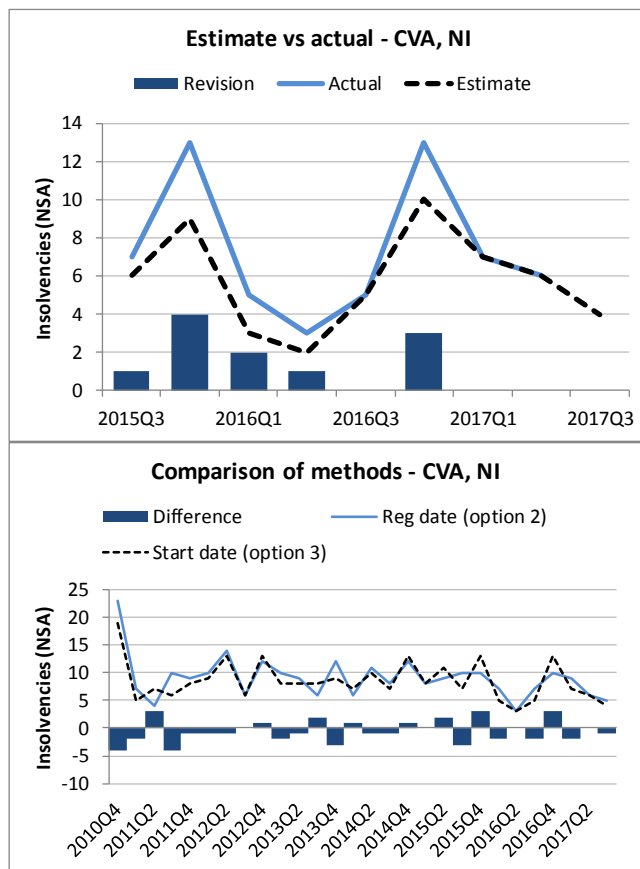


Company voluntary arrangements (CVAs)

The number of CVAs in Northern Ireland each quarter has been very low since 2010. Because of this, no adjustment is made to account for late registration of administrative receiverships, and all revisions are upwards.

The difference between the first estimate of the number of CVAs in Northern Ireland, and the actual number, tended to be fairly small in absolute terms.

Comparing option 3 (the current method) with option 2 (the proposed change), the time series are very closely aligned.

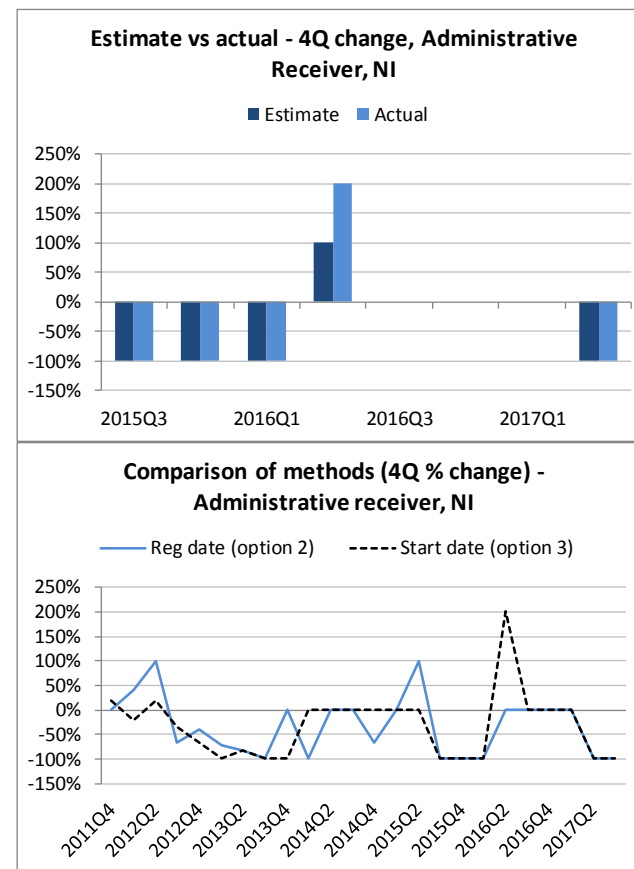
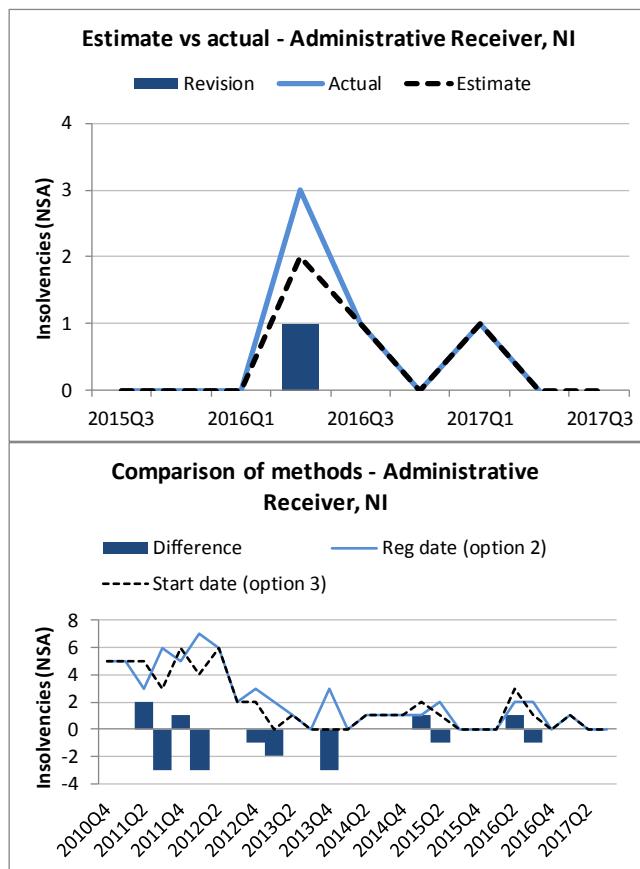


Administrative receiverships

The number of administrative receiverships in Northern Ireland each quarter has been very low since 2010. Because of this, no adjustment is made to account for late registration of administrative receiverships, and all revisions are upwards.

The difference between the first estimate of the number of administrative receiverships in Northern Ireland, and the actual number, tended to be fairly small in absolute terms.

Comparing option 3 (the current method) with option 2 (the proposed change), the time series are very closely aligned.





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