



Insolvency Service Enforcement Outcomes (Experimental Statistics) – 2016/17

Coverage

(dependent on series)

United Kingdom,
Great Britain,
England and Wales

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

Release date

20 April 2017

Main messages for 2016/17 (April to March)

This version date

12 May 2017

Frequency of release

Monthly

Next update

13 June 2017

Media enquiries

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

- The total number of directors disqualified for misconduct remained around the same as in 2015/16.
- The average obtained period of disqualification remained around the same as in 2015/16.
- The number of bankruptcy and debt relief restrictions increased for the first time since 2013/14, coinciding with an increase in the number of bankruptcies.
- The average period of bankruptcy restrictions remained in line with long term trends.

Author

Amit Singh Bhopal
statistics@insolvency.gsi.gov.uk
020 7637 6314

Responsible Statistician

John Perrett

Website

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

CORRECTIONS

Several errors were discovered and have now been corrected in this publication:

- Page 3 – Number of orders is now 200 (from 227); number of undertakings is now 1014 (from 987)
- Page 5 – Average length of order is now 7.5 years (from 6.7); average length of undertaking is now 5.5 years (from 5.6)
- Page 6 – number of disqualifications made from 5 to 10 years is now 434 (from 433)

Our processes have been reviewed to ensure this does not happen again and we apologise for any inconvenience caused.

Contents

| | |
|--|----|
| 1. Key Findings for 2016/17 | 2 |
| 2. Director Disqualifications..... | 3 |
| 3. Companies Wound Up in the Public Interest..... | 9 |
| 4. Bankruptcy and Debt Relief Restrictions Orders and Undertakings | 10 |
| 5. Background Notes..... | 14 |

1. Key Findings for 2016/17

Enforcement outcomes are linked to numbers of insolvencies

Corporate insolvencies have been on a decreasing trend since 2012, while bankruptcies increased in late 2016 having previously been on a decreasing trend since 2009. This is one driver of changes in the number of enforcement outcomes.

Total number of director disqualifications remained level

In 2016/17, 1,214 director disqualifications were obtained, compared with 1,210 in 2015/16.

The average period of disqualifications remained level

The average period of a director's disqualification was 5.8 years, compared to 5.9 2015/16.

The number of companies wound up in the public interest decreased

There were 85 companies wound up in the public interest in 2016/17, down 46 cases from 2015/16. This is linked to a change in legislation which widened the list of regulatory and enforcement bodies to whom the Insolvency Service can disclose material relating to live investigations.

Bankruptcy and debt relief restrictions increased for the first time since 2013/14

In 2016/17 there were 480 bankruptcy and debt relief restriction orders and undertakings obtained (up 10% compared to 2015/16). The average period of bankruptcy restrictions was 5.3 years, in line with long term trends.

2. Director Disqualifications

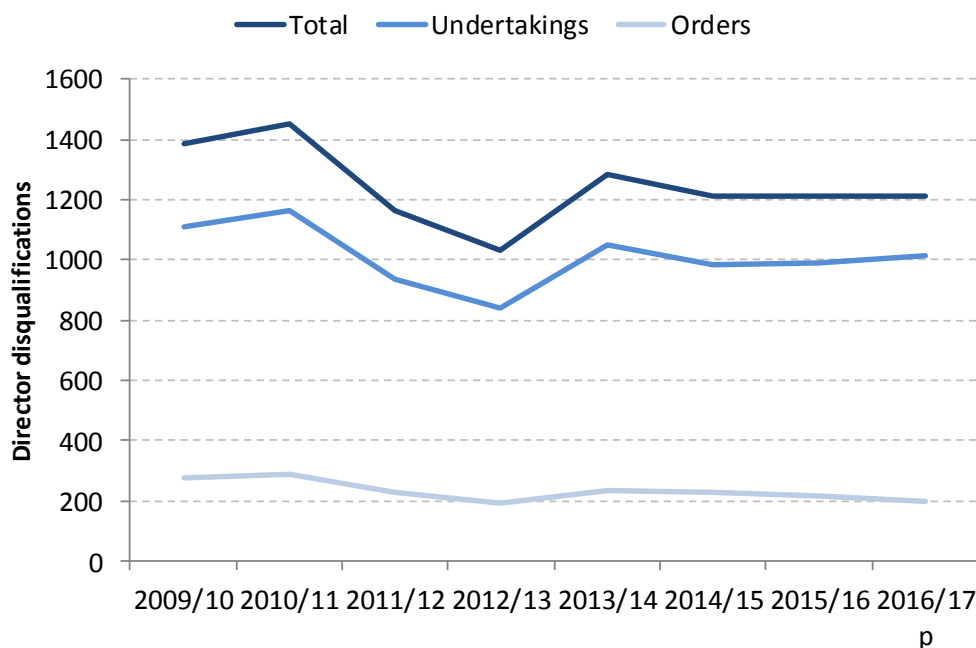
These statistics relate to individuals that have acted as the director of a company in Great Britain, or a company that has an interest in Great Britain, and have been disqualified as a result of the work of the Insolvency Service.

Restrictions imposed on an individual that has been disqualified from being a director include not being able to act as a director of a company in the United Kingdom or be involved in the promotion, formation or management of a company without permission from the court. Further details can be found in the [Guide to Insolvency Service Enforcement Outcomes](#).

These statistics do not represent the total number of director disqualifications obtained. Rather it represents the number of director disqualifications obtained as a result of the efforts of the Insolvency Service. [Companies House](#) maintains a record of all director disqualifications, including those presented here.

2.1. Disqualification Orders and Undertakings

Figure 1: Director Disqualification Orders and Undertakings, 2009/10 to 2016/17 (Great Britain)



Source: Insolvency Service, Department for Business, Energy & Industrial Strategy. See Table 1 of the accompanying Excel file for more details.

Key Information

Disqualification Orders are made by the court under the Company Directors Disqualification Act 1986.

This applies to **individuals formally appointed as a director** and those deemed to have acted as a director even though they were not formally appointed.

If an individual accepts the allegations made against them, they can offer to enter into a **disqualification undertaking**. This has the same effect as an order but does not involve court proceedings.

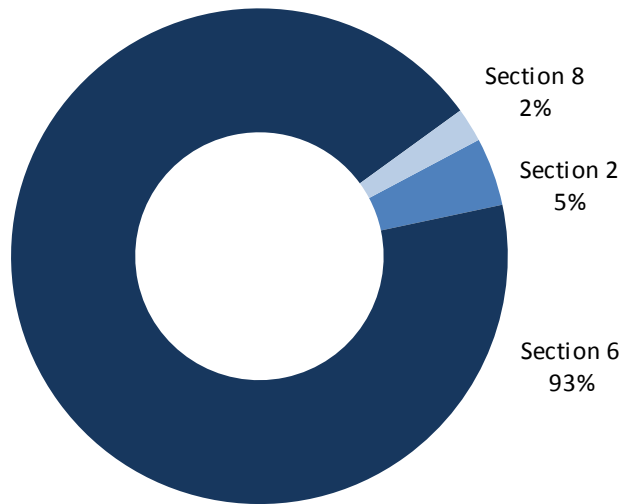
The Insolvency Service obtained or had significant involvement in obtaining 1,214 disqualifications for the reporting year 2016/17, around the same level as seen in 2015/16 (1,210 disqualifications). Of these, 1014 (84%) were undertakings and 200 were obtained by court order which is in line with the recent trend as historically, the proportion of disqualifications that were undertakings has ranged from 80% to 82%.

The number of disqualifications obtained can be influenced by a number of factors.

- The majority of disqualifications obtained by the Insolvency Service are for misconduct in relation to an insolvent company ([see Section 2.2](#)), and company insolvencies have been on a [generally decreasing trend since 2013](#). There has also been a gradual decrease in the number of directors per company investigated, from 1.5 directors per company in 2009/10 to 1.2 in 2016/17. Both these factors would tend to decrease numbers of disqualifications, all else being equal.
- The Insolvency Service has introduced business process efficiencies to remove directors from the market more quickly. One such change was the introduction in April 2016 of an online Director Conduct Reporting System, a digital platform for insolvency practitioners to discharge their statutory duty to submit a report on the conduct of directors of insolvent companies. This effectively speeds up the start of an investigation by three months as online returns from IPs are submitted within three months of insolvency rather than six months under the previous paper-based process.

2.2. Characteristics of Disqualification Orders and Undertakings

Figure 2: Director Disqualifications by Section of the Act, 2016/17
(Great Britain)



Source: Insolvency Service, Department for Business, Energy & Industrial Strategy. See Table 1a of the accompanying Excel file for more details.

Key Information

A disqualifications order can be made under different sections of the Act, depending on the circumstances:

Section 2 – Following conviction for an indictable offence in relation to the promotion, formation, management, liquidations or striking off of a company.

Section 6 – For unfit conduct in relation to an insolvent company.

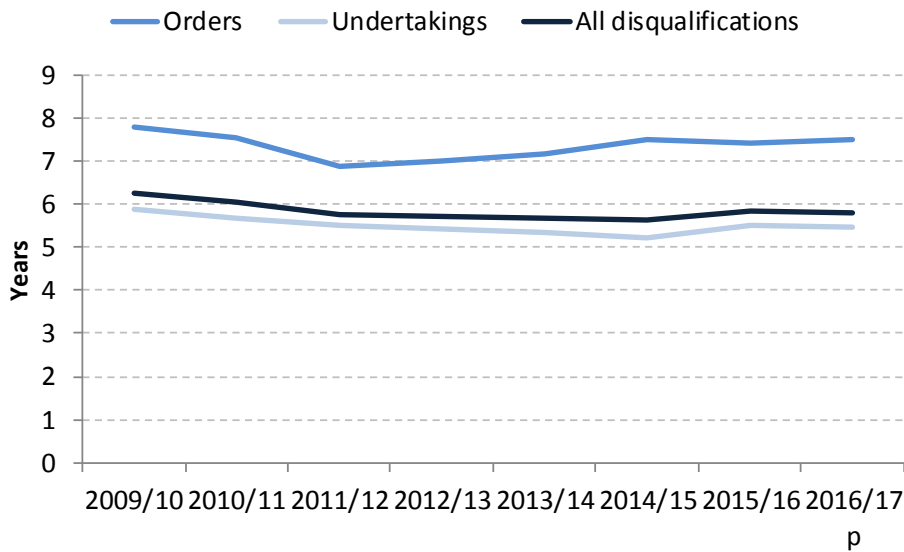
Section 8 – Where it is considered expedient in the public interest, arising from investigative material.

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

The majority of director disqualifications are made in relation to insolvent companies (section 6 of the Company Directors Disqualification Act). In 2016/17, 1,133 disqualifications (93% of the total) were made under this section. This is consistent with the longer term trend of around 95% of disqualifications being made under section 6.

There were 54 disqualifications in 2016/17 made under section 2, where the Insolvency Service made a substantial contribution to the investigation, broadly in line with previous annual totals. There were 27 disqualifications made under section 8 in 2016/17, compared with less than five each year since 2012/13. This could be due to legislative change in 2015, which widened the definition of investigative material on which a disqualification action could be brought under section 8. The Secretary of State may consider seeking a disqualification for example using evidence from other government departments.

Figure 3: Average Length of Director Disqualification Orders and Undertakings, 2009/10 to 2016/17 (Great Britain)



Source: Insolvency Service, Department for Business, Energy & Industrial Strategy. See Table 1b of the accompanying Excel file for more details.

Key Information

The length of time that a disqualification order or undertaking can be enforced for is generally between **2 and 15 years**.

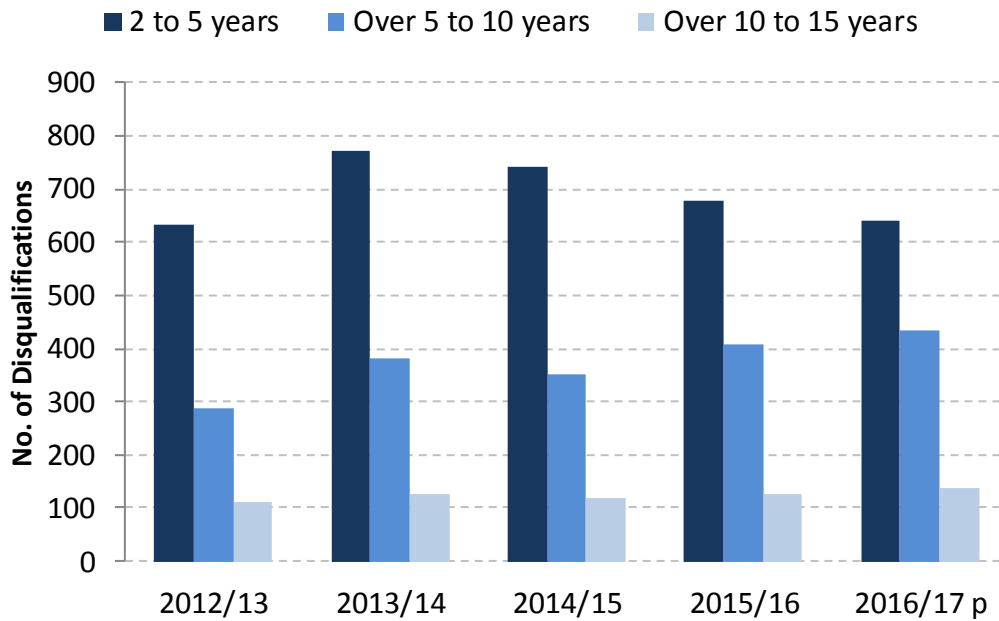
It is possible for section 2 and section 8 disqualifications to be enforced for up to 15 years (see [Guide to Insolvency Service Enforcement Outcomes](#))

Any **breach of the restrictions** during this time can result in prosecution, and if found guilty, the individual may be subject to a criminal penalty, such as a fine or imprisonment or can be made personally liable for the company's debts incurred during the period of the breach.

A reduction in the length of the disqualification can be offered in certain circumstances if the director accepts an undertaking. This is in recognition of the earlier protection of the public and the costs saved from avoiding court proceedings.

In 2016/17, the average length of a disqualification was 5.8 years, down 0.1 years compared with 2015/16 and in line with medium term trends. The average length of an order was 7.5 years (an increase of 0.1 years from 2015/16), compared to an average length of 5.5 years for an undertaking (the same as the previous year).

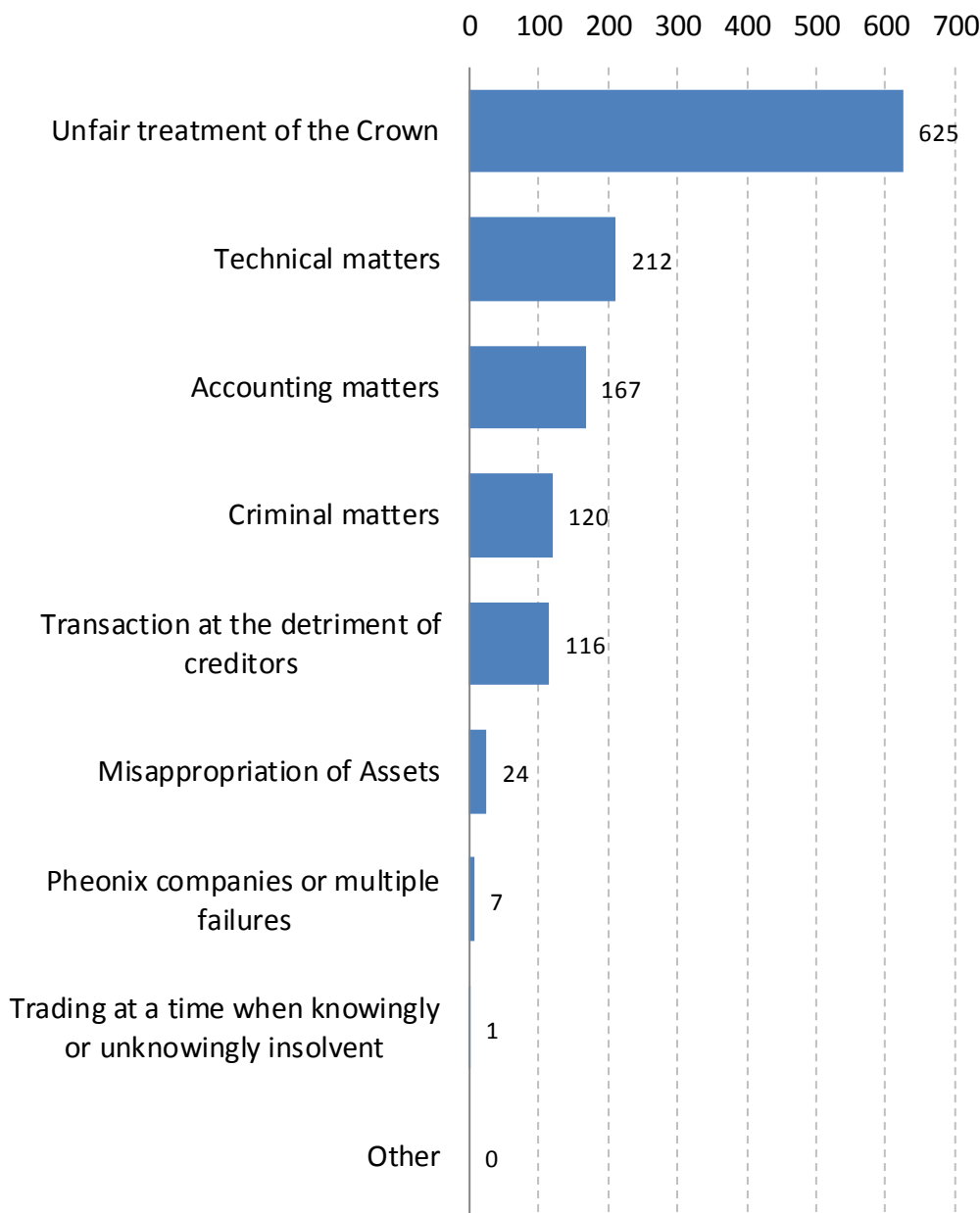
Figure 4: Director Disqualification Orders and Undertakings by length band, 2012/13 to 2016/17 (Great Britain)



Source: Insolvency Service, Department for Business, Energy & Industrial Strategy.
See Table 1b of the accompanying Excel file for more details.

Of the 1,214 disqualifications made in 2016/17, 641 were for 2 to 5 years (53% of the total – down three percentage points on 2015/16), 434 (36% of the total – up two percentage points on 2015/16) were for over 5 up to 10 years and 139 directors (11% of the total – up one percentage point on 2015/16) were disqualified for over 10 up to 15 years.

Figure 5: Number of Allegations made in Insolvent Company Disqualification Cases (Orders and undertakings made in 2016/17, Great Britain)



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

Key Information

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

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

It is possible for more than one allegation to be made in each disqualification case.

Therefore, the number of allegations presented here does not match the number of disqualifications.

The allegations presented here relate to those disqualification orders and undertakings obtained in the quarter being reported on in this release, rather than the date the allegations were made.

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

For the 1,133 section 6 disqualifications obtained in 2016/17, there were a total of 1,272 allegations recorded.

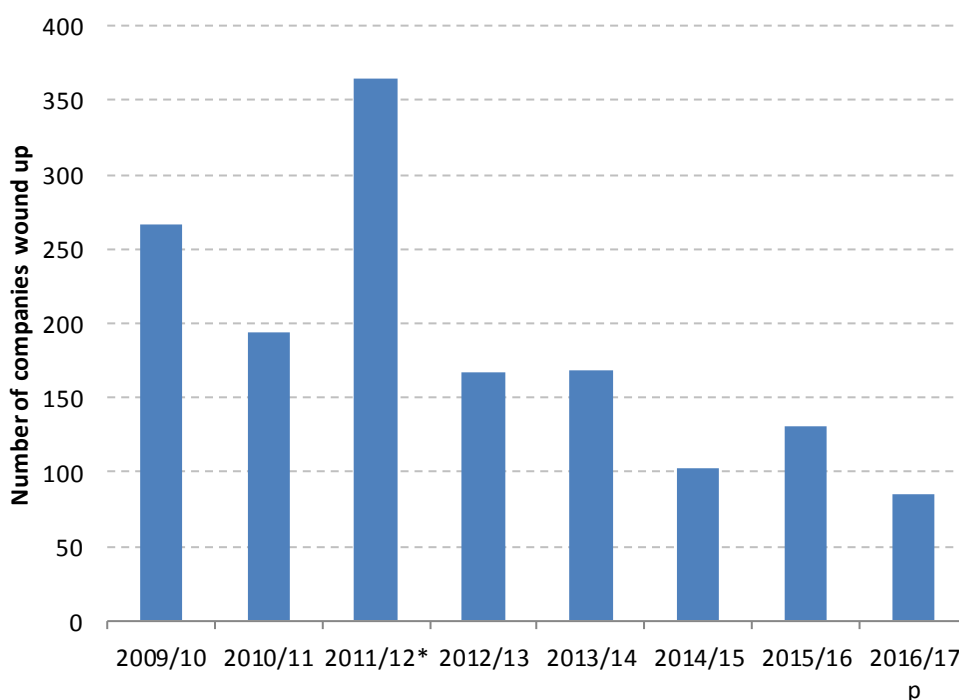
The most common allegation made in director disqualifications obtained in 2016/17 was in relation to the *unfair treatment of the Crown* (which usually refers to HM Revenue and Customs). *Unfair treatment of the Crown* can range from cases where a director had made a conscious decision to pay other creditors and not HM Revenue and Customs, to cases where a director has defrauded or attempted to defraud HM Revenue and Customs. This has been the most common allegation made since comparable records began in 2011/12.

3. Companies Wound Up in the Public Interest

These statistics relate to companies, including United Kingdom and foreign companies registered at [Companies House](#) and companies which should be registered as they carry out business in the United Kingdom.

The compulsory winding up of a company is a legal process where the company is placed into compulsory liquidation by order of the Court. The number of companies wound up in the public interest is included in the total compulsory liquidation cases that are reported in the [Insolvency Statistics](#) and as such do not represent additional liquidations.

Figure 6: Companies Wound Up in the Public Interest, 2009/10 to 2016/17
(United Kingdom)



Source: Insolvency Service

* 2011/12 includes 167 winding up orders made as a result of the conclusion of two major investigations. See Table 2 of the accompanying Excel file for more details.

Key Information

Following an investigation into the **corporate abuse** by a company or limited liability partnership that is either **actively trading, has ceased trading or is currently in voluntary liquidation or administration**, the Secretary of State can apply to the court to have the company put into **compulsory liquidation**, a legal process in which an official receiver (or a liquidator in Scotland) is appointed to 'wind up' the affairs of a company or limited liability partnership.

Corporate abuse could include **serious misconduct, fraud, scams or sharp practice in the way the company operates**.

In 2016/17, 85 companies were wound up in the public interest. This was a decrease of 35% (46 cases) on 2015/16.

In October 2016, the Companies (Disclosure of Information) (Specified Persons) Order 2016 came into effect. This added a further 5 regulatory and enforcement bodies to the statutory list of those to whom the Insolvency Service can disclose material relating to live investigations. This has widened the range of actions the Insolvency Service can take following a company investigation, allowing disclosure in instances where it was previously not possible. In some cases it has been more effective to use the new disclosure gateways than wind up the company.

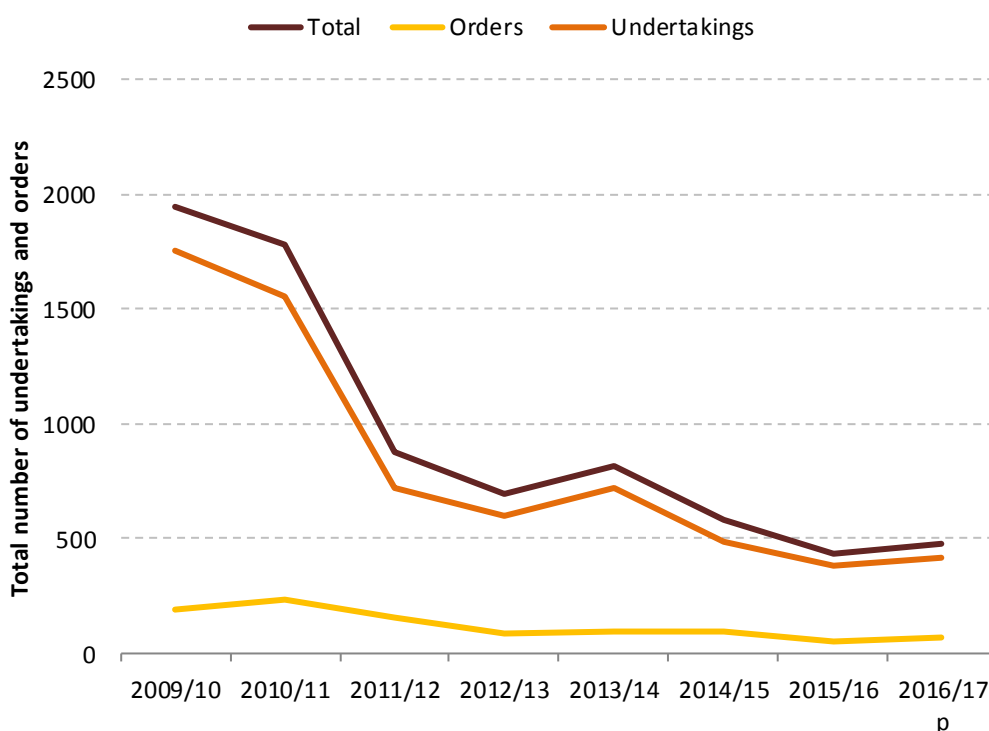
4. Bankruptcy and Debt Relief Restrictions Orders and Undertakings

These statistics relate to people subject to a bankruptcy or debt relief order in England and Wales – formal insolvency procedures for individuals who have had problems with debt – where the individual is considered to be culpable. A restrictions order is made by the court after considering evidence submitted by the official receiver showing the individual to have been dishonest or blameworthy.

There are a number of consequences of a bankruptcy or debt relief restriction. These include the individual having to disclose their status when applying for credit over £500, they may not act as a director of a company or take part in its promotion, formation or management unless permission has been obtained by the court, and they may not act as a Member of Parliament amongst other restrictions. Further information can be found in the [Guide to Insolvency Service Enforcement Outcomes](#).

4.1. Restrictions Orders and Undertakings

Figure 6: Bankruptcy and Debt Relief Restrictions Orders and Undertakings, 2009/10 to 2016/17 (England and Wales)



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

Key Information

If the individual accepts the allegations made against them, they can offer to enter into a **restrictions undertaking**. This has the same effect as an order but does not involve court proceedings.

Bankruptcy and debt relief restrictions are presented together throughout this release. As there are very few debt relief restrictions made, it is not possible to draw any meaningful conclusions from analysing them on their own.

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

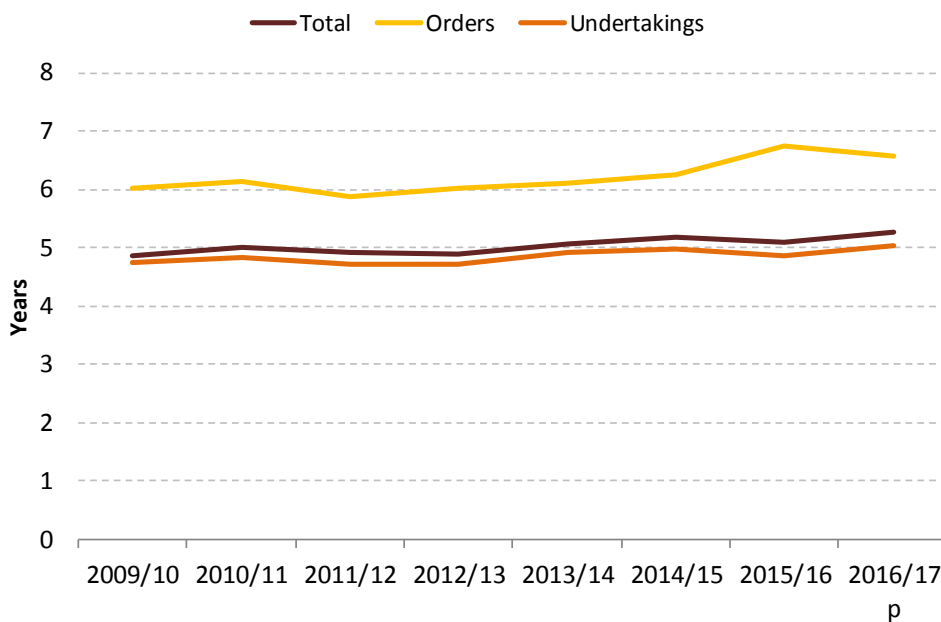
In 2016/17, a total of 480 restrictions were made, an increase of 11% compared to 2015/16. This increase reverses an earlier decreasing trend that had been driven primarily by decreases in the number of bankruptcies, [which began to stabilise partway through 2016/17](#). Of the restrictions in 2016/17, 66 were restrictions orders (up 29% from 51 cases) and 414 were restrictions undertakings (up 8% from 383 cases).

As there are very few debt relief restrictions orders and undertakings, the total number of restrictions orders and undertakings is driven by the number of bankruptcies. Because of the time taken to investigate potential misconduct (around 12 months on average) the trend in bankruptcy restrictions follows that of bankruptcies by around four quarters. The peak in restrictions orders and undertakings, January to March 2010, was a year after the peak in bankruptcies. Similarly, the recent decreases and subsequent increase in the number of bankruptcies have tended to be reflected a year later in the number of bankruptcy restrictions outcomes. Efficiencies in the investigation process by Official Receivers have latterly seen a reduction in the time between bankruptcy order and restriction.

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

4.2. Characteristics of Restrictions Orders and Undertakings

Figure 8: Average length of Restriction Orders and Undertakings, 2009/10 to 2016/17 (England and Wales)



Key Information

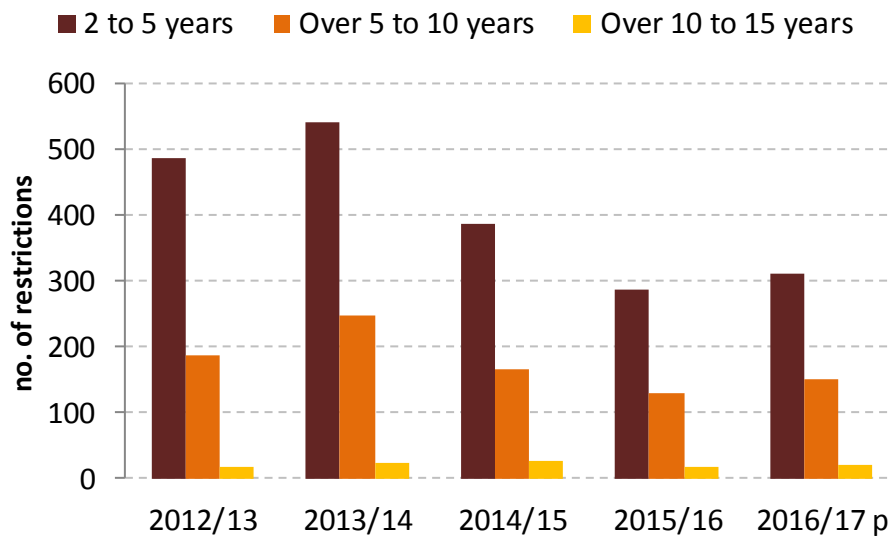
The length of time that a restrictions order or undertaking can be enforced ranges from **2 to 15 years**.

Any **breach of the restrictions** during this time can result in prosecution, and if found guilty, the individual may be subject to a criminal penalty, such as a fine or imprisonment.

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

The average length of restrictions overall in 2016/17 was 5.3 years, in line with longer term trends. The average length of restriction orders made in 2016/17 was 6.6 years, 0.1 years lower than the previous year, while the average length of a restrictions undertaking was 5.0 years, which was 0.1 years higher than the previous year.

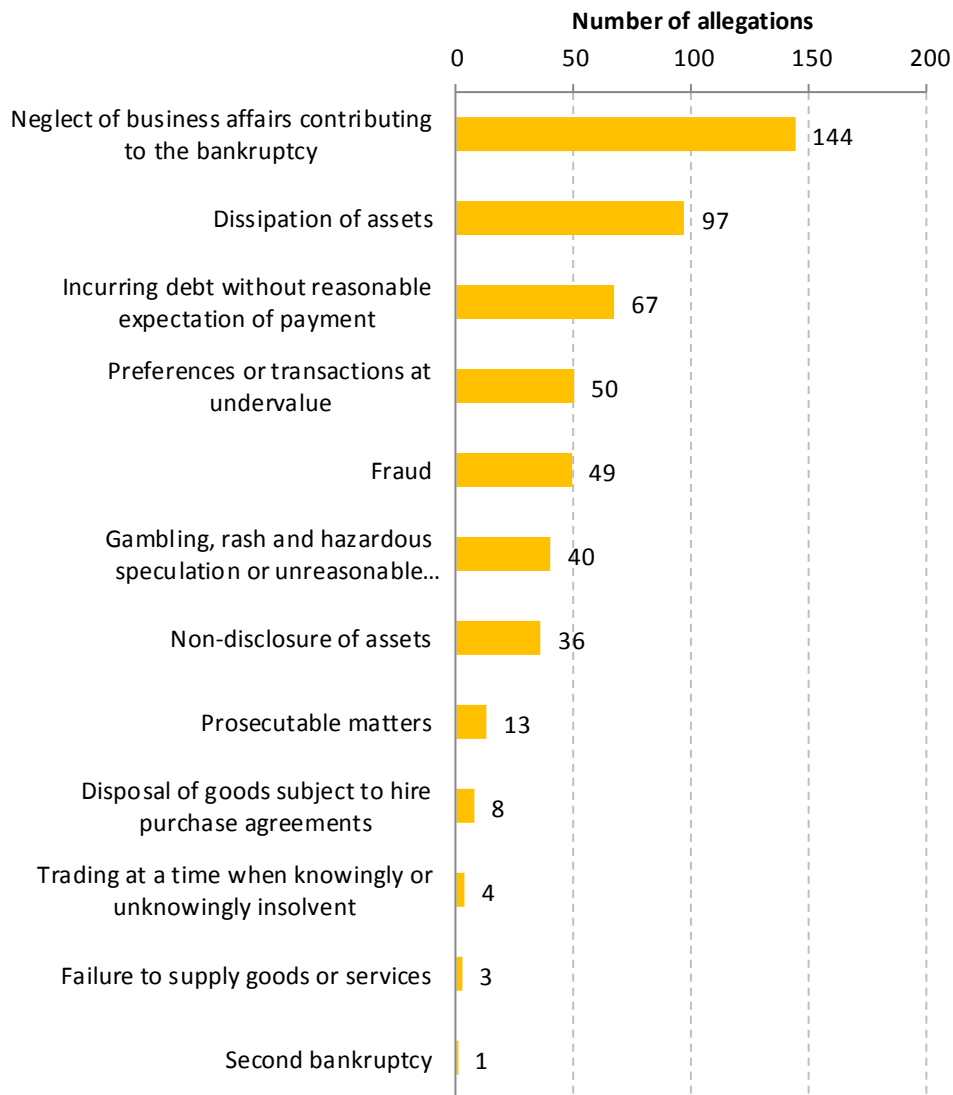
Figure 9: Restriction Orders and Undertakings by length band, 2012/13 to 2016/17 (England and Wales)



In 2016/17, 65% of restrictions imposed were for 2 to 5 years, whilst 31% were for over 5 to 10 years and 4% were for restrictions over 10 to 15 years. This is largely similar to the proportions observed in the previous year.

Figure 10: Number of Allegations made in bankruptcy and debt relief restriction cases

(Orders and Undertakings obtained in 2016/17, England and Wales)



Source: Insolvency Service.

¹ Categories where no allegations of that type made are not shown.

See Table 3b of the accompanying Excel file for more details.

Key Information

It is possible for more than one allegation to be made in each restrictions case. Therefore, the number of allegations presented here does not match the number of restrictions orders and undertakings.

The allegations presented here relate to those restriction orders and undertakings made in the quarter being reported on in this release, rather than the date the allegations were made.

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

For the 480 restrictions orders and undertakings obtained in 2016/17, there were 512 allegations recorded. The most common allegations made were *neglect of business affairs*, with 144 instances; and *dissipation of assets*, with 97 instances. *Neglect of business affairs* has been the most common allegation type since 2010/11.

5. Background Notes

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

Data Sources and Methodology

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

Data Sources

These statistics are derived from administrative records held by the Insolvency Service, an executive agency of the Department for Business, Energy and Industrial Strategy.

Methodology

These statistics are produced via tabulation following quality assurance of raw data collected from various sources.

Revisions

These statistics are subject to scheduled revisions, as set in the [Revisions Policy](#). Revisions tend to be made as a result of data being entered onto administrative systems after the cut-off date for data being extracted to produce the statistics. Such revisions tend to be small in the context of overall totals; nonetheless all figures in this release that have been revised since the previous edition have been highlighted in the relevant tables.

Quality

This section provides information on the quality of the *Insolvency Service Enforcement Outcomes*, to enable users to judge whether or not the data are of sufficient quality for their intended use. The section is structured in terms of the six quality dimensions of the European Statistical System. Further information can be found in the statement on [quality strategy, principles and processes](#), which covers all Official Statistics outputs from the Insolvency Service.

Relevance *(the degree to which the statistical product meets user needs for both coverage and content)*

The *Insolvency Service Enforcement Outcomes* publication is intended to be the most comprehensive record of the outcomes of the investigation and enforcement activity of the Insolvency Service. It includes almost all formal types of enforcement outcome available to the Insolvency Service (the exception being suspension of discharge orders).

This publication previously covered annual and quarterly data from the beginning of 2009, the earliest date from which consistent and reliable information is available. Following a [public consultation](#), it was agreed

that statistics on director disqualifications, companies wound up in the public interest and bankruptcy restrictions would be published on a monthly basis through the medium of data tables, whilst a report with commentary would be published annually. It was also decided that since suspension of discharge orders are not a form of enforcement by the Insolvency Service, they would be removed from the publication and available upon request.

It is anticipated that key users will include the Insolvency Service itself, other government departments, parliament, the insolvency profession, debt advice agencies, media organisations, academics, the financial sector, the business community and the general public.

The statistical production team welcome feedback from users of the *Insolvency Service Enforcement Outcomes* (current contact details are provided at the beginning of this release). More formal engagement will be carried out as part of the regular [User Feedback Exercise](#) on all Insolvency Service Official Statistics.

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

In general, numbers of outcomes are based on the date of the order or undertaking, rather than on the date it was recorded on the administrative system. In practice this means there is likely to be an element of under-coverage in the first release of new data. Scheduled revisions aim to capture any cases recorded later than the cut off date for extracting data. Any revisions are expected to be small.

There is a level of under-coverage in the reporting Section 2 disqualifications in the *Insolvency Service Enforcement Outcomes*. More details can be found in the Coherence section.

Coherence (*the degree to which data which are derived from different sources or methods, but which refer to the same phenomenon, are similar*)

[Companies House](#) maintains a register of all directors disqualified under the Company Directors Disqualification Act 1986 and publishes annual statistics on the number of directors disqualified. This includes directors disqualified under sections of the Act that are not represented in the Insolvency Service Enforcement Outcomes. Section 2 disqualifications presented in the *Insolvency Service Enforcement Outcomes* are those that are a result of a referral or significant input from the Insolvency Service, and therefore will not be consistent with the Section 2 disqualifications recorded by Companies House. Section 6 and Section 8 disqualifications registered at Companies House are not consistent with the *Insolvency Service Enforcement Outcomes* due to differences in the way cases are recorded.

Timeliness and Punctuality (*timeliness refers to the elapsed time between publication and the period to which the data refer. Punctuality refers to the time lag between the actual and planned dates of publication*)

This release was published 3 weeks after the end of the reporting year. Monthly publications tend to be released 6-8 working days after the end of the month.

A provisional publication schedule for this product is available on the [Statistics Release Calendar](#). The confirmed date of publication will be announced in the same location at least four weeks in advance, in line with the release practices of the Code of Practice for Official Statistics.

Accessibility and Clarity (*Accessibility is the ease with which users are able to access the data. It also related to the format in which the data are available and the availability of supporting information. Clarity refers to the quality and sufficiency of metadata, illustrations and accompanying advice*)

The *Investigation and Enforcement Statistics* are available free of charge to the end user on the [Insolvency Service website](#). They are released via the release calendar and they meet the standards required under the Code of Practice for Official Statistics and the Insolvency Service's own accessibility policy.

Alternative formats of this release are available on request, via the contact details at the beginning of the release.

Views on the clarity of the publication are also welcomed.

Comparability (*the degree to which data can be compared over time and domain*)

Changes in legislation and policy can affect the extent to which comparisons can be made over time for individual data series. Where such changes are known, they have been highlighted in explanatory notes at the bottom of the tables in the accompanying Excel file.

See also [Guide to Insolvency Service Enforcement Outcomes](#) for additional information on comparability for each data series.



© Crown copyright 2017

You may re-use this document/publication (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence v3.0. To view this licence visit <http://www.nationalarchives.gov.uk/doc/open-government-licence>; or write to the Information Policy Team, The National Archives, Kew, Richmond, Surrey, TW9 3DU; or email: psi@nationalarchives.gsi.gov.uk.

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.