The Insolvency Service

Company insolvency statistics, Q2 April to June 2019

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We are seeking feedback

We endeavour to provide the most accurate and timely statistical information to meet our user's needs.

We are modernising our production processes. As part of this, for some series, this could mean revisions further back in time than is currently set out in our revisions policy and subsequently will mean changes to the policy. This will also mean improvements to the format of our data tables.

Feedback on these proposals is welcomed at statistics@insolvency.gov.uk.

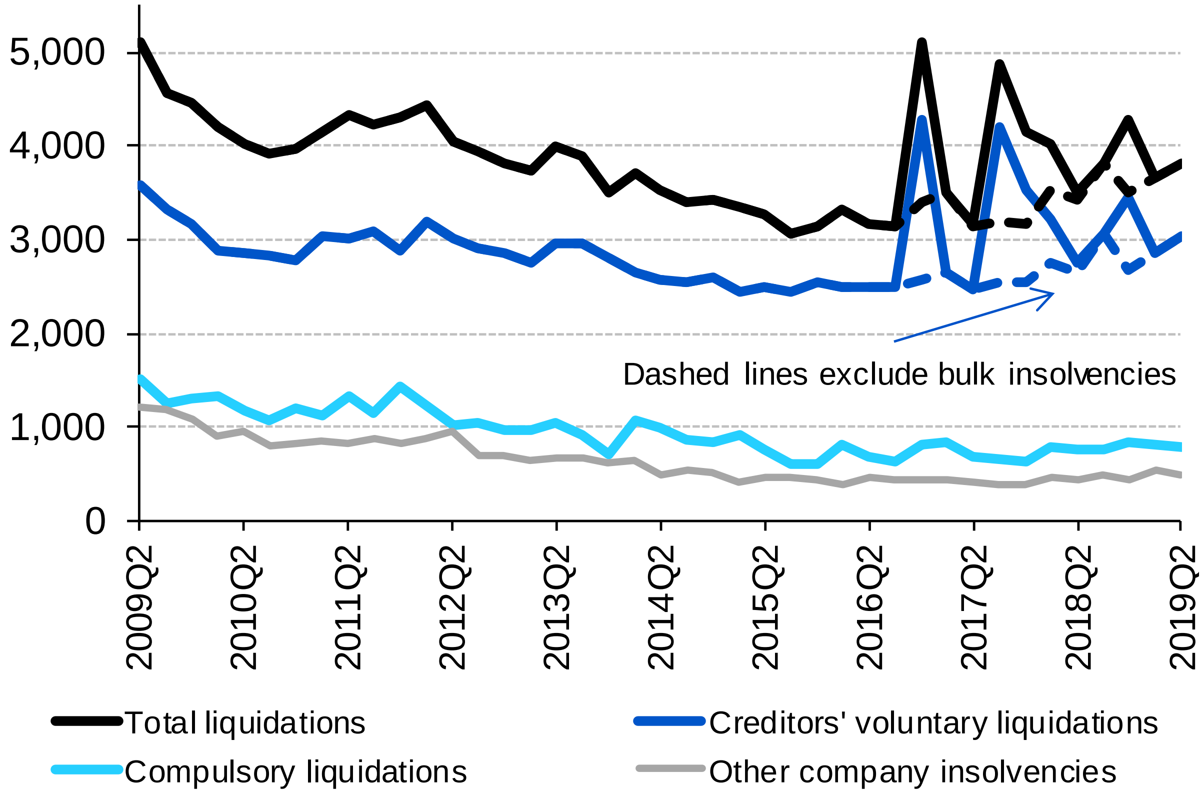
Contents

1. Main messages for England and Wales

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

- Total underlying company insolvencies increased in Q2 2019 compared with Q1 2019.
- This was driven by an increase in creditors voluntary liquidations.
- Compulsory liquidations, administrations and company voluntary arrangements decreased in Q2 2019.
- The number of administrations decreased this quarter but remain elevated.

Figure 1: Total underlying company insolvencies increased in Q2 2019
England and Wales, seasonally adjusted.



2. Things you need to know about this release

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).

Coverage

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

Methodology and key terms

Table 1: Key terms used in the publication

Liquidation	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. Statistics on compulsory liquidations and creditors' voluntary liquidations are presented here. A third type of winding up, members' voluntary liquidation is not included because it does not involve insolvency.
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.
Administration	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. A licensed insolvency practitioner, 'the administrator', is appointed to manage a company's affairs, business and property for the benefit of the creditors.
Company voluntary arrangement (CVA)	CVAs are another 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	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.

Bulk insolvencies and underlying numbers	IR35 rules are intended to prevent the avoidance of tax and National Insurance contributions using personal service companies and partnerships. From April 2016, following changes to the IR35 rules and/or changes in VAT flat rate, some directors of personal service companies have cited these changes as the primary reason that their company's activities have become unviable, therefore leading to liquidation of large numbers of these companies (or "bulk insolvencies"). Underlying numbers exclude these bulk insolvencies to enable comparison between quarters. **Bulk insolvencies only affect CVLs.**

Seasonal adjustment

To aid analysis between quarters the figures are seasonally adjusted to minimise the effect of the time of year and provide a true picture of the trends in insolvency. *Insolvency Statistics Seasonal Adjustment Review – April 2019* provides more information on seasonal adjustment which can be found here.

Detailed information

Detailed methodology and quality information for all insolvency service statistical releases are available here.

3. Total company insolvencies increased in Q2 2019

There were 4,321 total underlying company insolvencies in Q2 2019; this is 2.6% higher than in Q1 2019. Compared to the same quarter last year, this was an increase of 11.9%. This is the highest underlying level of insolvencies in any quarter since Q1 2014.

This rise was driven by CVLs, which increased by 6.9% compared to Q1 2019. All other types of company insolvency fell in Q2 2019: compulsory liquidations by 4.1%, CVAs by 1.1% and administrations by 11.4% from a 5 year high in Q1 2019.

There were no bulk insolvencies in Q2 2019 and only one bulk insolvency in Q1 2019 - bulk insolvencies only affect CVLs.

Table 2: The increase in total underlying insolvencies was driven by creditors' voluntary arrangements[1]

England and Wales, seasonally adjusted

	Company insolvencies	Compulsory Liquidations	CVLs	Administrations	CVAs	Receiverships
2018Q1	3,994	783	2,752	356	102	1
2018Q2	3,861	760	2,659	348	94	0
2018Q3	4,300	752	3,063	391	94	0
2018Q4	3,950	845	2,671	369	65	0
2019Q1	4,213	822	2,845	452	93	0
2019Q2	4,321	788	3,040	400	92	0
2018	16,105	3,140	11,146	1,463	355	1
2019YTD	8,533	1,610	5,886	853	185	0

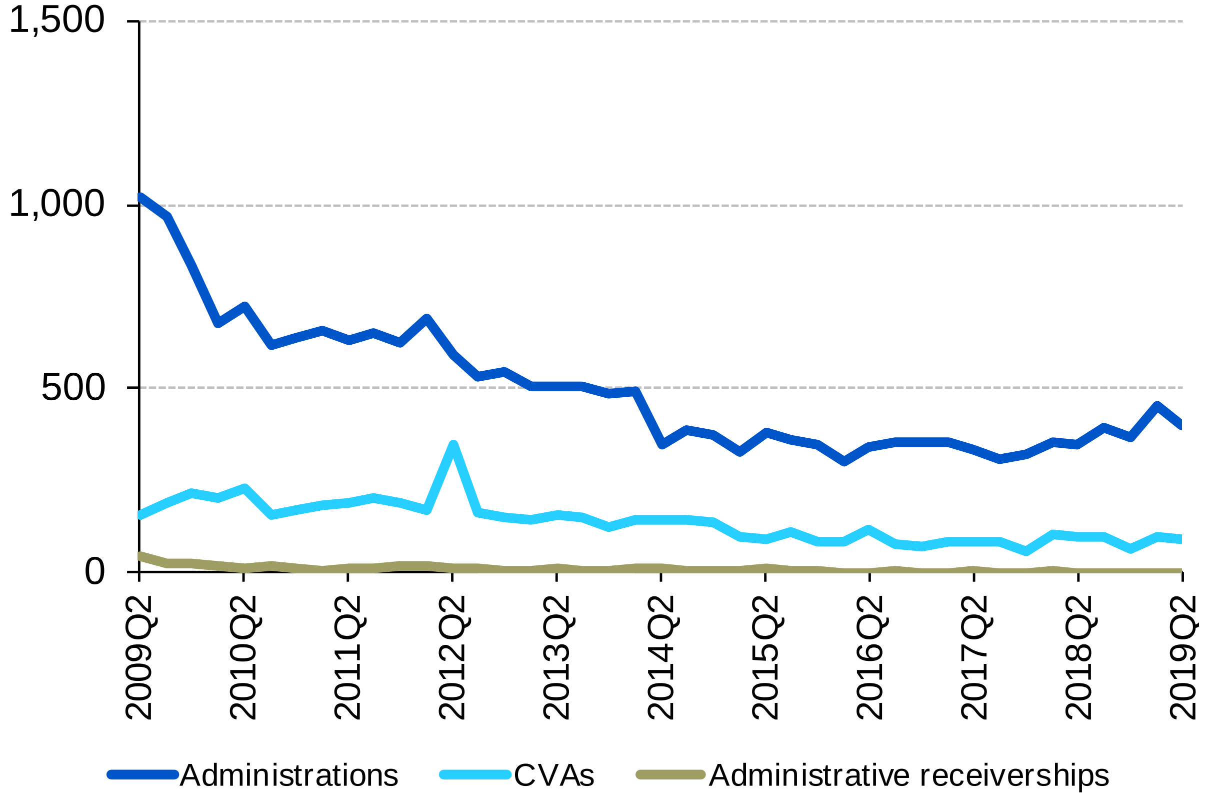
1. Components may not sum to totals due to rounding of seasonally adjusted figures.

In Q2 2019, 70.4% of all company insolvencies were CVLs, 18.2% were compulsory liquidations and 11.4% were other types of company insolvency.

4. Administrations fell from a 5 year high but remain elevated

- There were 400 administrations in Q2 2019, the second highest quarterly level since Q1 2014 and a decrease of 11.4% compared with Q1 2019.
- CVAs remain broadly flat compared to the previous quarter.

Figure 2: Administrations fell from a 5-year high
England and Wales, seasonally adjusted



In Q2 2019 there were 400 administrations, 11.4% lower than Q1 2019. After Q1 2019 this was the second highest number of administrations since Q1 2014 and compared to the same period last year, there were 15.2% more administrations. Although Q1 and Q2 2019 saw recent highs, the number of administrations is low in comparison to the period during and after the 2008/09 recession. Administrations peaked at 2,090 in Q4 2008.

There were 92 CVAs in Q2 2019 compared with 93 in Q1 2019 and 94 in the same quarter of the previous year. Due to low volumes of CVAs, we do not seasonally adjust.

For the fifth consecutive quarter there were no administrative receiverships. Since 2012 there has tended to be fewer than 10 cases per quarter. This is because use of this procedure is restricted to certain types of company or to floating charges created before September 2003.

5. The liquidation rate remains low

Unlike an absolute number of liquidations over a period, the liquidation rate gives an indication of the probability of a company entering liquidation in the previous 4 quarters.

Figure 3: In the 12 months ending Q2 2019, 1 in 237 companies were liquidated
England and Wales, 4-quarter rolling rate

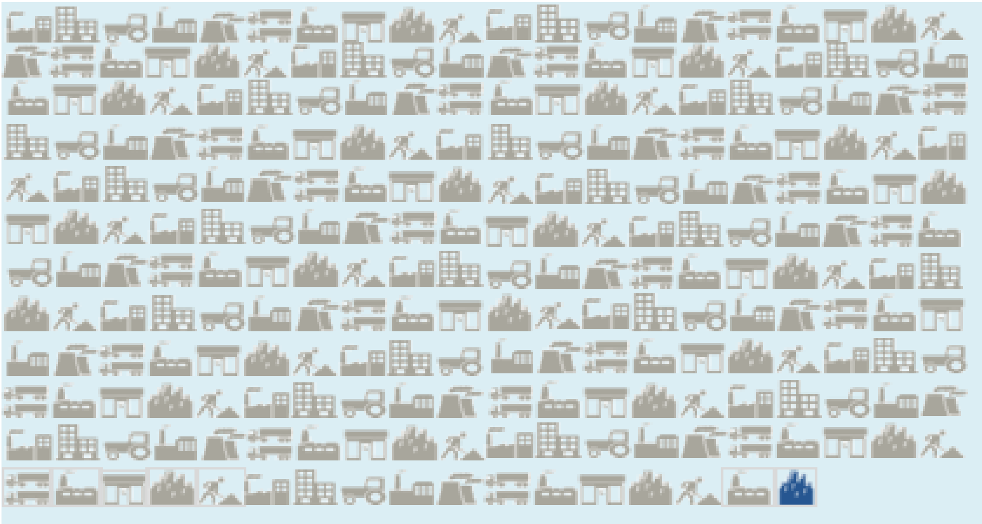
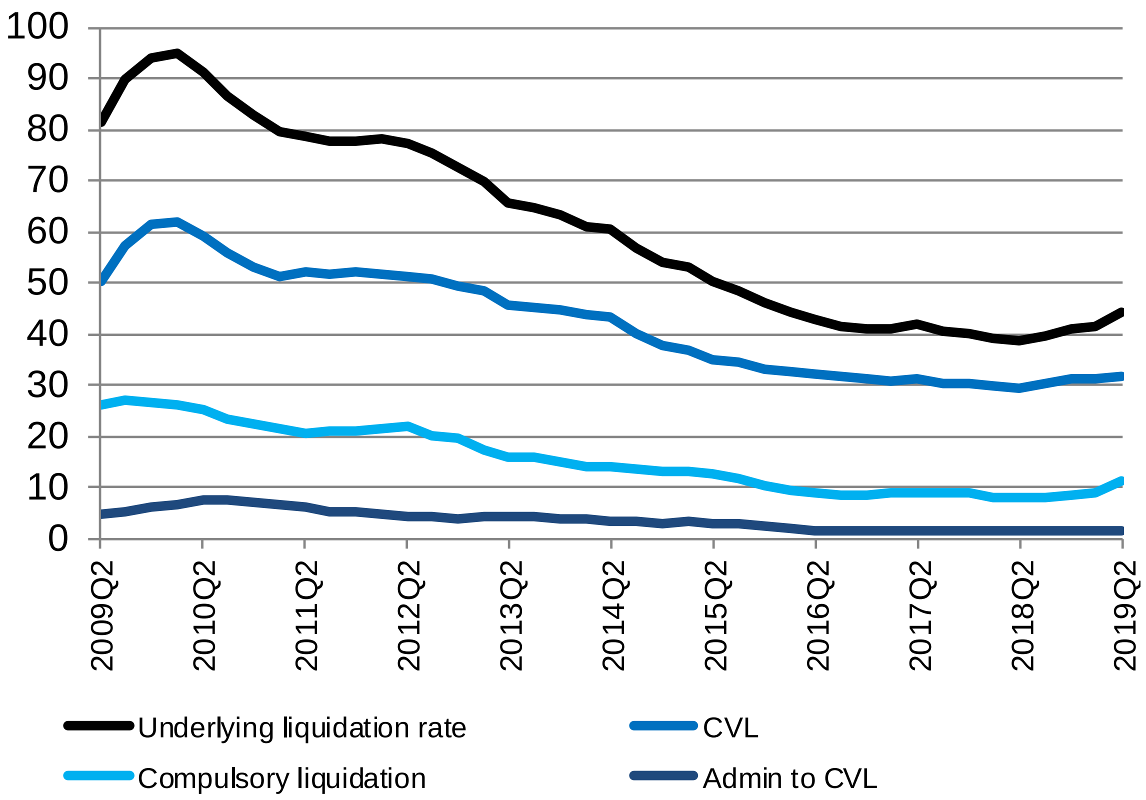


Figure 4: The liquidation rate increased for the fifth consecutive quarter
England and Wales, 4-quarter rolling rate per 10,000 active companies, seasonally adjusted.



In the 12 months ending Q2 2019, for every 10,000 active companies in England and Wales, 42.3 were liquidated excluding bulk insolvencies. This was slightly up from 42.1 per 10,000 in Q1 2019.

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 264.7 per 10,000 in the 12 months 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 94.8 per 10,000 active companies entered liquidation in the 12 months 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. More information on long term trends can be found in the csv file accompanying [this release].

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6. Underlying insolvencies increased in the 12 months ending Q2 2019 driven by the accommodation and food service industry

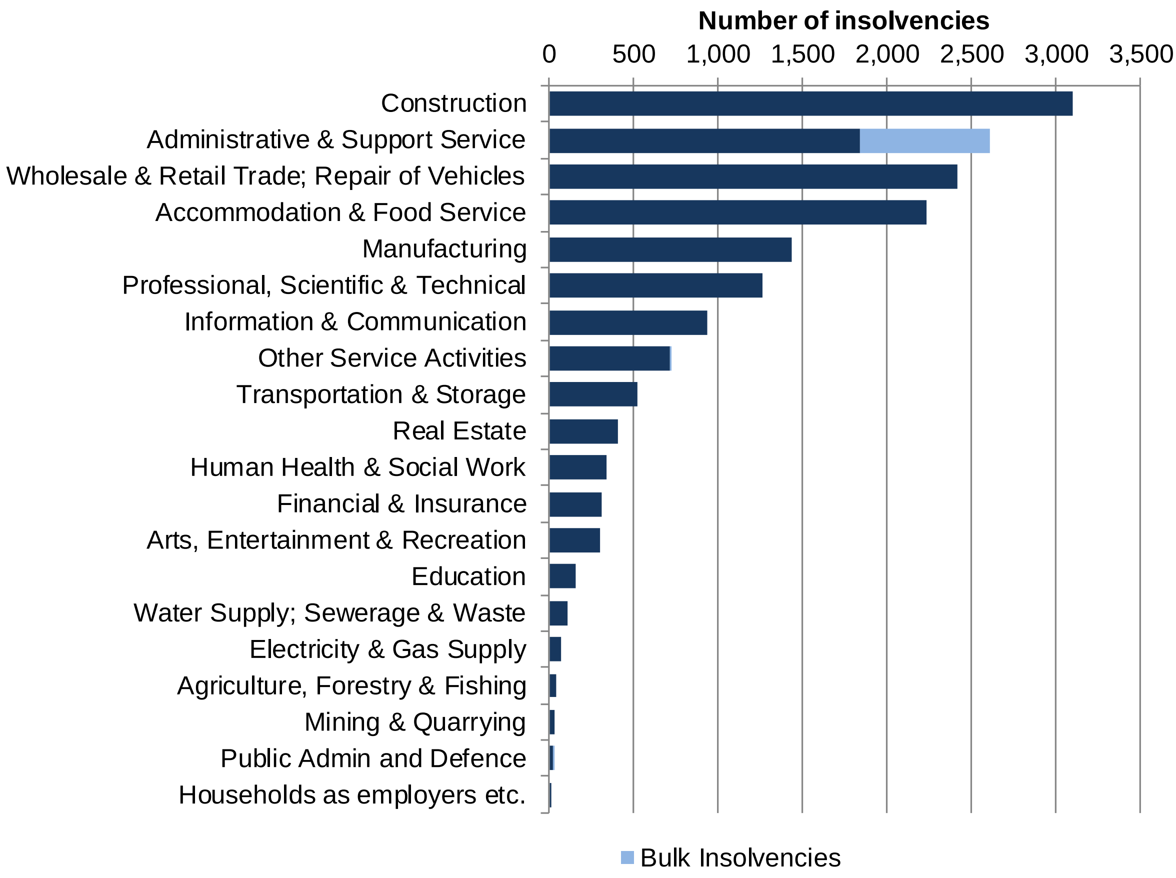
Excluding insolvencies where the industry was unknown, in the 12 months ending Q2 2019, there were 97 extra underlying company insolvencies compared with the 12 months ending Q1 2019, a 0.6% increase.

The main drivers of this increase were, the *accommodation and food service* industry with 74 extra cases compared to the 12 months ending Q1 2019 (an increase of 3.4%); the *construction* industry with 37 additional insolvencies (a 1.2% increase) and *the other service activities* grouping with 32 additional insolvencies (a 4.7% increase).

This was offset by decreases in the *administrative and support services* industrial grouping with 53 fewer cases (a fall of 2.8%); and the transportation and support services grouping with 21 fewer cases (a decrease of 3.9%).

In the 12 months ending Q1 2019, the highest number of new company insolvencies remains in the *construction* industry with 3,100 insolvencies.

Figure 5: Administrative and support services were most affected by bulk insolvencies in the 12 months ending Q2 2019
England and Wales, non-seasonally adjusted



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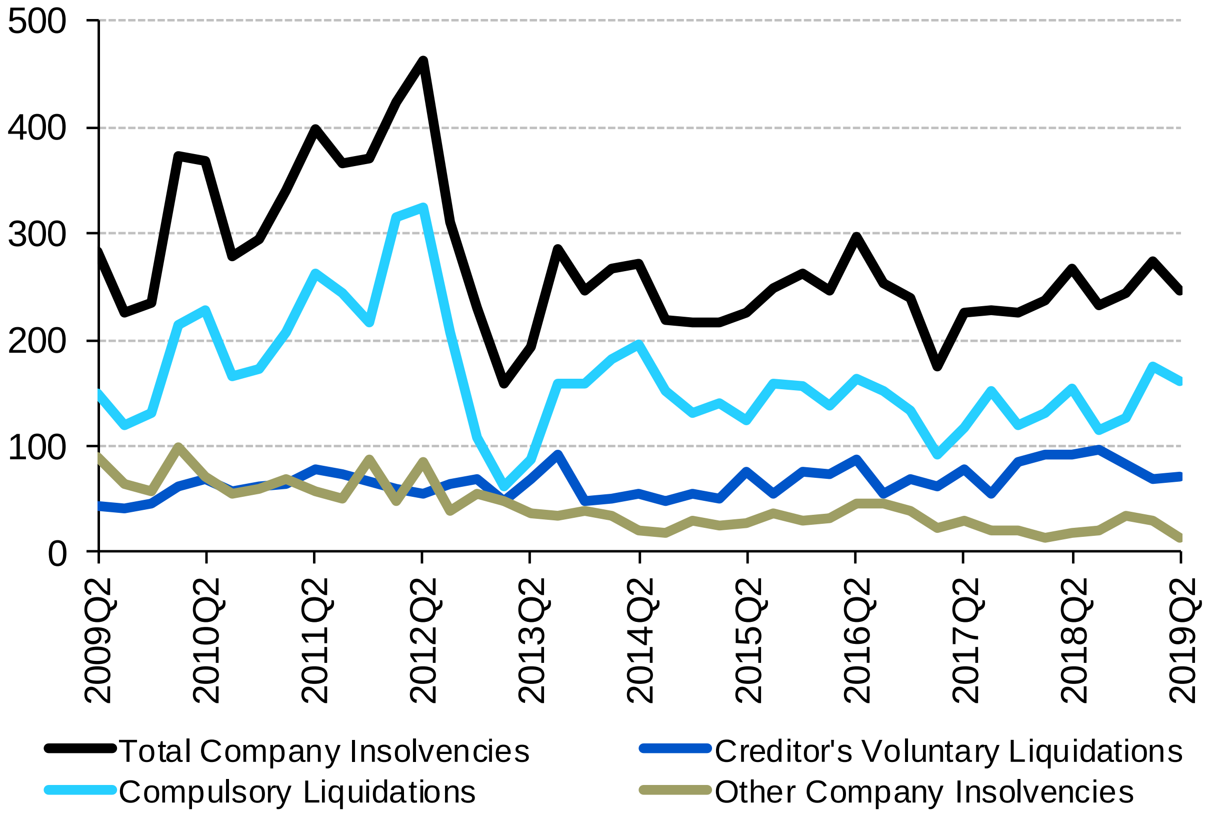
7. Company insolvency in Scotland

Legislation relating to company insolvency in Scotland is devolved. The **Accountant in Bankruptcy**, Scotland's Insolvency Service, administers company insolvency in Scotland.

- There were 247 company insolvencies in Scotland Q2 2019
- This was a decrease of 7.1% compared to the same quarter of the previous year.

Figure 6: Company insolvencies decreased in Scotland in Q2 2019
Non-seasonally adjusted



In Q2 2019, there were 247 total insolvencies in Scotland, a 7.1% decrease on the same quarter of 2018. This comprised of 161 compulsory liquidations, 72 CVLs and 14 administrations. There were no company voluntary arrangements or receivership appointments during Q2 2019 and this was the same in Q1 2019.

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.

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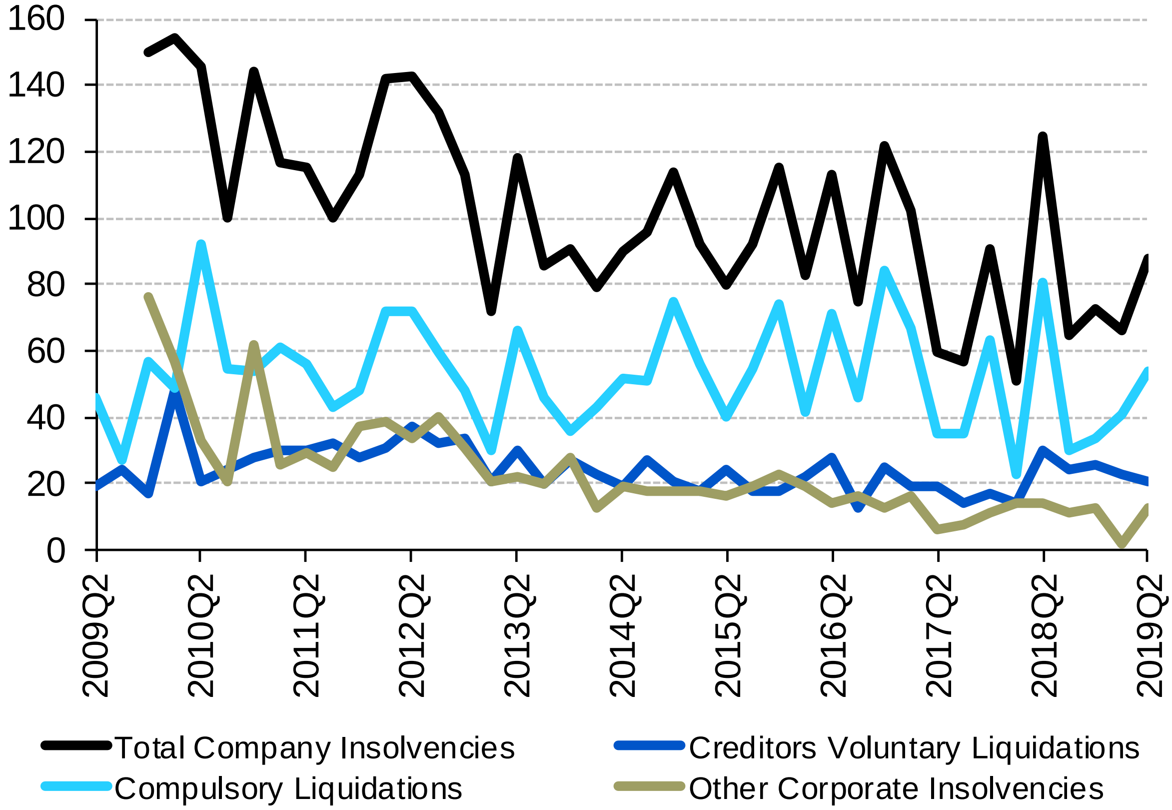
8. Company insolvency in Northern Ireland

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

- There were 88 company insolvencies in Northern Ireland in Q2 2019
- This was a decrease of 29.6% compared with the same quarter of the previous year.

Figure 7: Total insolvencies increased in Northern Ireland in Q2 2019
Non-seasonally adjusted



There were 88 company insolvencies in Northern Ireland in Q2 2019, 29.6% lower than the same quarter in 2018. Of these, 54 were compulsory liquidations (down from 81 in Q2 2018), and 21 were creditors' voluntary liquidations (CVLs, down from 30 in Q2 2018). There were 5 administrations and 8 CVAs but no administrative receiverships in Q2 2019.

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.gov.uk.