



Quarterly Company Insolvency Statistics, Q2 April to June 2020

Released

9.30am, 30th July 2020

Next released

9.30am, 30th October 2020

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This statistical bulletin and supplementary tables (presented as both Microsoft Excel and Open Data Source files) can be found at:

<https://www.gov.uk/government/collections/company-insolvency-statistics-releases>

1. Main messages for England and Wales

Overall numbers of company insolvencies in England and Wales fell in Q2 2020 by nearly one-quarter when compared with Q1 2020, and by one-third when compared with the same quarter in the previous year.

The company liquidation rate also fell in the 12 months ending Q2 2020 to 36.9 per 10,000 active companies in England and Wales, from 40.7 per 10,000 active companies seen in both the 12 months ending Q1 2020 and the same quarter a year ago.

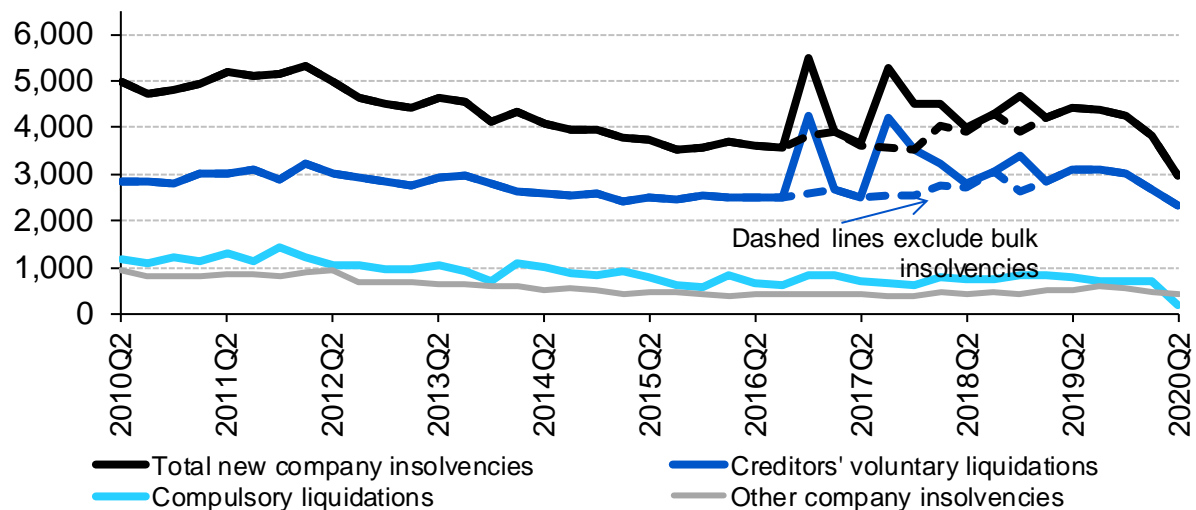
The reduction in company insolvencies was likely to be at least partly driven by Government measures put in place in response to the coronavirus (COVID 19) pandemic, including:

- Reduced operational running of the courts and reduced HMRC enforcement activity since UK lockdown was applied on the evening of 23 March;
- Temporary restrictions on the use of statutory demands and certain winding-up petitions (leading to company compulsory liquidations) from 27 April and extended to 30 September 2020 under the Corporate Insolvency and Governance Act;
- Enhanced Government financial support for companies and individuals; and
- Financial service regulators have advised that individuals and businesses in financial difficulty should be treated with forbearance and due consideration.

As the Insolvency Service does not record whether an insolvency is directly related to the coronavirus pandemic, it is not possible to state its direct effect on insolvency volumes.

Figure 1: Company insolvencies decreased by one-third in Q2 2020, compared with the same quarter last year

England and Wales, Q2 2010 to Q2 2020, seasonally adjusted^p



Sources: Insolvency Service (compulsory liquidations only); Companies House (all other insolvency types)

p. Figures for the latest quarter are provisional

1. Underlying insolvencies only – excludes bulk insolvencies. See Glossary for more information.



2. Things you need to know about this release

This statistics release contains the latest data on company insolvency in the UK, presenting the numbers of companies who have entered a formal insolvency procedure after being unable to pay their debts. Information is presented separately for England and Wales, Scotland and Northern Ireland.

These statistics are the first quarterly National Statistics to wholly present the impact of the coronavirus (COVID 19) pandemic on company insolvency, since UK lockdown was applied on 23 March 2020.

The Insolvency Service separately publishes [monthly experimental statistics](#) to provide more up to date information on the impact of the pandemic on insolvency. These monthly statistics provide a more timely indication of the numbers of company and individual insolvencies during this time of economic uncertainty. However, they have not replaced the quarterly National Statistics, since the information presented on a monthly basis is less granular and is less reliable for monitoring changes in trends over time. Note that the monthly statistics on company insolvency may not be consistent with data presented within this statistical release.

The Corporate Insolvency and Governance Act (2020) received Royal Assent on 25 June 2020¹. These statistics do not include the new procedures of company moratorium or flexible restructuring plan, but the Insolvency Service plans to incorporate these into future statistical releases.

Interpretation of these statistics

Please note that some caution needs to be applied when interpreting these statistics. The emergence of the coronavirus pandemic may have had at least some effect on the timeliness of insolvency registration, particularly since the UK lockdown applied by Government on 23 March 2020 resulting, in the short term, in insolvency practitioners, intermediaries, Companies House and courts not being able to process insolvencies in the usual manner.

Designation as 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 Statistics](#). Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.

The last compliance review was conducted in July 2019:

<https://osr.statisticsauthority.gov.uk/correspondence/compliance-check-of-insolvency-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.

¹ Royal assent of new CIG Act (2020): <https://www.gov.uk/government/news/major-changes-to-insolvency-law-come-into-force>

3. Company insolvency in England and Wales

3.1. Company insolvency decreased in Q2 2020

There were 2,974 company insolvencies in Q2 2020. The overall number of company insolvencies decreased by 23% in Q2 2020 compared with Q1 2020, and by 33% when compared with the same quarter in the previous year.

The reduction in company insolvencies in the latest quarter was likely to be in part driven by the range of Government support² put in place to financially support companies in response to the coronavirus (COVID 19) pandemic. The Government also announced in late April that it would temporarily prohibit the use of statutory demands and certain winding-up petitions from 27 April to 30 June 2020³. This was further extended to 30 September under the Corporate Insolvency and Governance Act.

Additionally, compulsory liquidations require a winding-up order obtained from the court by a creditor, shareholder or director. Since the UK lockdown was applied on the evening of 23 March 2020 to slow the spread of the coronavirus, the HM Courts & Tribunals Service has reduced the operational running of the courts and tribunals⁴, therefore reducing the numbers of compulsory liquidations.

Table 1: All types of company insolvency decreased in Q2 2020, compared with both the previous quarter and the same quarter in 2019

England and Wales, Q1 2019 to Q2 2020, seasonally adjusted, underlying insolvencies only^p

	Company insolvencies	Compulsory Liquidations	CVLs ¹	Administrations	CVAs	Receiverships ²
2019Q2	4,425	797	3,105	431	92	0
2019Q3	4,366	690	3,102	485	89	1
2019Q4	4,241	692	3,006	466	77	0
2020Q1	3,848	707	2,673	398	69	1
2020Q2 ^p	2,974	195	2,346	386	47	1
Percentage change, latest quarter (2020 Q2) compared with:						
2020Q1	-23	-72	-12	-3	-32	-
2019Q2	-33	-76	-24	-10	-49	-

Sources: Insolvency Service (compulsory liquidations only); Companies House (all other insolvency types)

p. Figures for the latest quarter are provisional

1. Underlying insolvencies only – excludes bulk insolvencies. See Glossary for more information.

2. Receivership appointments are now rare, since use of this procedure is restricted to certain types of company, or to floating charges, created before September 2003. Due to small numbers percentage changes were not calculated.

Creditors' voluntary liquidations (CVLs) were the most common type of company insolvency, accounting for nearly four-fifths (79%) of cases. The drop in CVLs was the main driver for the overall decrease in company insolvencies. CVLs fell 12% from Q1 2020, and fell 24% when

² Government support Financial support for businesses during coronavirus (COVID-19):

<https://www.gov.uk/government/collections/financial-support-for-businesses-during-coronavirus-covid-19>

³ Government announcement 25th April 2020: <https://www.gov.uk/government/news/new-measures-to-protect-uk-high-street-from-aggressive-rent-collection-and-closure>

⁴ HMCTS response to coronavirus outbreak: <https://www.gov.uk/guidance/coronavirus-covid-19-courts-and-tribunals-planning-and-preparation>

compared to the same quarter in the previous year. There were no bulk insolvencies in the latest quarter.

Compulsory liquidations saw the largest percentage decrease in Q2 2020. Compulsory liquidations fell 72% from Q1 2020 and fell 76% when compared with the same quarter in the previous year.

CVAs decreased by 32% from Q1 2020, and by 49% when compared to the same quarter in the previous year.

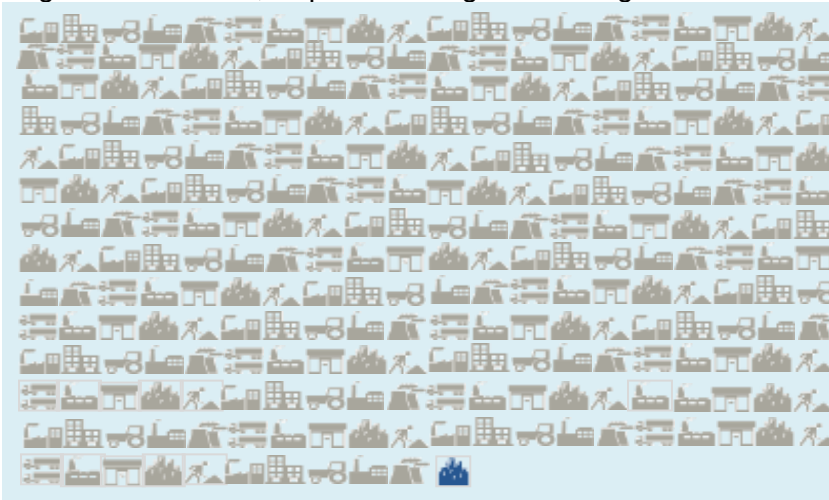
Administrations decreased by 3% from Q4 2019, and by 10% from the same quarter in the previous year.

3.2. The company liquidation rate fell in the 12 months ending Q2 2020

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 four quarters.

In the 12 months ending Q2 2020, the company liquidation rate was 36.9 per 10,000 active companies in England and Wales, a decrease from 40.7 per 10,000 seen in both the 12 months ending Q1 2020 and the same quarter a year ago.

Figure 2: In the 12 months ending Q2 2020, 1 in 271 companies were liquidated¹
England and Wales, 4-quarter rolling rate ending Q2 2020^p



Sources: Insolvency Service (compulsory liquidations only); Companies House (all other insolvency types)

p. Figures are provisional

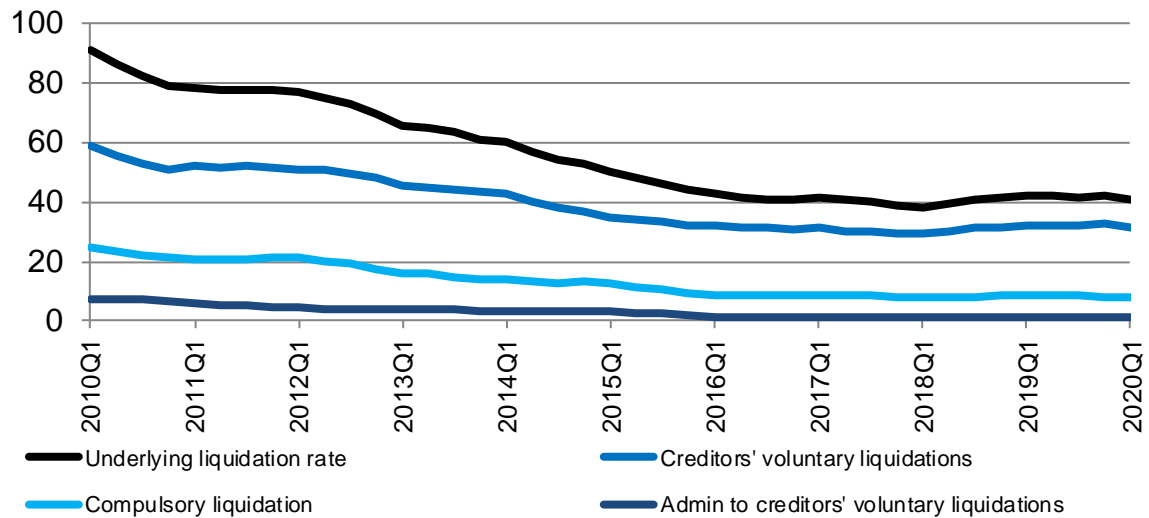
1. Excludes any bulk insolvencies

In the 12 months ending Q2 2020:

- The rate of compulsory liquidations decreased to 6.1 per 10,000, from 7.7 per 10,000 in the 12 months ending Q1 2020;
- the rate of creditors' voluntary liquidations decreased to 29.5 per 10,000, from 31.6 per 10,000 in the 12 months ending Q1 2020; and
- the rate of CVLs after administration remained flat at 1.4 per 10,000 in the 12 months ending Q2 2020.

Figure 3: The underlying liquidation rate fell in Q2 2020

England and Wales, 4-quarter rolling rate per 10,000 active companies, seasonally adjusted^p



Sources: Insolvency Service (compulsory liquidations only); Companies House (all other insolvency types)

p. Figures for the latest quarter are provisional

1. Excludes any bulk insolvencies

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](#).

3.3. All major industry groupings saw a decline in insolvency in the 12 months ending Q2 2020

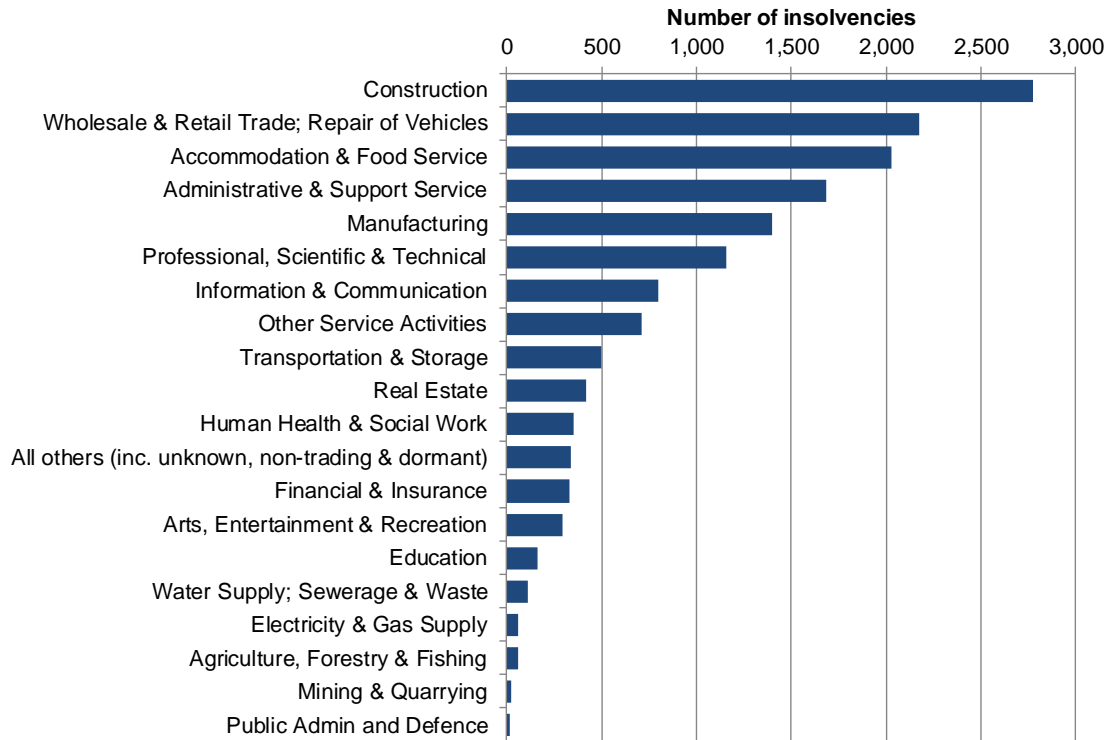
The following analysis excludes insolvencies where the company was unknown, non-trading or dormant. In some cases, confirmation of industry sector for compulsory liquidations may be delayed by one quarter or more and therefore overall insolvencies by industry are provisional.

The three industries that experienced the highest number of insolvencies in Q2 2020 were:

- The construction industry (2,778 insolvencies);
- the wholesale and retail trade; repair of vehicles industrial grouping (2,177 insolvencies); and
- the accommodation and food services grouping (2,026 insolvencies).

The construction industry has had the highest level of insolvencies of any grouping in almost every quarter since Q1 2018.

Figure 6: The construction industry had the highest number of insolvencies in the 12 months ending Q2 2020
 England and Wales, non-seasonally adjusted^p



Sources: Insolvency Service (compulsory liquidations only); Companies House (all other insolvency types)

^p. Figures are provisional

All company insolvencies, where the industry grouping was known, fell by 9.2% in the 12 months ending Q2 2020 compared to the 12 months ending Q1 2020.

Of the industries with the higher volumes of insolvency, the accommodation and food service group saw the largest percentage decrease in underlying insolvency with a decrease of 13% compared with the 12 months ending Q1 2020. The construction industry grouping fell by 10%, while the wholesale and retail trade; repair of vehicles industrial grouping fell by 8%.

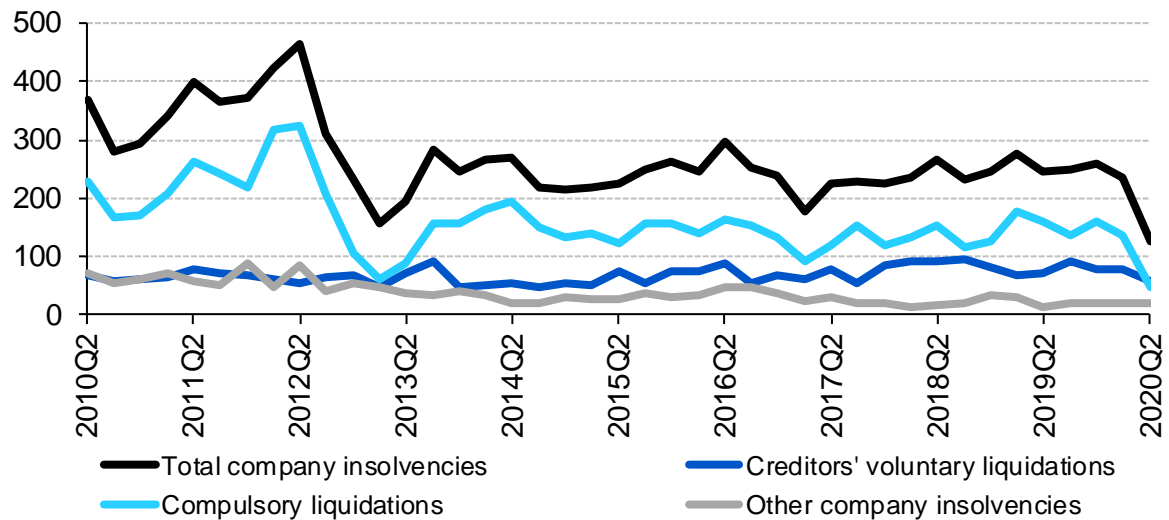
4. Company insolvency in Scotland

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

In Q2 2020, there were 127 total insolvencies in Scotland, a fall of 49% on the same quarter of 2019. This comprised 48 compulsory liquidations, 59 CVLs, 16 administrations, four CVAs and no receiverships.

Figure 7: Company insolvencies decreased by half in Q2 2020, compared with the same quarter last year

Scotland, Q2 2010 to Q2 2020, not seasonally adjusted^p



Sources: Companies House

p. Figures for the latest quarter are provisional

Historically, the numbers of company insolvencies in Scotland have been driven by compulsory liquidations. This contrasts with England and Wales, where CVLs drive company insolvency trends. 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.

However, the numbers of compulsory liquidations in Scotland fell by 70% in Q2 2020 when compared with the same quarter in the previous year, resulting in fewer compulsory liquidations than CVLs in the latest quarter (in comparison CVLs decreased by 18%).

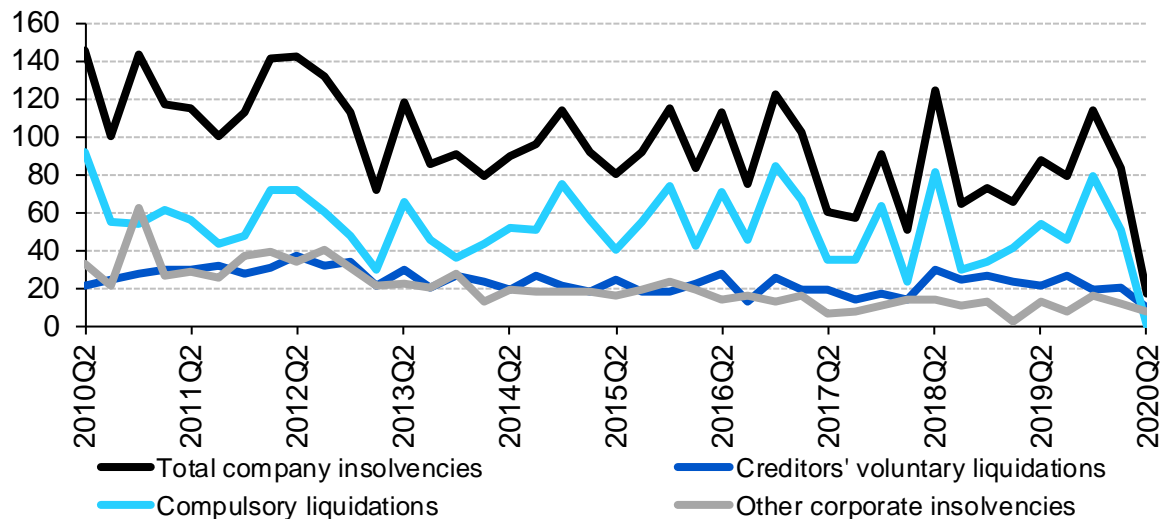
5. Company insolvency in Northern Ireland

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 17 company insolvencies in Northern Ireland in Q1 2020, a fall of 81% on the same quarter of 2019. This comprised 10 CVLs, five CVAs and two administrations. There were no administrative receiverships.

Figure 8: Company insolvencies decreased by four-fifths in Q2 2020, compared with the same quarter last year

Northern Ireland, Q2 2010 to Q2 2020, not seasonally adjusted^p



Sources: Department of the economy, Northern Ireland (compulsory liquidations only); Companies House (all other insolvency types)

p. Figures for the latest quarter are provisional

There were no compulsory liquidations in Q2 2020 as a result of the lockdown measures in response to the coronavirus pandemic being implemented by the Northern Ireland Executive which resulted in the Closure of the Courts and Insolvency Service offices.



6. Data and Methodology

Data Sources

Company insolvency data were sourced from Companies House, except for compulsory liquidation data which was sourced from the Insolvency Service case information system (ISCIS) for England, Wales and Scotland, and sourced from the Department for the Economy for Northern Ireland.

Companies House data⁵ were used to determine all active companies registered in each quarter in the previous twelve months, to calculate insolvency rates for England and Wales.

More information on the administrative systems used to compile insolvency statistics can be found in the [Statement of Administrative Sources](#).

Methodology and data quality

Seasonal adjustment: To aid analysis between quarters, figures for England and Wales were 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 2020* provides more information on seasonal adjustment which can be found [here](#).

Rates of insolvency in England and Wales: Insolvency rates were calculated by dividing the total number of companies entering insolvency in the previous twelve months by the mean average number of all active companies registered with Companies House in each quarter in the previous twelve months.

Detailed methodology and quality information for these statistics can be found in the accompanying [Quarterly Statistics Methodology and Quality](#) document.

The main quality and coverage issues to note:

1. Data for the latest quarter were extracted approximately 10 working days after quarter end. Since the administration systems are live systems there is an increased likelihood that figures will be revised in the future. Therefore, all figures for the latest quarter are provisional
2. These statistics may not equal the sum of month statistics, published separately, which cover the period January 2019 to June 2020, due to differing methodologies. In addition, the administrative systems used to capture data are live systems and are subject to amendments.
3. These statistics may not align with information published separately by Companies House, or with data extracted from the Gazette. Further information on why numbers may not align can be found in the accompanying Methodology and Quality document.

Revisions

These statistics are subject to scheduled revisions, as set out in the published [Revisions Policy](#). 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. Any revisions to these statistics will be marked with an 'r' in the relevant table.

⁵ The number of active companies register are taken from https://www.gov.uk/search/research-and-statistics?content_store_document_type=published_statistics&organisations%5B%5D=companies-house Incorporated companies in the UK publication for the latest quarter.



7. Glossary

Key Terms used within this statistical bulletin

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.
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.
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.
Compulsory liquidation	A winding-up order obtained from the court by a creditor, shareholder or director. See Liquidation for details on the process.
Creditors' voluntary liquidation (CVL)	Shareholders of a company can themselves pass a resolution that the company be wound up voluntarily. See Liquidation for details on the process. Administrations which result in a Creditors' Voluntary Liquidation are recorded separately by Companies House and are excluded from CVL figures as they do not represent a new company entering into an insolvency procedure for the first time. These cases are only ever recorded as Administrations.
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 in these statistics. A third type of winding up, members' voluntary liquidation is not included because it does not involve insolvency.
Partnership Winding-up Orders	This is similar to the liquidation of a company. When the partners have decided that the partnership has no viable future or purpose then a decision may be made to cease trading and wind up the partnership. There are two basic ways that the partnership can be wound up: the creditors petition and a partner's petition.
Receivership Appointments	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 included other, non-insolvency, procedures, for example under the Law of Property Act 1925.
Standard Industrial Classification (SIC 2007)	Used in classifying business establishments and other statistical units by the type of economic activity in which they are engaged. Further information can be found on the ONS website: https://www.ons.gov.uk/methodology/classificationsandstandards/ukstandardindustrialclassificationofeconomicactivities/uksic2007



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