



Quarterly Individual Insolvency Statistics, Q3 July to September 2020

Released

9.30am, 30th October 2020

Next released

9.30am, 29^h January 2021

Media enquiries

Michael Gibbs
+44 (0)300 304 8506

Statistical enquiries

Michael McDaid (author)
statistics@insolvency.gov.uk
Kate Palmer (responsible statistician)



Contents

1. Main messages for England and Wales	3
2. Things you need to know about this release.....	4
3. Individual insolvency in England and Wales	5
3.1. <i>The decrease in individual insolvencies was affected by late registrations of IVAs in the previous quarter</i>	5
3.2. <i>The individual insolvency rate decreased in Q3 2020 compared to both Q2 2020 and Q3 2019</i>	7
3.3. <i>Bankruptcies decreased for the self-employed in Q2 2020 compared to Q1 2020 and compared to same quarter of the previous year</i>	8
4. Individual insolvency in Scotland.....	9
5. Individual insolvency in Northern Ireland	10
6. Data and Methodology	11
7. Glossary.....	11



1. Main messages for England and Wales

Overall numbers of individual insolvencies in England and Wales decreased by 40% in Q3 2020 when compared with Q2 2020, and by 37% when compared with the same quarter in the previous year.

The rate of individual insolvency for the 12 months ending Q3 2020 also fell to 23.2 per 10,000 adults in comparison to the 12 months ending Q2 2020 and the 12 months ending Q3 2019 (rate of 25.9 and 27.4 per 10,000 adults respectively).

The decrease in the overall number of individual insolvencies in the latest quarter was driven by individual voluntary arrangements (IVAs). The decrease in IVAs was somewhat artificial – a single provider submitted a large number of late registrations in May 2020 resulting in a high volume of IVAs in Q2 2020. For more information please see section 3 below.

The numbers of debt relief orders (DROs) decreased in the latest quarter and compared to the same period as last year (7% and 33% respectively).

Bankruptcies increased in the last quarter by 10% but remained 33% lower than the same period last year.

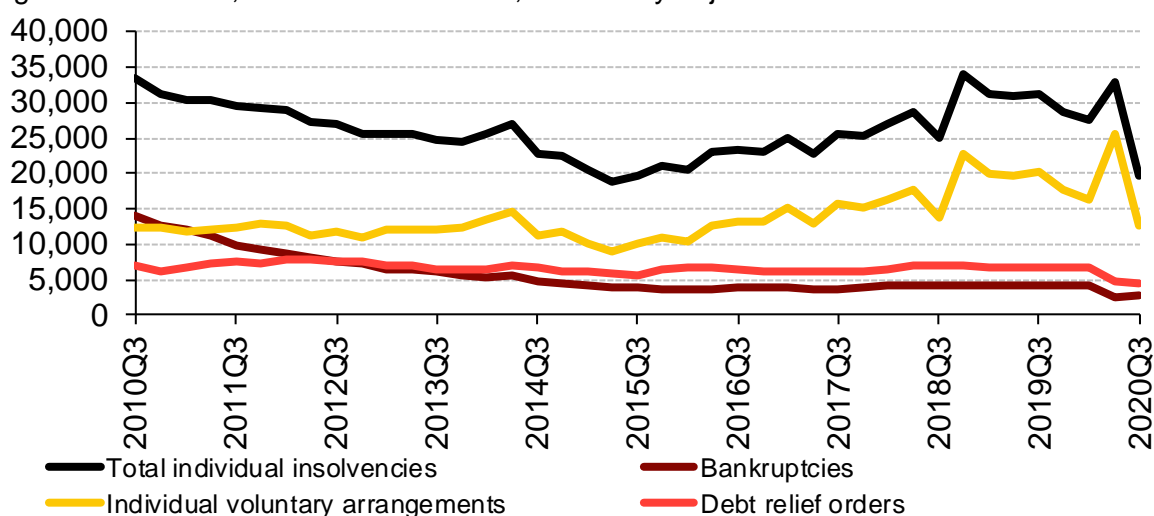
The reduction in overall individual insolvencies is likely to be at least partly driven by Government measures put in place in response to the coronavirus (COVID 19) pandemic, including:

- Reduced operational running of the courts and reduced HMRC enforcement activity since UK lockdown was applied on the evening of 23 March;
- 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: Total individual insolvencies decreased in Q3 2020

England and Wales, Q3 2010 to Q3 2020, seasonally adjusted^P



Source: Insolvency Service

^P Figures for the latest quarter are provisional



2. Things you need to know about this release

This statistics release contains the latest data on individual insolvency in the UK, presenting the numbers of individuals 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.

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 timelier 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 individual insolvency may not be consistent with data presented within this statistical release.

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, 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.



3. Individual insolvency in England and Wales

3.1. The decrease in individual insolvencies was affected by late registrations of IVAs in the previous quarter

There were 19,783 total individual insolvencies in Q3 2020. IVAs were the most common type of individual insolvency (63% of cases), followed by DROs (23%) and bankruptcies (14%).

Total individual insolvencies in Q3 2020 decreased by 40% from Q2 2020 and by 37% from the same quarter in the previous year. This decrease was driven by IVAs which decreased by 51% from Q2 2020 and fell by 38% when compared to Q3 2019.

Some caution needs to be applied when interpreting the quarterly IVA statistics and the total number of individual insolvencies. IVAs are counted within these statistics once they are registered with the Insolvency Service and are reported by quarter of registration. There can be a time lag between the date on which the IVA is accepted (known as the date of creditor agreement) and date of registration by licensed insolvency practitioners working for firms that specialise in this area. Q2 2020 had seen the largest number of IVAs for any quarter on record. The high number of IVAs registered in that quarter were in part caused by technical issues experienced by an IVA provider. This meant a late registration of IVAs that would otherwise have been registered in earlier quarters. Particular care should be taken when analysing quarterly trends in IVAs over time and we advise taking multiple quarters into account for forming a picture of volumes.

Table 2: All insolvency types decreased compared with Q3 2019

England and Wales, Q3 2019 to Q3 2020, seasonally adjusted^P

	Total individual insolvencies	Bankruptcies	Debt relief orders	Individual voluntary arrangements
2019Q3	31,185	4,116	6,713	20,356
2019Q4	28,769	4,140	6,859	17,770
2020Q1	27,537	4,314	6,862	16,361
2020Q2	32,863	2,505	4,792	25,566
2020Q3	19,783	2,759	4,465	12,559
Percentage change, latest quarter (2020 Q2) compared with:				
2020Q2	-40	10	-7	-51
2019Q3	-37	-33	-33	-38

Source: Insolvency Service

^P Figures for the latest quarter are provisional

Bankruptcies increased 10% from the previous quarter but decreased by 33% when compared with the same quarter last year. Bankruptcies consisted of:

- 2,541¹ debtors' applications, which was 8% higher than Q2 2020 but a 25% decrease on Q3 2019,
- 266¹ creditors' petitions, which increased by 49% on Q2 2020 but was 65% lower than in Q3 2019, see Figure 2.

¹ The sum of seasonally adjusted figures for creditor and debtor petitions will not equal the total number of bankruptcies as they have been seasonally adjusted using different models.



Despite the increase in bankruptcies they remain low. Q2 2020 had the lowest quarterly number of bankruptcies since 1990 and Q3 2020 was the second lowest. The petition type of these bankruptcies has been recorded since 1998. In Q2 2020, creditors' petitions saw their lowest quarterly level on record while Q3 2020 was the second lowest. Bankruptcies made via debtors' applications also saw their lowest quarterly level in the previous quarter. Q3 2020 saw the fourth lowest on record.

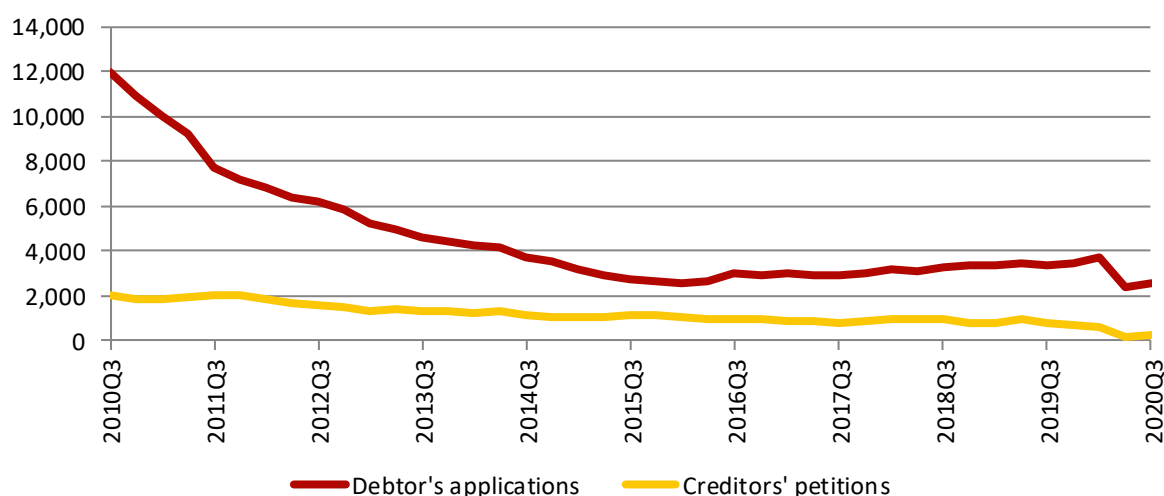
DROs also decreased in Q3 2020, by 7% from the previous quarter, and by 33% when compared with the same quarter last year. When DROs were first introduced in Q2 2009 their volumes increased for a few quarters before stabilising for the past decade. Q3 2020 saw the lowest volume of DROs in a quarter since this initial period.

The fall in DROs and debtor bankruptcies in the last two quarters corresponds with a reduction in applications for these services, which coincided with the announcement of enhanced government financial support for individuals and businesses since the emergence of the coronavirus pandemic.

The fall in creditor bankruptcies since April 2020, will likely have been at least partly driven by reduced HMRC enforcement activity during this period² and, in part, a result of reduced operational running of the courts during this time.

Figure 2: Both Bankruptcies made on debtor's application and creditor's increased in the last quarter but remain historically low

England and Wales, Q3 2010 to Q3 2020, seasonally adjusted^P



Source: Insolvency Service

^P Figures for the latest quarter are provisional

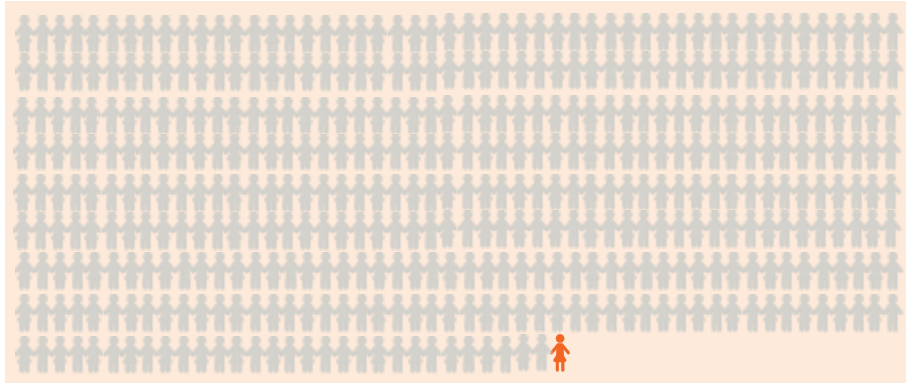
² Dear Insolvency Practitioner, Issue 95 - https://content.govdelivery.com/attachments/UKIS/2020/04/03/file_attachments/1418579/Dear%20IP%20Issue%2095%20April%202020.pdf.

3.2. The individual insolvency rate decreased in Q3 2020 compared to both Q2 2020 and Q3 2019

Unlike an absolute number of insolvencies over a period, the insolvency rate gives an indication of the probability of an individual becoming insolvent in the previous 4 quarters.

In the 12 months ending Q3 2020, the individual insolvency rate was 23.2 per 10,000 adults in England and Wales. This was down from 25.9 per 10,000 in the 12 months ending Q1 2020.

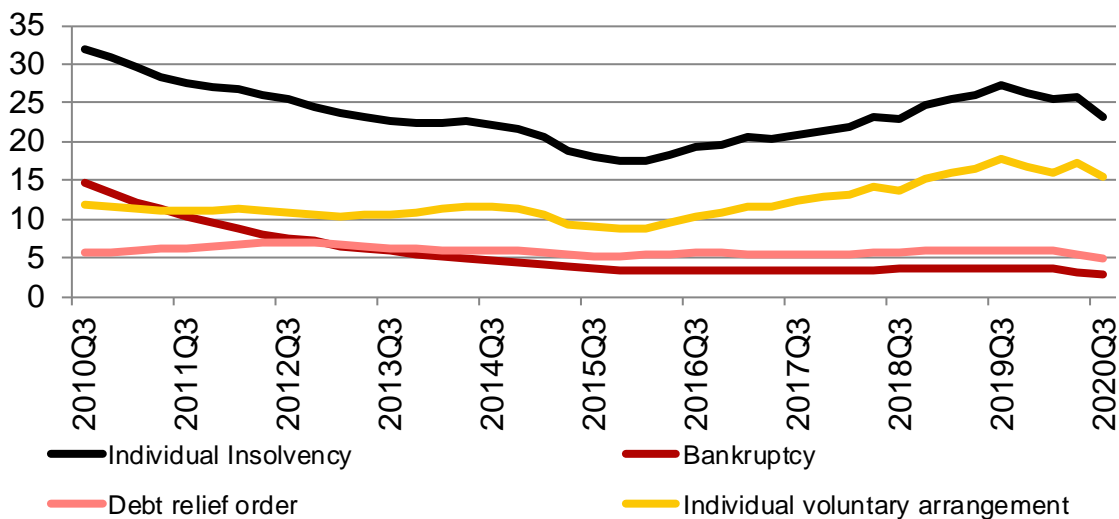
Figure 3: In the 12 months ending Q3 2020, 1 in 431 adults became insolvent
England and Wales, 4-quarter rolling rate ending Q3 2020^P



Source: Insolvency Service

^P Figures are provisional

Figure 4: The individual insolvency rate fell in Q3 2020 in comparison to Q2 2020
England and Wales, 4-quarter rolling rate per 10,000 adults, seasonally adjusted^P



Source: Insolvency Service

^P Figures for the latest quarter are provisional

In the 12 months ending Q3 2020:

- The IVA insolvency rate decreased to 15.4 per 10,000, from 17.2 per 10,000 in the 12 months ending Q2 2020;
- the rate of bankruptcy fell to 2.9 per 10,000 down from 3.2 in the 12 months ending Q2 2020; and
- the rate of DROs fell to 4.9 per 10,000 down from 5.4 in the 12 months ending Q2 2020.



The current individual insolvency rate remained elevated compared with rates of less than 10 per 10,000 adults 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. Since 2015, changes in the overall insolvency rate have been driven by the IVA insolvency rate. More information on long term trends can be found in the csv file accompanying this release.

3.3. Bankruptcies decreased for the self-employed in Q2 2020 compared to Q1 2020 and compared to same quarter of the previous year

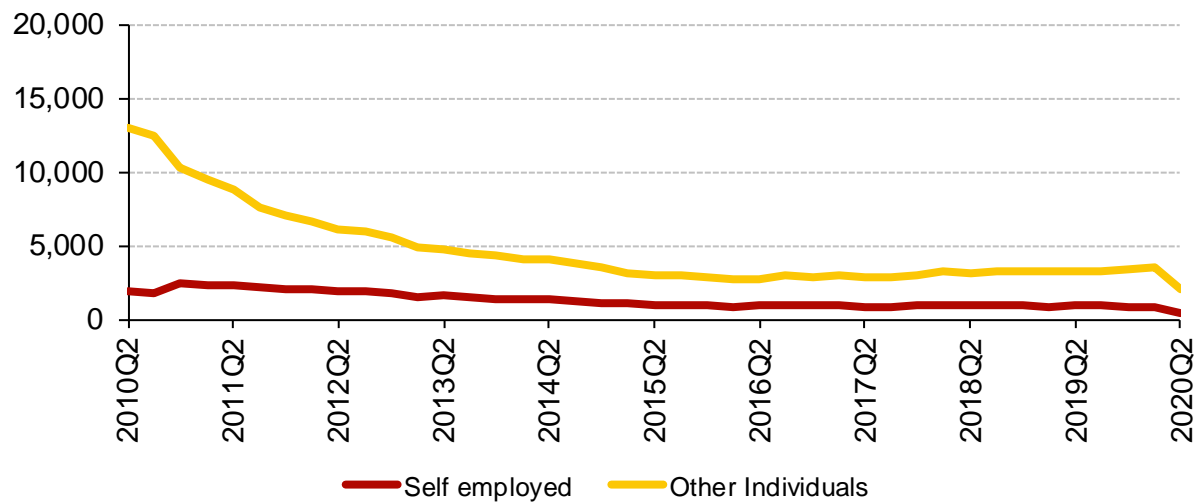
Bankruptcies by self-employment status are presented with a lag of one quarter on most other statistics in this release. This is because it can take several weeks for trading status to be recorded following the date of the bankruptcy order.

In Q2 2020, there were 372 bankruptcies where the individual was self-employed, a decrease of 53% on Q1 2020 and 60% lower than the same period last year.

There were 2,095 bankruptcies among other individuals in Q1 2020, a decrease of 40% compared with the previous quarter and 37% lower than the same quarter of the previous year.

Figure 5: Bankruptcies for the self-employed and other individuals both decreased in Q2 2020

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



Source: Insolvency Service

^P Figures for the latest quarter are provisional

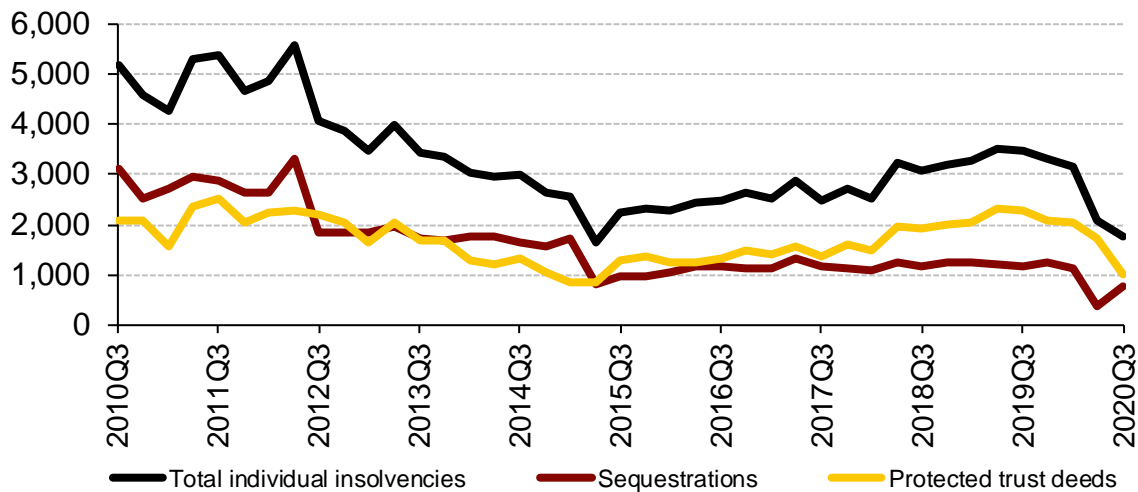


4. Individual insolvency in Scotland

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

In Q3 2020, there were 1,758 total insolvencies in Scotland, a 49% decrease on the same quarter of 2019. This comprised of 759 sequestrations (of which 498 went into sequestration via the minimal asset process route) and 999 protected trust deeds.

Figure 6: Total individual insolvencies decreased in Q3 2020 compared to Q3 2019
Scotland, Q3 2010 to Q3 2020, non-seasonally adjusted^P



Source: Accountancy in Bankruptcy, Scotland

^P Figures for the latest quarter are provisional

In April 2015, the Minimal Asset Process replaced LILA, and other changes affected sequestrations, resulting in a large decrease during Q2 2015.

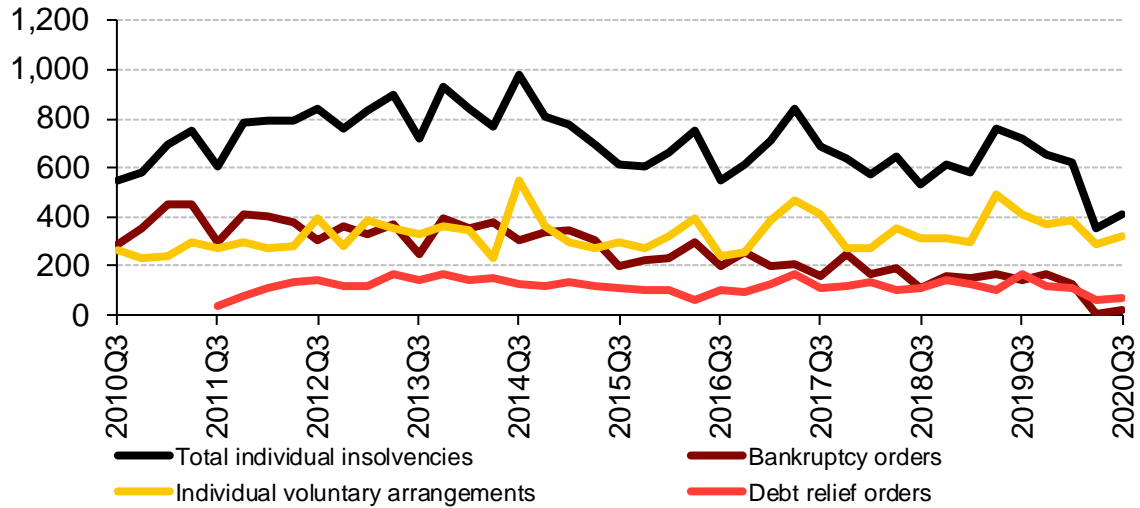


5. Individual insolvency in Northern Ireland

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

In Q3 2020 there were 410 insolvencies, down 43% on the same quarter of 2019. This comprised 325 IVAs, 66 DROs and 19 bankruptcies.

Figure 7: Total individual insolvencies decreased in Q3 2020 compared to Q3 2019
Northern Ireland, Q3 2010 to Q3 2020, non-seasonally adjusted^P



Source: Department of the Economy, Northern Ireland

^P Figures for the latest quarter are provisional



6. Data and Methodology

Data Sources

Individual insolvency data for England and Wales were sourced from the Insolvency Service case information system (ISCIS), data for Scotland were sourced from the Accountant in Bankruptcy (AIB), and data for Northern Ireland from the Department for the Economy.

Population estimates for persons over the age of 18, as published by the [Office for National Statistics](#) were used to calculate individual insolvency rates.

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 individuals entering insolvency in the previous twelve months by the total number of persons aged 18 residing in England and Wales over the corresponding period.

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 ten working days after quarter end. There is an increased likelihood that data on individual insolvencies may be revised in the future due to potential delays in data being entered onto Insolvency Service administration systems. Therefore, these statistics for the latest quarter are provisional and marked with a 'p'.
2. Bankruptcy statistics by employment status, and industry breakdowns for those who were self-employed, are less timely than all other individual insolvency statistics, and are reported one quarter in arrears. This is because it can take several weeks for employment status to be recorded following the date of the bankruptcy order. Therefore, numbers for the latest quarter are not presented due to the known large undercount.

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.

7. Glossary



Key Terms used within this statistical bulletin

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.
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.
Bankruptcy	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. Bankruptcies result from either Debtor application – where the individual is unable to pay their debts, and applies online to make themselves bankrupt, or 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. These statistics relate to petitions where a court order was made as a result, although not all petitions to court result in a bankruptcy order.
Sequestration	Fulfils much the same role in Scotland as bankruptcy in England and Wales.
Protected trust deeds	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.



OGL

© Crown copyright 2020

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>.

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.