The Insolvency Service

Quarterly Company Insolvency Statistics, Q4 October to December 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

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1. 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.

The Insolvency Service separately publishes monthly experimental statistics to provide more up to date information on 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. These Quarterly Statistics are seasonally adjusted to account for seasonal variation in company insolvencies across the year and allow for comparison to the most recent period with in years. Note that the monthly statistics on company 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, 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/

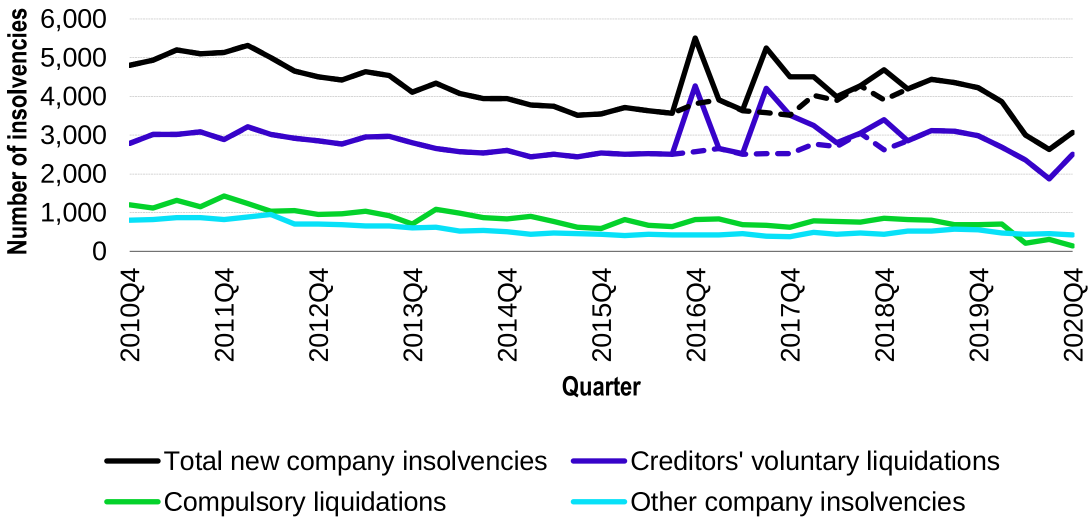
Designation can be broadly interpreted to mean that the statistics meet identified user needs; are well explained and readily accessible; are produced according to sound methods, and are managed impartially and objectively in the public interest.

2. Main messages for England and Wales

Q4 2020 summary: There were 3,071 registered underlying company insolvencies in Q4 2020, an increase of 17% from Q3 2020, driven by a rise in creditors' voluntary liquidations (CVLs) and company voluntary arrangements (CVAs). Other company insolvency procedures saw a decrease in Q4 2020 compared with the previous quarter.

Despite the rise in absolute numbers of company insolvencies between Q3 and Q4 2020, the company liquidation rate per 10,000 active companies fell in the 12 months ending Q4 (29.2) in comparison to the 12 months ending Q3 2020 (32.3). This is because the numbers of all company insolvency procedures were lower in Q4 2020 than in Q4 2019 with the exception of CVAs, though CVA numbers were small relative to other procedures.

Figure 1: Company insolvencies were lower than during the same quarter last year[1,2]
England and Wales, Q4 2010 to Q4 2020, seasonally adjusted[p]



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

[P] Figures for latest quarter are provisional.

[1] Dashed lines exclude bulk insolvencies. See Glossary for more information.

[2] The long-term series prior to Q4 2010 can be found in the excel and csv files that accompany this release.

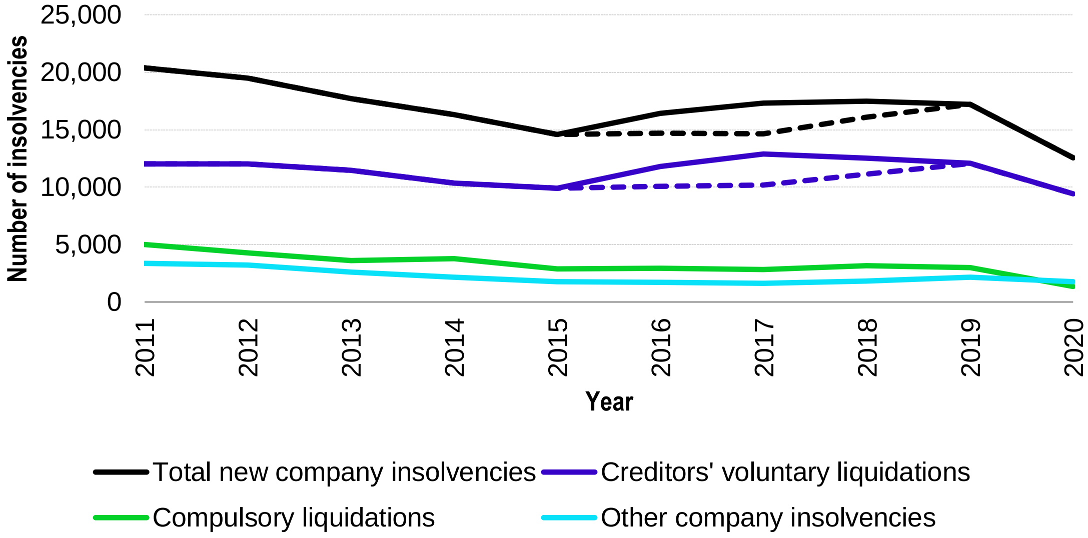
Annual 2020 summary: Whilst the number of underlying company insolvencies was higher in the latest quarter compared to the previous quarter, the total number of registered underlying company insolvencies in 2020 decreased to the lowest annual level since 1989.

There were 12,557 underlying company insolvencies in 2020, a reduction of 27% compared with 2019 numbers. This was largely driven by a low number of underlying CVLs, which reached the lowest annual level since 2007. Compulsory liquidations and CVAs also dropped to the lowest annual levels since 1973 and 1993 respectively.

The company liquidation rate per 10,000 active companies fell in the 12 months ending Q4 2020 (29.2) in comparison to the 12 months ending Q4 2019 (42.1).

Figure 2: Underlying company insolvencies reached the lowest annual level in 2020 since 1989[1,2]

England and Wales, 2011 to 2020[p]



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

[P] Figures for latest quarter, and therefore the latest year, are provisional.

[1] Dashed lines exclude bulk insolvencies. See Glossary for more information.

[2] The long-term series prior to 2011 can be found in the excel and csv files that accompany this release.

The reduction in company insolvencies in 2020 was likely to be at least partly driven by Government measures put in place in response to the coronavirus (COVID 19) pandemic, including:

- reduced HMRC enforcement activity since the first UK lockdown was applied on the evening of 23 March 2020;
- temporary restrictions under the Corporate Insolvency and Governance Act on the use of statutory demands and certain winding-up petitions (which lead to company compulsory liquidations).
- enhanced Government financial support for companies and individuals; and
- advice from financial service regulators 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.

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3. Company insolvency in England and Wales

3.1. 2020 Annual Summary

There were 12,557 underlying company insolvencies in 2020, a 27% decrease on 2019. This decrease was a result of lower numbers of insolvencies across all main insolvency procedures (Table 1).

Table 1: There were fewer underlying company insolvencies in 2020 than 2019, following a decrease in all types of insolvency (except receiverships)[1]

England and Wales 2016-2020[p]

	Company insolvencies	Compulsory Liquidations	CVLs	Administrations	CVAs	Receiverships
2016	16,420	2,930	11,794	1,346	345	5
2017	17,315	2,806	12,884	1,316	307	2
2018	17,454	3,140	12,495	1,463	355	1
2019	17,225	3,001	12,058	1,814	351	1
2020[p]	12,557	1,351	9,418	1,526	259	3
Percentage change, last year (2020) compared with:						
2019	-27%	-55%	-22%	-16%	-26%	-

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

[P] Figures for latest quarter, and therefore for the year, are provisional.

[1] The long-term series prior to 2016 can be found in the excel and csv files that accompany this release.

All company insolvency procedures, except administrative receivership appointments (which remain low), decreased from 2019: underlying CVLs decreased by 22%; compulsory liquidations fell by 55%; administrations fell by 16%; and CVAs were 26% lower. There were just 3 receiverships in 2020, up from 1 in 2019.

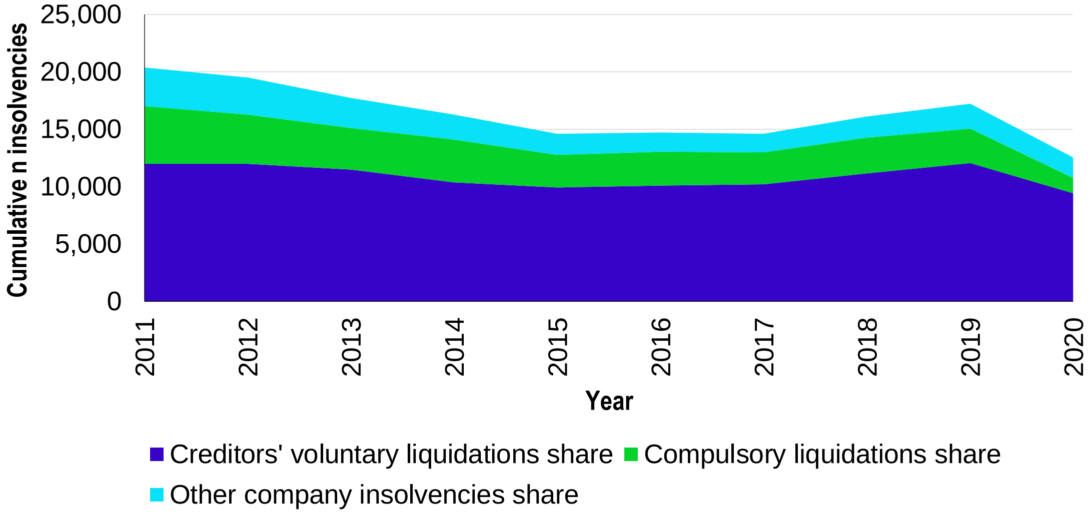
The number of CVLs in 2020 was the lowest seen since 2007. Compulsory liquidations and CVAs also dropped to their lowest annual levels since 1973 and 1993 respectively.

In 2020 CVLs made up 75% of all underlying company insolvencies, compared to 70% in 2019. There was a corresponding decrease in the proportion of company insolvencies made up by compulsory liquidations, from 17% in 2019 to 11% in 2020. Administrations accounted for 12% of all underling company insolvencies, slightly up from 11% in 2019, while the proportion of insolvencies made up by CVAs remained unchanged at 2%.

The reduction in company insolvencies in the latest quarter compared with the same quarter last year was likely to be in part driven by the range of Government support[1] put in place to financially support companies in response to the coronavirus (COVID 19) pandemic. This includes the Corporate Insolvency and Governance Act 2020 that came into force in June 2020 and introduced temporary measures to help protect on businesses during this time of economic uncertainty.

[1] Government support Financial support for businesses during coronavirus (COVID-19): https://www.gov.uk/government/collections/financial-support-for-businesses-during-coronavirus-covid-19

Figure 3: CVLs have continued to drive overall company insolvency trends[1]
England and Wales, 2011 to 2020[p]



Sources: Insolvency Service (compulsory liquidations only); Companies House (all other insolvency procedures)
[P] Figures for latest quarter, and therefore for the year, are provisional.
[1] The long-term series prior to 2011 can be found in the excel and csv files that accompany this release.

3.2. Q4 2020 Summary, Numbers

There were 3,071 company insolvencies in Q4 2020. CVLs were the most common company insolvency procedure (82% of cases), followed by administrations (11% of cases), compulsory liquidations (4% of cases) and CVAs (3% of cases). There were no receiverships (Table 2).

Unlike the monthly statistics, quarterly statistics are seasonally adjusted to account for seasonal variation in insolvencies across the year and allow for comparison to the most recent period within years. The overall number of company insolvencies increased by 17% in Q4 2020 compared with Q3 2020 but was 27% lower than during the same quarter in the previous year.

Table 2: Overall company insolvencies remain low[1]
England and Wales, Q4 2019 to Q4 2020, seasonally adjusted, underlying insolvencies only[p]

	Company insolvencies	Compulsory Liquidations	CVLs	Administrations	CVAs	Receiverships[2]
2019Q4	4,231	692	2,990	472	77	0
2020Q1	3,857	707	2,678	402	69	1
2020Q2	3,001	205	2,360	388	47	1
2020Q3	2,628	302	1,870	392	63	1
2020Q4[p]	3,071	137	2,510	345	80	0
Percentage change, latest quarter (2020 Q4) compared with:						
2020Q3	17	-55	34	-12	27	-
2019Q4	-27	-80	-16	-27	4	-

Sources: Insolvency Service (compulsory liquidations only); Companies House (all other insolvency procedures)
[P] Figures for latest quarter are provisional.
[1] The long-term series prior to Q4 2019 can be found in the excel and csv files that accompany this release.
[2] Receivership appointments are now rare - see glossary for further details. Due to small numbers percentage changes were not calculated.

CVLs: The overall increase in company insolvencies in Q4 2020 from the previous quarter was mainly driven by a rise in CVLs which accounted for three quarters of all company insolvencies. These increased by 34% from Q3 2019, although remain 16% lower than during the same quarter last year.

Compulsory liquidations: The number of compulsory liquidations in Q4 2020 was lower than numbers in both the previous quarter and the same quarter of 2019 (-55% and -80% lower respectively).

Administrations: The number of administrations in Q4 2020 was lower than the numbers in both the previous quarter and the same quarter of the 2019 (-12% and -27% respectively).

CVAs: The number of CVAs was higher in Q4 2020 than in Q3 2020 and Q4 2019 (+27% and +4% respectively). However, numbers of CVAs are relatively low so growth rates are susceptible to volatility.

Receivership appointments: There were no receiverships in Q4 2020, in contrast to one in each of the previous 3 quarters.

The Corporate Insolvency and Governance Act 2020 that came into force on 26 June 2020 introduced new measures to support businesses including: a new moratorium to give companies breathing space from their creditors while they seek a rescue, and a new Companies Act procedure, known as a restructuring plan that allows companies to restructure unmanageable debt. The aim behind both measures is to rescue eligible companies as a going concern where possible, rather than entering an insolvency procedure.

Between 26 June and 31 December 2020, four companies had obtained a moratorium and two companies had a restructuring plan sanctioned by the court. The low number of cases of each of these new legislative tools since the Act came into force is likely to be as a result of the range of Government support provided to companies as mentioned above. Moratoriums and restructuring plans are not formal insolvency procedures and are therefore not presented in the accompanying tables.

3.3. Q4 2020 Summary, liquidation rates per 10,000 active companies

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. As the rates are calculated as a proportion of the total number of active companies, they are more comparable over longer time periods than the absolute numbers. Note that the rate of liquidation may increase while the absolute number decreased (or vice versa), if there has been a sufficiently large change in the number of active companies.

The rates presented for each quarter reflect a 4-quarter rolling rate per 10,000 active companies. Therefore, the Q2 2020 rates, for example, were calculated using data covering the period Q3 2019 to Q2 2020.

In the four quarters ending Q4 2020, the company liquidation rate was 29.2 per 10,000 active companies in England and Wales (Table 3). This corresponds to 1 in 342 companies becoming liquidated in the 12 months ending Q4 2020.

Table 3: The rate of underlying company insolvencies during Q4 2020 was lower than during the previous quarter and Q4 of the previous year[1,2]
England and Wales, 4-quarter rolling rate per 10,000 active companies[p]

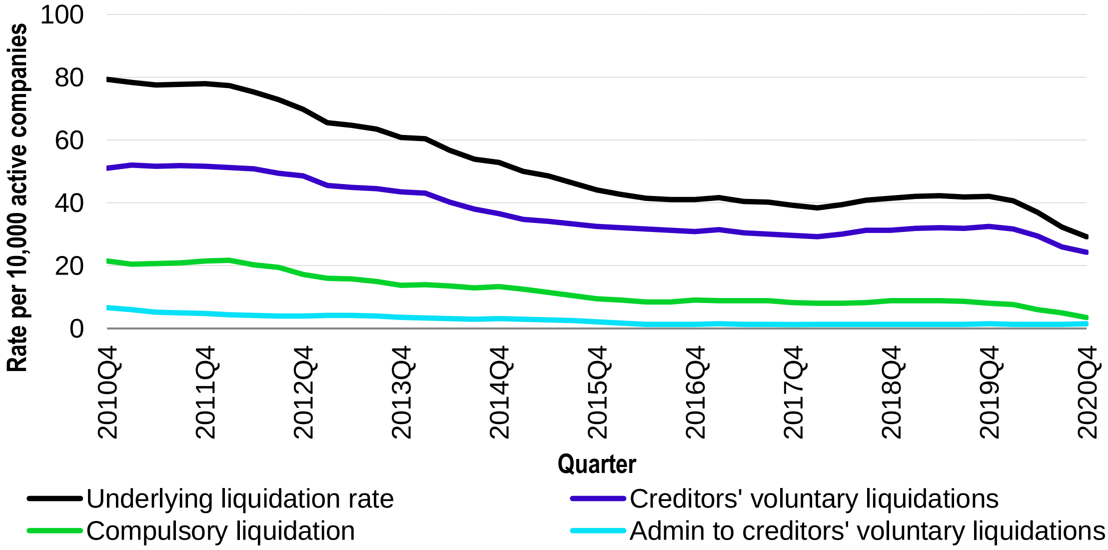
	Company insolvencies	Compulsory Liquidations	CVLs	CVL following Administration[3]
2019Q4	42.1	8.1	32.6	1.4
2020Q1	40.7	7.7	31.6	1.3
2020Q2	37.0	6.1	29.5	1.4
2020Q3	32.3	5.0	25.9	1.3
2020Q4	29.2	3.5	24.3	1.5
Change in rate per 10,000 active companies, 12 months ending latest quarter (2020 Q4) compared with:				
2020Q3	-3.1	-1.5	-1.6	0.1
2019Q4	-12.9	-4.6	-8.3	0.02

Source: Insolvency Service (compulsory liquidations only); Companies House (all other insolvency procedures)
[P] Figures for latest quarter are provisional.
[1] Change in rate numbers may not equal the difference in rates presented due to rounding.
[2] The long-term series prior to Q4 2019 can be found in the excel and csv files that accompany this release.
[3] Numbers of CVLs following administration are not presented in Table 1 since they are not new insolvency procedures, and are counted as administrations. However, these numbers can be found in the accompanying excel file.

The overall rate of company insolvency for the four quarters ending Q4 2020 was lower than the rates of company insolvency for both Q3 2020 and Q4 2019.

In the four quarters ending Q4 2020:
- The rate of compulsory liquidation fell by 1.5 from Q3 2020, and by 4.6 from Q4 2019;
- the rate of CVLs fell by 1.6 from Q3 2020, and by 8.3 from Q4 2019; and
- the rate of CVLs after administration increased by just 0.1 from Q3 2020 and the difference between the latest quarter and Q4 2019 was 0.02.

Figure 4: The underlying liquidation rate fell in the 12 months ending Q4 2020[1,2]
England and Wales, 4-quarter rolling rate per 10,000 active companies, not seasonally adjusted[p]

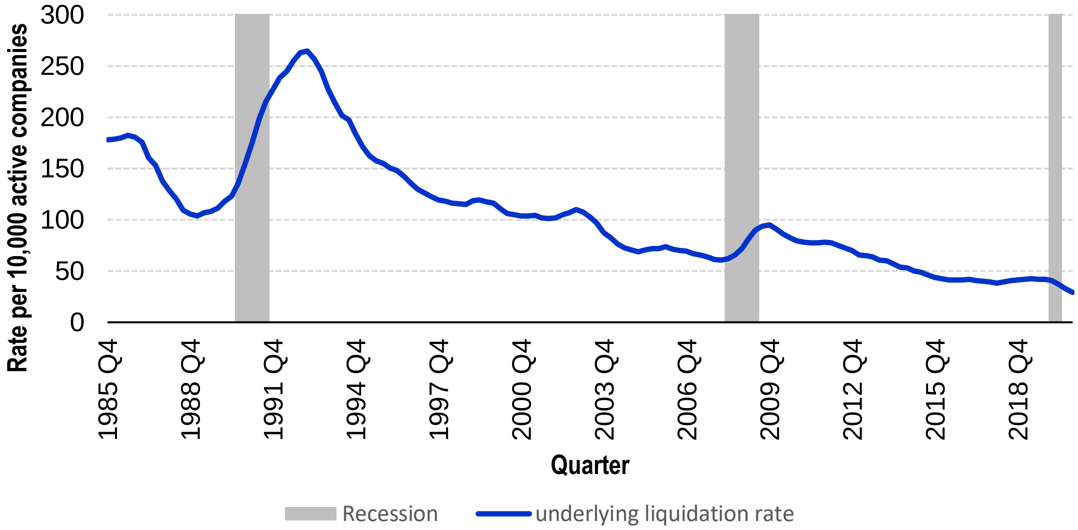


Sources: Insolvency Service (compulsory liquidations only); Companies House (all other insolvency procedures)
[p] Figures for the latest quarter are provisional
[1] Excludes any bulk insolvencies
[2] The long-term series prior to Q4 2010 can be found in the excel and csv files that accompany this release.

Historically, changes in company liquidation rates have been related to economic conditions: in periods of economic growth, liquidation rates typically tend to decrease. In recent history the liquidation rate peaked 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, with a peak in the 12 months ending December 2009 (see Figure 5). However, the recent recession coinciding with the coronavirus pandemic has not followed this trend, most likely a result, at least in part, by the Government measures taken to support business.

Figure 5: Liquidation rate tends to increase during and immediately after periods of recession.

England and Wales, 4-quarter rolling rate per 10,000 active companies 1985 to 2020, not seasonally adjusted[p]. Grey bars show periods of recession.



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

[p] Figures for the latest quarter are provisional

3.4. Company insolvencies by industry

The following analysis excludes insolvencies where the industry 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 3 industries that experienced the highest number of insolvencies in the 12 months ending Q4 2020 were:

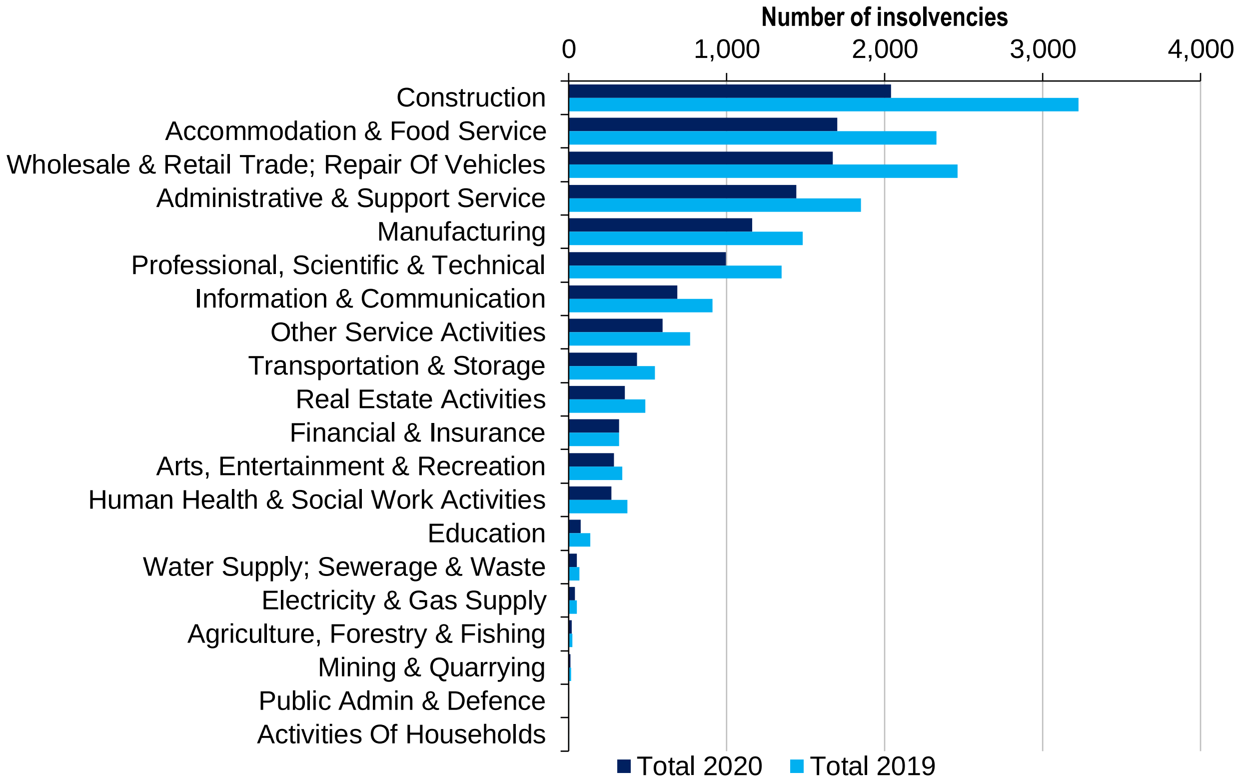
- the construction industry (2,042 insolvencies, 16% of cases with industry captured);
- the accommodation and food services grouping (1,701 insolvencies,14% of cases with industry captured); and
- the wholesale and retail trade; repair of vehicles industrial grouping (1,673 insolvencies, 13% of cases with industry captured).

Historically, the construction industry tends to have the highest quarterly level of insolvencies of any industrial grouping.

Decreases in insolvencies were seen across most industries in the previous 4 quarters compared to the 12 months ending Q4 2019, as shown in Figure 6. Notably, insolvencies in the construction industry were 37% lower than during the 12 months ending Q4 2019

Figure 6: Most industries saw fewer insolvencies in 2020 than in 2019[1]

England and Wales, 2019 and 2020, non-seasonally adjusted[p]



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

[p] Figures are provisional

[1] Chart excludes insolvencies from “other” industries, which includes those with no known SIC code, dormant and non-trading companies (250 in 2020, compared to 339 in 2019).

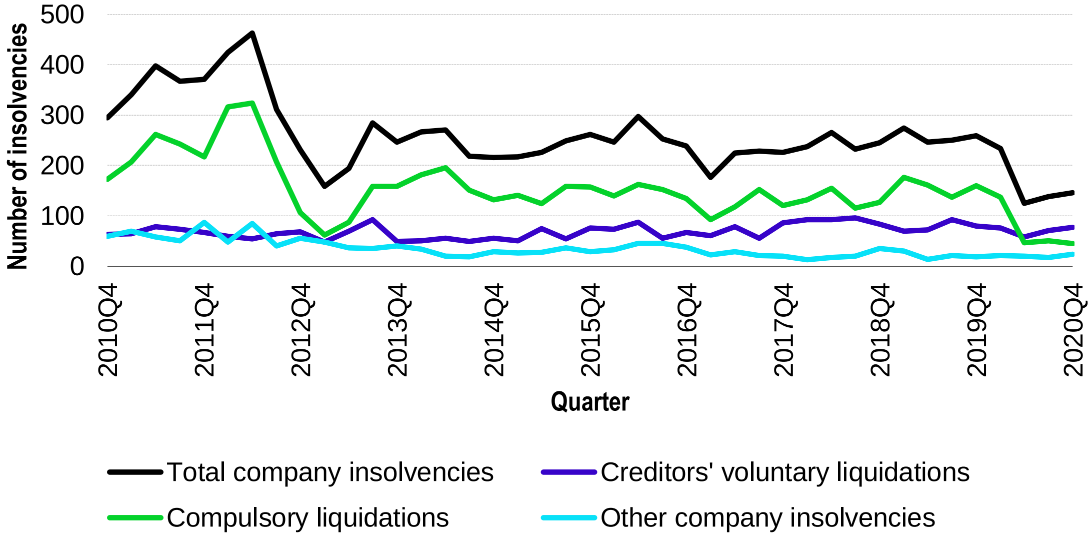
4. Company insolvency in Scotland

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

In Q4 2020, there were 146 total insolvencies in Scotland, 44% lower than during the same quarter of 2019. This comprised 45 compulsory liquidations, 77 CVLs, 23 administrations and 1 receivership. There were no CVAs.

Figure 7: Company insolvencies were lower in Q4 2020 than in the same quarter last year

Scotland, Q4 2010 to Q4 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, in the last 3 quarters there have been fewer compulsory liquidations than CVLs.

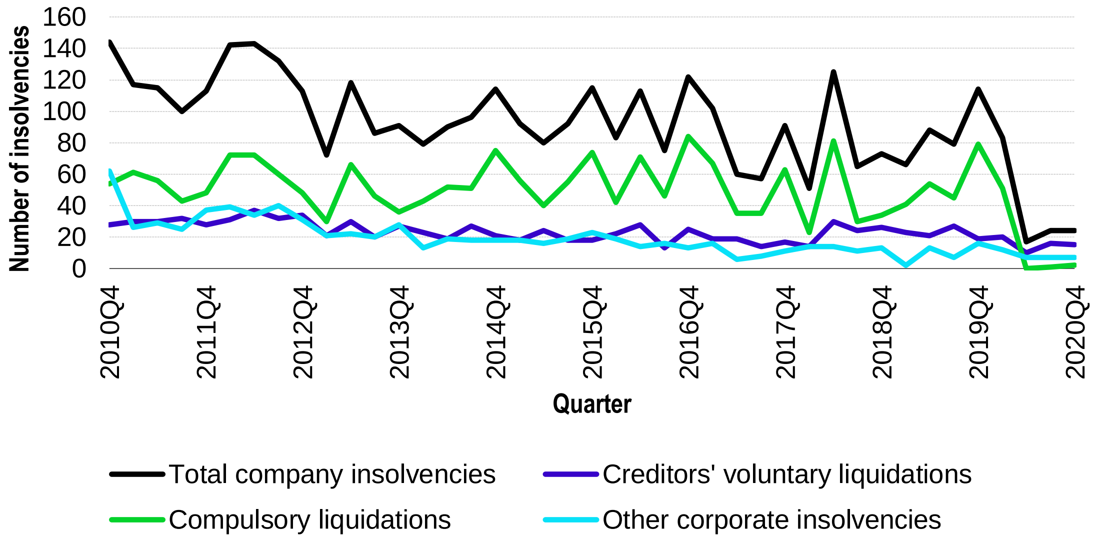
5. Company insolvency in Northern Ireland

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 24 company insolvencies in Northern Ireland in Q4 2020, a fall of 79% on the same quarter of 2019. This comprised 15 CVLs, 1 administration, 6 CVAs and 2 compulsory liquidations. There were no administrative receiverships.

Figure 8: Company insolvencies were 79% lower in Q4 2020 than in the same quarter last year

Northern Ireland, Q4 2010 to Q4 2020, not seasonally adjusted[p]



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

p. Figures for the latest quarter are provisional

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. Additionally, population estimates of companies on the active register were sourced from Companies House.

Companies House data[2] 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 September 2020, due to differing methodologies including seasonal adjustment. 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.

[2] 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.

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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.
Moratorium	Moratoriums were introduced under the Corporate Insolvency and Governance Act 2020 to give struggling businesses formal breathing space in which to explore rescue and restructuring options, free from creditor or other legal action. Except in certain circumstances, no insolvency proceedings can be instigated against the company during the moratorium period. It also prevents legal action being taken against a company without permission from the court.
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. The use of this procedure is restricted to certain types of company, or to floating charges, created before September 2003.

Restructuring Plan	New restructuring measures were introduced under the Corporate Insolvency and Governance Act 2020 to support viable companies struggling with unmanageable debt obligations to restructure under a new procedure. They allow the court to sanction a plan that binds creditors to a restructuring plan if it is fair and equitable. Creditors vote on the plan, but the court can impose it on dissenting classes of creditors ('cram down') provided that the necessary conditions are met.
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