



Quarterly Individual Insolvency Statistics, Q4 October to December 2020

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1. 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 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 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.



2. Main messages for England and Wales

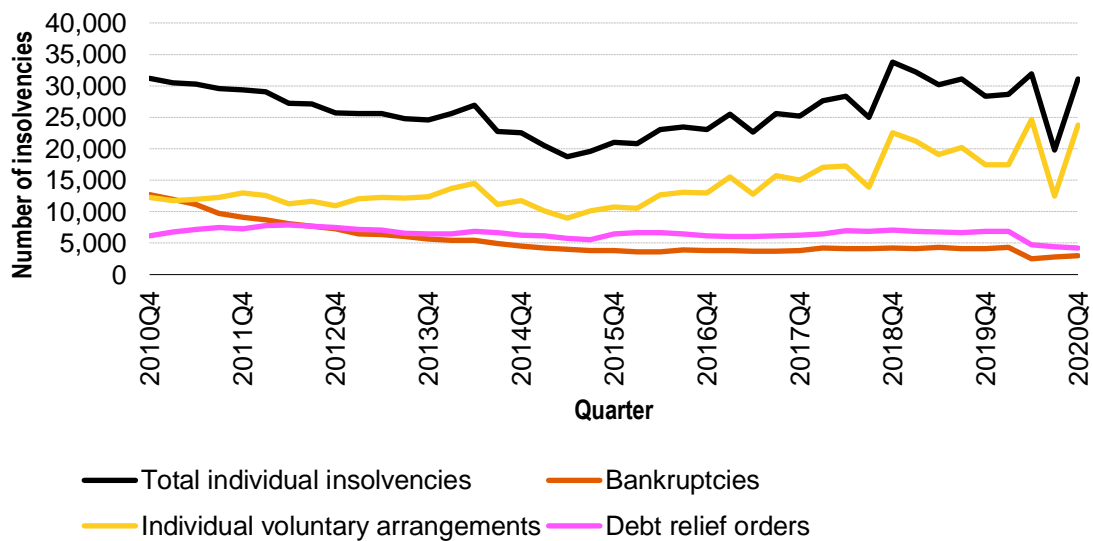
Q4 2020 summary: There were 31,059 individual insolvencies in Q4 2020, an increase of 57% from Q3 2020, driven by a rise in the number of registered individual voluntary arrangements (IVAs). The rate of individual insolvency per 10,000 adults also increased in the 12 months ending Q4 2020 (23.8) in comparison to the 12 months ending Q3 2020 (23.2).

The number of bankruptcies was slightly higher in Q4 2020 than in Q3 2020, but numbers of bankruptcies each quarter since Q2 2020 have continued to be the lowest seen since 1991.

The number of Debt Relief Orders (DROs) was lower in Q4 2020 compared with both Q3 2020 and Q4 2019, and was the lowest quarterly number seen in over a decade.

Figure 1: Total individual insolvencies increased in Q4 2020¹

England and Wales, Q4 2010 to Q4 2020, seasonally adjusted^P



Source: Insolvency Service

^P Figures for latest quarter are provisional.

¹ 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 individual insolvencies increased in the latest quarter compared to the previous quarter, there were fewer total individual insolvencies in 2020 than in the previous year.

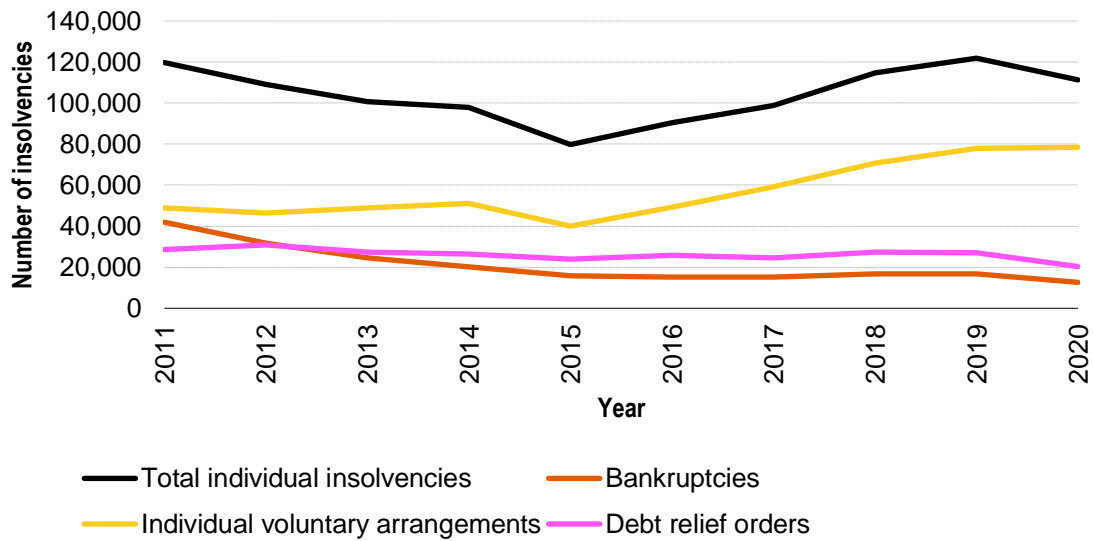
There were 111,424 individual insolvencies in 2020, a reduction of 9% compared with 2019 numbers. The rate of individual insolvency per 10,000 adults also decreased in the 12 months ending Q4 2020 (23.8) in comparison to the 12 months ending Q4 2019 (26.2).

The lower number and rate of individual insolvency in 2020 was driven by the low volumes of bankruptcies and DROs which both decreased by 25% from the previous year.

The number of registered IVAs in 2020 was higher than the number registered in 2019, though the increase from the previous year was small (1%) and the rate of IVAs per 10,000 adults was the same for the 12-months ending Q4 2020 and Q4 2019.



Figure 2: Total individual insolvencies decreased compared to the previous year¹
England and Wales, 2011 to 2020^P



Source: Insolvency Service

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

¹ The long-term series prior to 2011 can be found in the excel and csv files that accompany this release.

The reduction in overall individual insolvencies in 2020 is 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;
- 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.



3. Individual insolvency in England and Wales

3.1. 2020 Annual Summary

There was a total of 111,424 individual insolvencies in 2020, a decrease of 9% compared to 2019. This decrease was driven by a 25% reduction of both bankruptcies and DROs.

Table 1: There were fewer individual insolvencies in 2020 than 2019, driven by a decrease in bankruptcies and DROs¹

England and Wales 2016 to 2020^P

	Total individual insolvencies	Bankruptcies	Debt relief orders	Individual voluntary arrangements
2016	90,270	15,049	25,953	49,268
2017	98,897	15,106	24,697	59,095
2018	114,746	16,640	27,421	70,685
2019	121,882	16,741	27,179	77,962
2020 ^P	111,424	12,625	20,321	78,478
Percentage change, last year (2020) compared with:				
2019	-9%	-25%	-25%	1%

Source: Insolvency Service

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

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

Numbers of bankruptcies in 2020 were the lowest since 1990, and DRO numbers were the lowest since they were introduced in 2009. Prior to 2020, bankruptcies had remained relatively stable since 2015, with between 15,000 and 17,000 per year. DROs had remained stable since 2012, with between 24,000 and 28,000 annually.

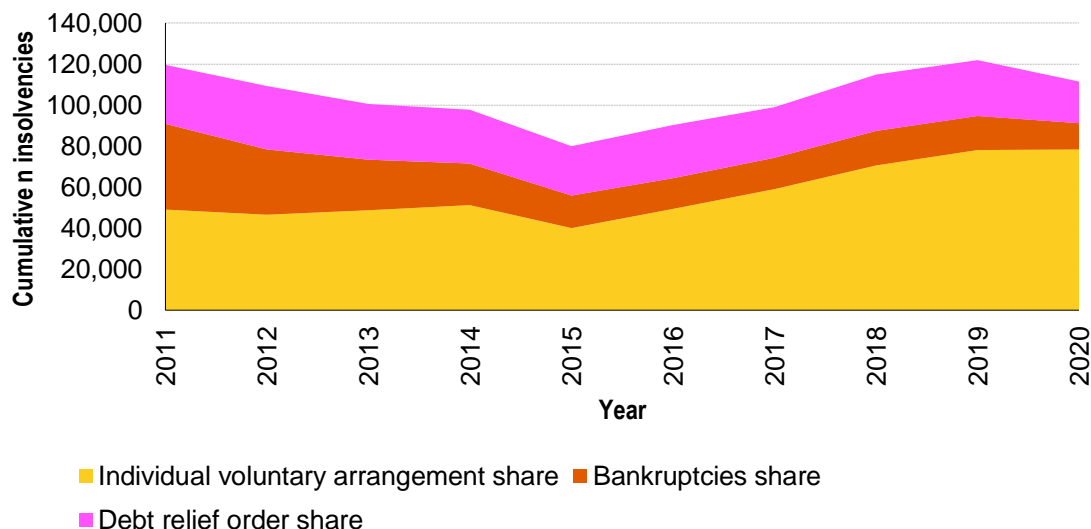
The annual number of registered IVAs in 2020 from the previous year, though the percentage increase from 2019 was small (just 1%). This is in contrast to the previous four years where IVAs had been increasing year-on-year by 10-20%.

IVAs accounted for 70% of all individual insolvencies in 2020, up from 64% in 2019 when they made up 64% of all individual insolvencies. However, the increase in the proportion of IVAs in 2020 was predominantly driven by the reduction numbers of bankruptcies and DROs more than the increase in IVAs. Bankruptcies and DROS each accounted for a smaller proportion of individual insolvencies in 2020 (11% and 18% respectively) compared to in 2019 (14% and 22% respectively).



Figure 3: IVAs have been the most common type of individual insolvency over the past decade¹

England and Wales, 2011 to 2020^P



Source: Insolvency Service

^P Figures for latest quarter, and therefore the latest 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 31,059 total individual insolvencies in Q4 2020. IVAs were the most common individual insolvency procedure (77% of cases), followed by DROs (14%) and bankruptcies (10%).

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. Total numbers of individual insolvencies in Q4 2020 increased by 57% from Q3 2020, and were 9% higher than in the same quarter in the previous year.

Table 2: The number of registered IVAs in Q4 2020 was higher, while Bankruptcies and DROs were lower, than Q4 2019¹

England and Wales, Q4 2019 to Q4 2020, seasonally adjusted^P

	Total individual insolvencies	Bankruptcies	Debt relief orders	Individual voluntary arrangements
2019Q4	28,391	4,125	6,856	17,409
2020Q1	28,659	4,308	6,861	17,491
2020Q2	31,951	2,510	4,781	24,660
2020Q3	19,755	2,783	4,456	12,515
2020Q4	31,059	3,024	4,223	23,812
Percentage change, latest quarter (2020 Q4) compared with:				
2020Q3	57	9	-5	90
2019Q4	9	-27	-38	37

Source: Insolvency Service

^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.

IVAs: The increase in individual insolvencies in Q4 2020 was driven by IVAs that increased by 90% from Q3 2020. However, some caution needs to be applied when interpreting the IVA

numbers. 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. Changes in volumes of registered IVAs may be due in part due to changes in how these firms operate.

Bankruptcies: The number of bankruptcies in Q4 2020 increased by 9% from the previous quarter. However, numbers were 27% lower than during the same quarter last year and numbers in each quarter since Q2 2020 have been the lowest seen since 1990.

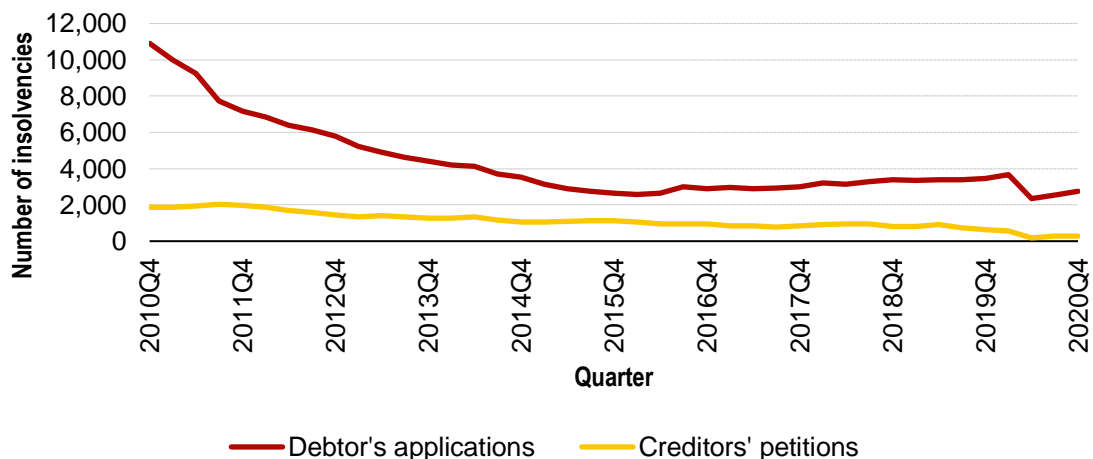
Bankruptcies consisted of:

- 2,736¹ debtors' applications, which was 7% higher than Q3 2020 but 21% lower than Q4 2019,
- 280¹ creditors' petitions, which increased by 2% on Q3 2020 but was 56% lower than in Q4 2019, see Figure 4.

Numbers of debtors' applications and creditors' petitions were both amongst the lowest seen since 1998 when data on petition type started to be captured.

Figure 4: Both Bankruptcies made on debtor's application and creditor's increased in the last quarter but remain historically low¹

England and Wales, Q4 2010 to Q4 2020, seasonally adjusted^P



Source: Insolvency Service

^P Figures for latest quarter are provisional.

¹ The long-term series prior to Q4 2010 can be found in the excel and csv files that accompany this release.

DROs: The number of DROs decreased by 5% in Q4 2020 compared with the previous quarter, and was 38% lower than during 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. Q4 2020 saw the lowest number of DROs in any quarter since this initial period.

The fall in DROs and debtor bankruptcies in the last three 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.

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.



The fall in creditor bankruptcies since April 2020, will likely have been at least partly driven by reduced HMRC enforcement activity during this period².

3.3. Q4 2020 Summary, Rates per 10,000 adults

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. As the rates are calculated as a proportion of the total number of adults, they are more comparable over longer time periods than the absolute numbers. However, this means that during some quarters, the absolute number of insolvencies can increase, while the rate decreases (or vice versa), if there is a sufficiently large change in the population size.

The rates presented for each quarter reflect a 4-quarter rolling rate per 10,000 adults. 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 individual insolvency rate was 23.8 per 10,000 adults in England and Wales. This corresponds to 1 in 420 adults having become insolvent in the 12 months ending Q4 2020.

The overall rate of individual insolvency for the four quarters ending Q4 2020 was higher than for Q3 2020, driven by the higher rate of IVAs in the quarter. However, the Q4 2020 rate of individual insolvency was lower than for Q4 2019.

Table 3: The rate of total individual insolvencies during Q4 2020 was lower than the rate during the same quarter in the previous year¹

England and Wales, 4-quarter rolling rate per 10,000 adults^P

	Total individual insolvencies	Bankruptcies	Debt relief orders	Individual voluntary arrangements
2019Q4	26.2	3.6	5.8	16.8
2020Q1	25.4	3.6	5.8	16.0
2020Q2	25.9	3.2	5.4	17.2
2020Q3	23.2	2.9	4.9	15.4
2020Q4	23.8	2.7	4.3	16.8
Change in rate per 10,000 adults, 12 months ending latest quarter (2020 Q4) compared with:				
2020Q3	0.6	-0.2	-0.6	1.4
2019Q4	-2.4	-0.9	-1.5	0.0

Source: Insolvency Service

^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.

In the four quarters ending Q4 2020:

- The IVA insolvency rate increased by 1.4 in comparison to Q3 2020, but was the same as Q4 2019;
- the rate of bankruptcy fell by 0.2 from Q3 2020, and by 0.9 from Q4 2019; and
- the rate of DROs fell by 0.6 from Q3 2020, and by 1.5 from Q4 2019.

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

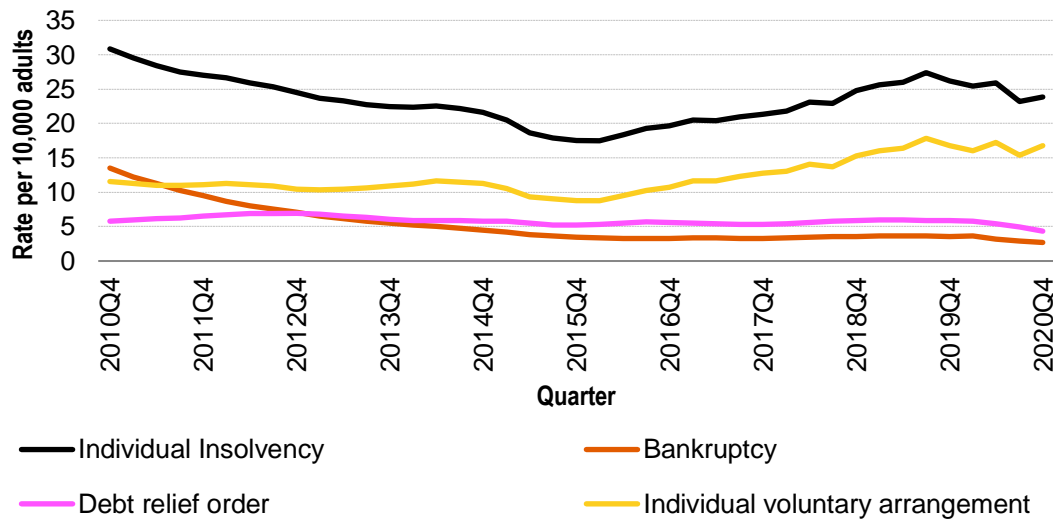
² Dear Insolvency Practitioner, Issue 95 -

https://content.govdelivery.com/attachments/UKIS/2020/04/03/file_attachments/1418579/Dear%20IP%20Issue%2095%20April%202020.pdf.

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.

Figure 5: The individual insolvency rate rose slightly in Q4 2020 in comparison to Q3 2020¹

England and Wales, 4-quarter rolling rate per 10,000 adults, not seasonally adjusted^P



Source: Insolvency Service

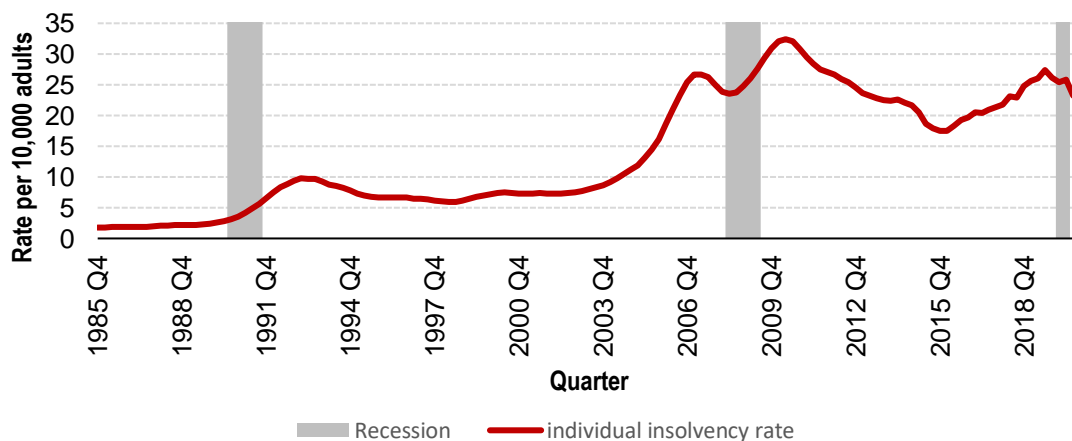
^P Figures for latest quarter are provisional.

¹ The long-term series prior to Q4 2010 can be found in the excel and csv files that accompany this release.

Historically, changes in individual insolvency rates have been related to economic conditions. Insolvency rates increased during and following previous recessions (ending in 1993 and 2009) as shown in 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 discussed above.

Figure 6: Individual insolvencies tend to increase during, and immediately following, periods of recession.

England and Wales, Q4 1985 to Q4 2020^P



Source: Insolvency Service

^P Figures for the latest quarter, and therefore the latest year, are provisional



3.4. Bankruptcies by self-employment status

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.

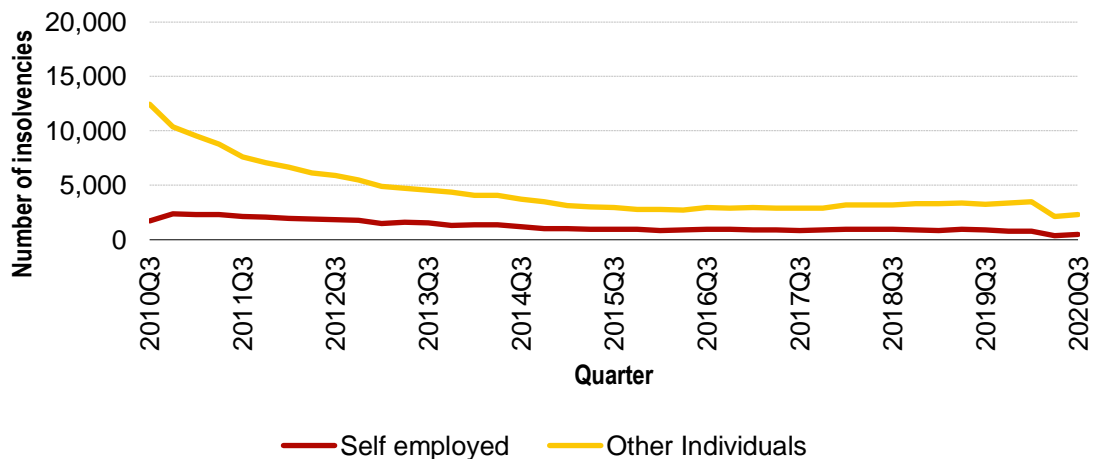
In Q3 2020, there were 464 bankruptcies where the individual was self-employed, an increase of 23% on Q2 2020 but 48% lower than the same period last year.

There were 2,335 bankruptcies among other individuals in Q3 2020, an increase of 9% compared with the previous quarter but 28% lower than the same quarter of the previous year.

Whilst bankruptcies amongst the self-employed and other individuals increased from the previous quarter, they both remain historically low. Q2 2020 saw the lowest levels of bankruptcies in both groups since self-employment status was recorded in 2003. In Q3 2020, bankruptcies for both the self-employed and other individuals were the second lowest on record.

Figure 6: Bankruptcies for the self-employed and other individuals both increased in Q3 2020¹

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



Source: Insolvency Service

^P Figures for latest quarter are provisional.

¹ The long-term series prior to Q3 2010 can be found in the excel and csv files that accompany this release.

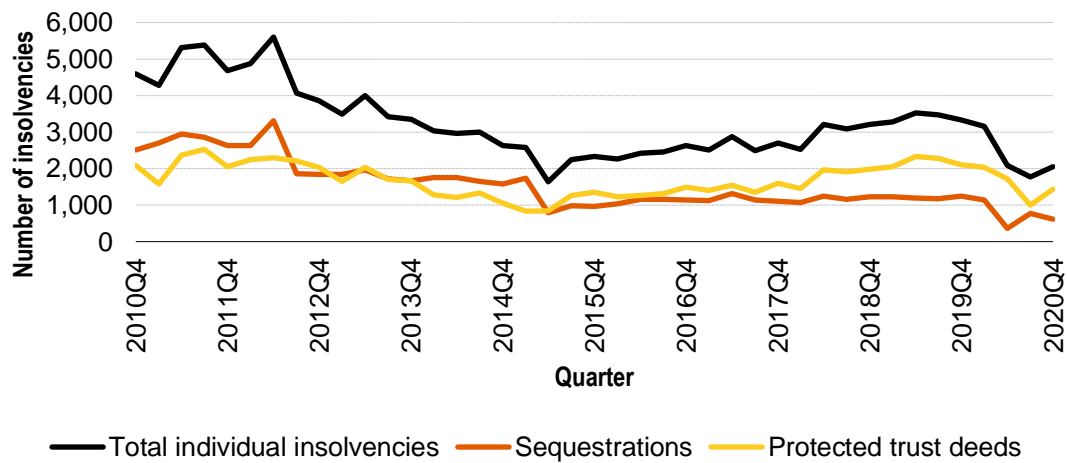


4. Individual insolvency in Scotland

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

In Q4 2020, there were 2,053 total insolvencies in Scotland, 38% lower than during the same quarter of 2019. This comprised of 623 sequestrations (of which 428 went into sequestration via the minimal asset process route) and 1,430 protected trust deeds.

Figure 7: Total individual insolvencies were lower in Q4 2020 than in Q4 2019¹
Scotland, Q4 2010 to Q4 2020, non-seasonally adjusted^P



Source: Accountancy in Bankruptcy, Scotland

^P Figures for latest quarter are provisional.

¹ The long-term series prior to Q4 2010 can be found in the excel and csv files that accompany this release.

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



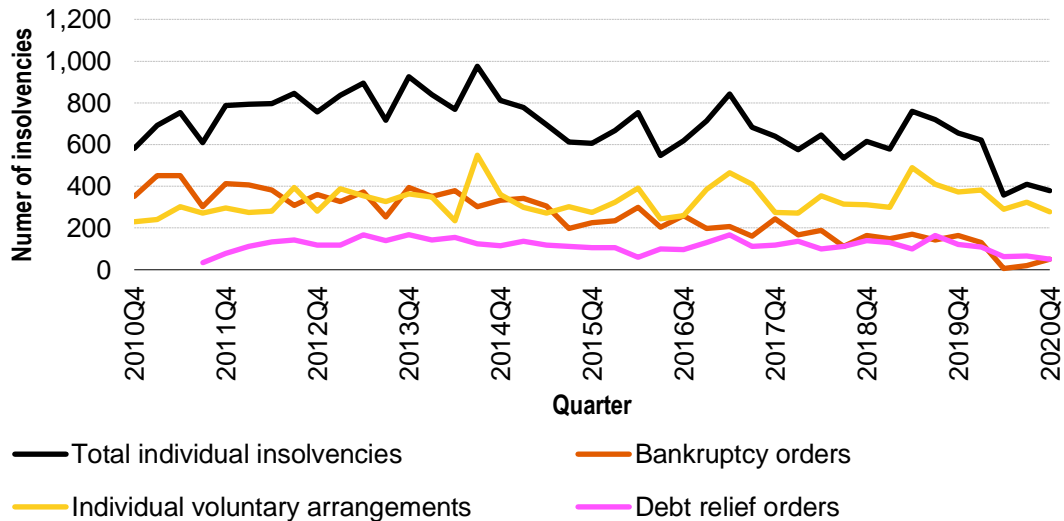
5. Individual insolvency in Northern Ireland

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

In Q4 2020 there were 378 insolvencies, down 42% on the same quarter of 2019. This comprised 278 IVAs, 50 DROs and 50 bankruptcies.

Figure 8: Total individual insolvencies were lower in Q4 2020 than in Q4 2019

Northern Ireland, Q4 2010 to Q4 2020, non-seasonally adjusted^P



Source: Department of the Economy, Northern Ireland

^P Figures for latest quarter are provisional.

¹ The long-term series prior to Q4 2010 can be found in the excel and csv files that accompany this release.



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 five 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

Bankruptcy	A form of debt relief available for anyone who is unable to pay their debts. Assets are sold and the proceeds distributed to creditors. Discharge from debts is usually granted. Bankruptcies result from either Debtor application – where the individual makes themselves bankrupt, or Creditor petition – if a creditor is owed £5,000 or more and the individual is bankrupt. These statistics relate to petitions where a court order was made in a bankruptcy order.
Debt Relief Order (DRO)	A form of debt relief available to those who have a low income, low assets and few creditors, and discharge from debts takes place 12 months after the DRO is granted.
Deed of Arrangement	An alternative way for a debtor to deal with their affairs than entering into bankruptcy . Deeds of arrangement require the approval of a simple majority of creditors in number and a meeting of creditors to be held. However, such deeds are rarely used, as they can be vetoed or presented by a non-consenting creditor.
Income payment orders (IPOs) and agreements (IPAs)	If a Bankrupt has a higher income than needed to pay for their reasonable day-to-day living expenses, the court can ask them to make payments towards their Bankruptcy Estate for the benefit of creditors. Debtors can choose to enter into an Income Payments Agreement (IPA) and if the Bankrupt refuses to do so, the court can apply to the Court for an Income Payments Order (IPO).
Individual Voluntary Arrangement (IVA)	A voluntary means of repaying creditors some or all of what they are owed. Once approved, the arrangement is binding on all. IVAs are supervised by licensed Insolvency Practitioners.
Protected trust deeds	Protected trust deeds are voluntary arrangements in Scotland and fulfil much the same role as bankruptcy. There are differences in the way they are set up and administered, meaning the rules are different from those provided for England and Wales.
Sequestration	Fulfills much the same role in Scotland as bankruptcy in England and Wales. On 1 April 2008, Part 1 of the Bankruptcy and Diligence etc. (Scotland) Act 2007 introduced aspects of sequestration (bankruptcy), debt relief and debt enforcement in Scotland. This included bankruptcy for people with low income and low assets (LILA). On 1 April 2015, part of the Bankruptcy and Debt Advice (Scotland) Act came into force, which introduced sequestration (bankruptcy). This included the introduction of the Minimal Asset Process (MAP) for sequestration; mandatory debt advice for people seeking statutory debt relief; a new requirement for an additional year for people to make contributions to repaying their debts (increased from 6 months to 12 months for trust deeds).



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