

National Insolvency Statistics Update: The United Kingdom

Frances Coulson, Partner, Head of Insolvency & Restructuring, Wedlake Bell LLP and INSOL Europe Country Coordinator has summarised recent statistics in the UK.



On 28th July 2023, the Insolvency Service in England published its latest insolvency statistics for the period April to June 2023. Insolvency Service Official Statistics - GOV.UK (www.gov.uk) The announcement only relates to corporate insolvencies.

Corporate insolvency rates have risen sharply being "the highest since Q2 2009 and 9% higher than in Q1 2023 and 13% higher than in Q2 2022".

A large proportion of these insolvencies are voluntary 'shut downs' of smaller businesses by directors and shareholders -creditors voluntary liquidations ("CVLs"). The number of CVLs was the highest quarterly level since the earliest publication of these statistics in 1960.

Overall there were 6,342 (seasonally adjusted) registered company insolvencies, according to the government, comprising 5,240 creditors' voluntary liquidations, 637 compulsory liquidations (petitions largely by HM Revenue & Customs who are continuing to get their petitions back up to pre pandemic rates), 409 administrations and 56 company voluntary arrangements (CVAs).

It is apparent that in the UK more and more businesses are struggling to make ends meet. This is hardly a surprise given that their outgoings have increased with significant rises in overheads due to inflation and in the cost of debt servicing due to persistent increases in interest rates. Wage pressures are a major issue. Their customers are being squeezed for similar reasons which will in turn lead to slower payment.

Of course anecdotally, lots of businesses have been teetering on the brink of insolvency for a several years, impacted by Covid and other market challenges. Inflation and interest rate increases it appears are now pushing them over the edge. Companies are "throwing in the towel".

There is no obvious light at the end of the tunnel, at least not in the short term. However, for the optimists amongst us, the UK rate of inflation dropped a little in June and the Bank of England raised the base rate on 3rd August 2023 again, determined to keep working to reduce inflationary pressures. It seems likely that rate rises will continue but it is to be hoped they can start to drop in 2024. Furthermore it is possible that this increase in insolvencies will be finally clearing out some of the so called "zombie companies" which have limped along (some since the financial crisis of 2008) managing to keep going because of low interest rates and costs. This might well be a good thing in the medium term improving the business and competitiveness of better quality companies.

Further statistics from The UK and from other jurisdictions can be found on our website [here](#).