The Insolvency Service

Company insolvency statistics, Q1 January to March 2019

Released
9.30am, 30th April 2019

Next released
9.30am, 30th July 2019

Media enquiries
Michael Gibbs
+44 (0)20 7637 6304

Statistical enquiries
Michael McDaid (author)
statistics@insolvency.gov.uk
Neil Currie (responsible statistician)

Contents

We are seeking feedback

This quarter, we have implemented changes to the statistics that we proposed in October 2018.

We have split individual insolvencies and company insolvencies into 2 separate publications and made formatting and style change to the content.

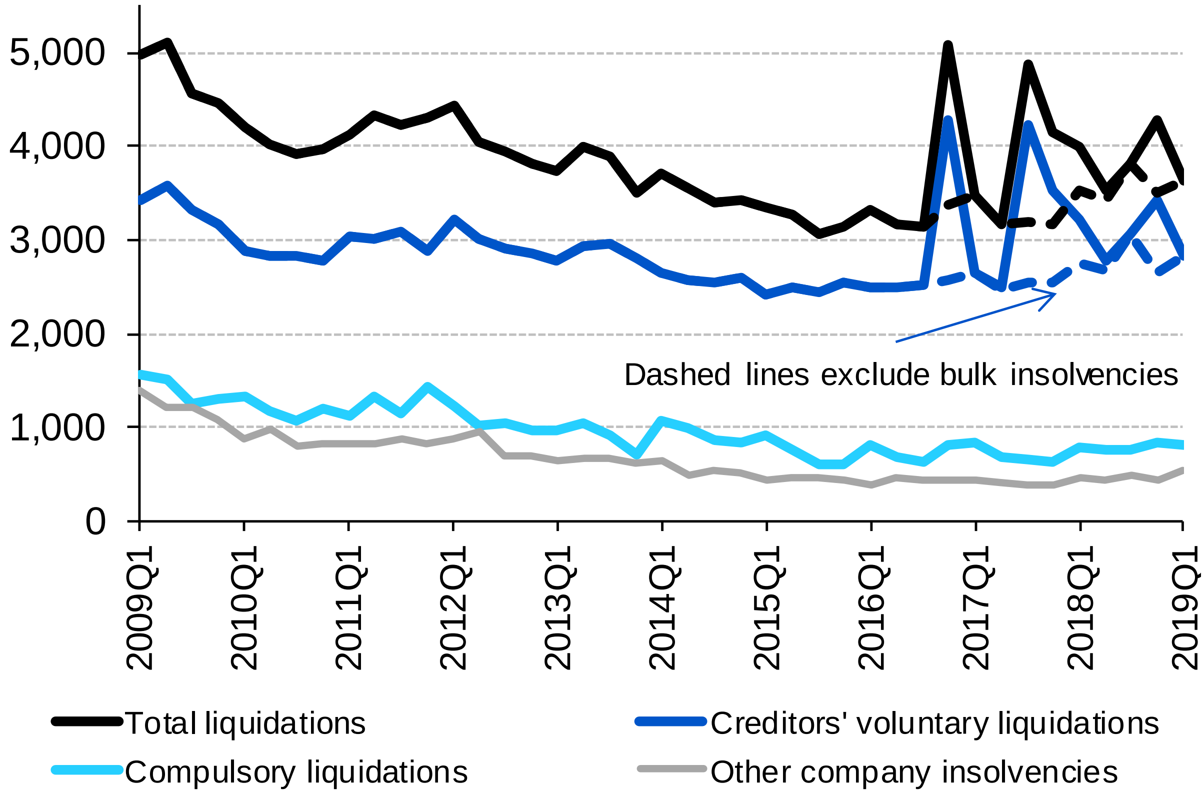
Feedback on these new releases is welcomed at statistics@insolvency.gov.uk.

The Insolvency Service

1. Main messages for England and Wales

- Total underlying company insolvencies increased in Q1 2019.
- Creditors' voluntary liquidations, administrations and company voluntary arrangements all increased in Q1 2019, while compulsory liquidations decreased.
- Administrations increased to the highest level for 5 years.

Figure 1: Total underlying company insolvencies increased in Q1 2019
England and Wales, seasonally adjusted.



2. Things you need to know about this release

This statistics release contains the latest data on company insolvency (companies which are unable to pay debts and enter liquidation, or enter administration or other company rescue process).

Coverage

Statistics are presented separately for England and Wales; Scotland; and Northern Ireland because of differences in legislation and policy.

Methodology and key terms

Table 1: Key terms used in the publication

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 here. A third type of winding up, members' voluntary liquidation is not included because it does not involve insolvency.
Compulsory liquidation	A winding-up order obtained from the court by a creditor, shareholder or director.
Creditors' voluntary liquidation (CVL)	Shareholders of a company can themselves pass a resolution that the company be wound up voluntarily.
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.
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.
Administrative receivership	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 include other, non-insolvency, procedures, for example under the Law of Property Act 1925.

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.

Seasonal adjustment

To aid analysis between quarters the figures are 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 2019* provides more information on seasonal adjustment which can be found here.

Detailed information

Detailed methodology and quality information for all insolvency service statistical releases are available here.

3. Total underlying company insolvencies increased in Q1 2019

There were 4,187 total underlying company insolvencies in Q1 2019; this is 6.3% higher than in Q4 2018. Compared to the same quarter last year, this was an increase of 5.1%. This is the second highest underlying level of insolvencies in any quarter since Q1 2014.

This rise was driven by increases in CVLs which increased by 6.2% compared to Q4 2018 and administrations which were up 21.8%. CVAs also increased by 43.1%. Compulsory liquidations fell in Q1 2019 by 2.7%.

Table 2: Total underlying insolvencies increased in Q1 2019
England and Wales, seasonally adjusted

	Company insolvencies	Compulsory Liquidations	CVLs	Administrations	CVAs	Receiverships
2018Q1	3,983	783	2,741	356	102	1
2018Q2	3,880	760	2,680	346	94	0
2018Q3	4,306	752	3,068	392	94	0
2018Q4	3,938	845	2,658	370	65	0
2018	**16,106**	**3,140**	**11,147**	**1,463**	**355**	**1**
2019Q1	4,187	822	2,821	451	93	0

1. Components may not sum to totals due to rounding of seasonally adjusted figures.

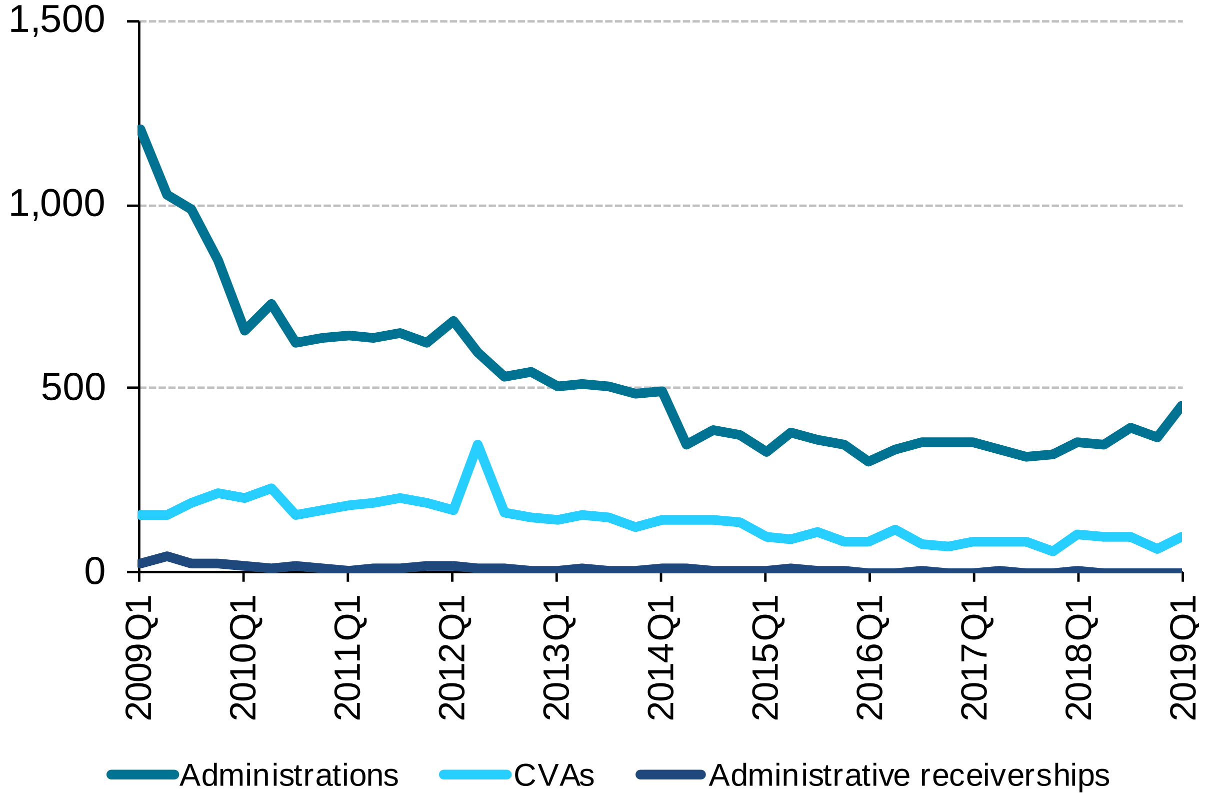
Of the 2,822 creditor's voluntary liquidations in Q1 2019, one of these was due to a late registration from a bulk insolvency event in Q4 2018 when there were 776 bulk insolvencies. More details on bulk and underlying insolvencies can be found in Table 1.

In Q1 2019, 67.4% of all company insolvencies ended in CVLs, while compulsory liquidations accounted for 19.6% of all company insolvencies. The proportion of administrations increased to 10.8% in Q1 2019, the highest proportion since Q1 2014.

4. Administrations reached the highest quarterly level in 5 years

- The number of administrations increased by 21.8% in Q1 2019 to the highest quarterly level since Q1 2014.
- CVAs increased from last quarter but are down compared to the same time last year.

Figure 2: Administrations have reached a 5-year high
England and Wales, seasonally adjusted



In Q1 2019 there were 451 administrations, 21.8% higher than Q4 2018; this was the highest number of administrations since Q1 2014. Compared to the same period last year, there were 26.8% more administrations. Although Q1 2019 saw a recent high, the number of administrations is low in comparison to the period during and after the 2008/09 recession. Administrations peaked at 2,123 in Q4 2008.

There were 93 CVAs in Q1 2019, a 43.1% increase on Q4 2018. However, due to the low number of CVAs in a quarter, percentage changes can be volatile from quarter to quarter. For the last 7 years Q4 has been the lowest quarter for CVAs, which may explain the large increase in CVAs in Q1 2019 compared to Q4 2018. However, because the numbers of CVAs are low we do not seasonally adjust. In comparison to Q1 2018, CVAs are down by 8.8%.

For the fourth consecutive quarter there were no administrative receiverships. Since 2012 there has tended to be fewer than 10 cases per quarter. This is because use of this procedure is restricted to certain types of company or to floating charges created before September 2003.

5. The liquidation rate remains low

Unlike an absolute number of liquidations over a period, the liquidation rate gives an indication of the likelihood of a company entering liquidation in the previous 4 quarters.

Figure 3: In the 12 months ending Q1 2019, 1 in 238 companies were liquidated

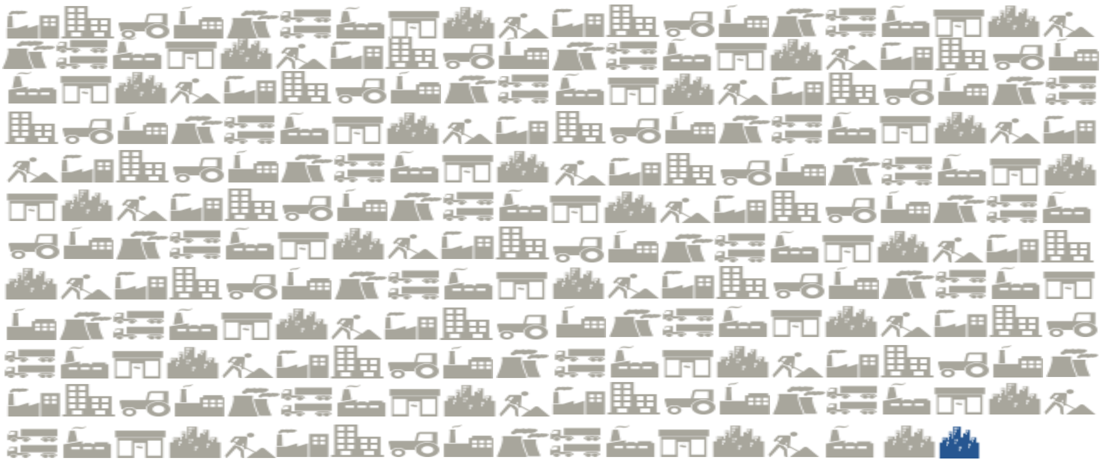
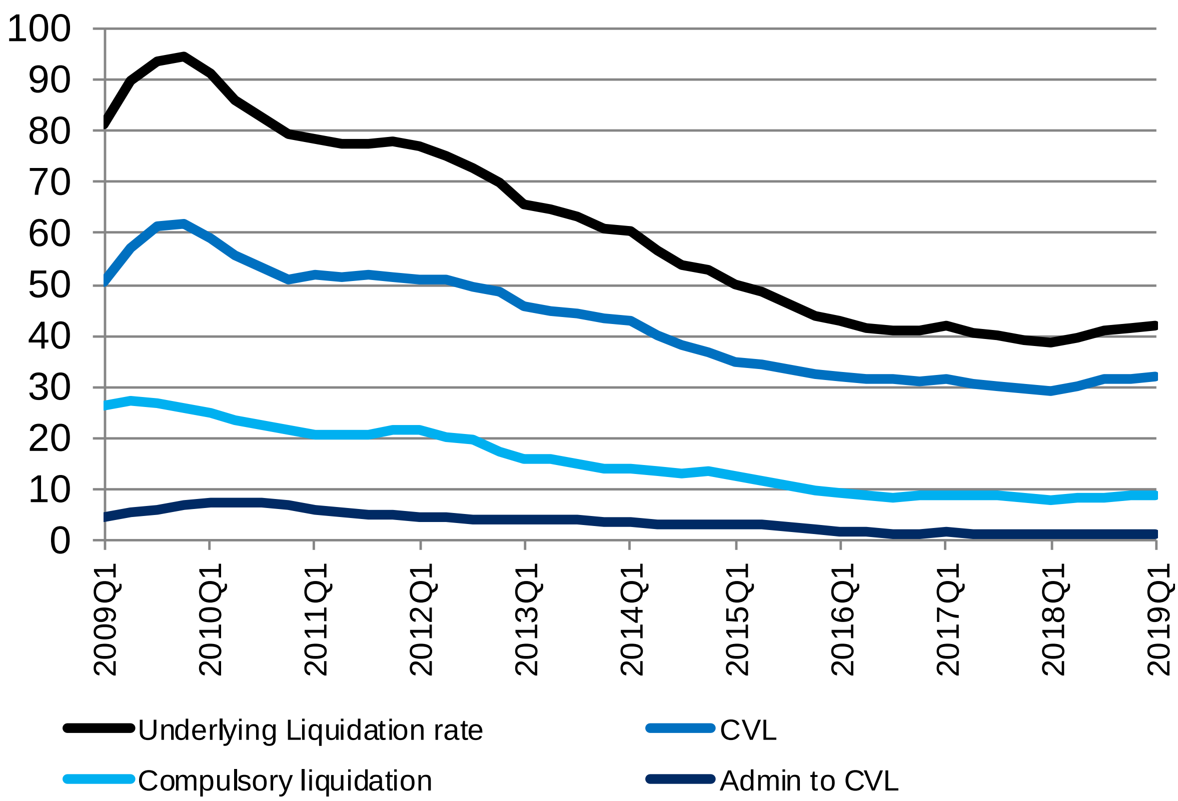


Figure 4: The liquidation rate increased slightly

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



In the 12 months ending Q1 2019, for every 10,000 active companies in England and Wales, 42.1 were liquidated. This was slightly up from 41.4 per 10,000 in Q4 2018.

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.

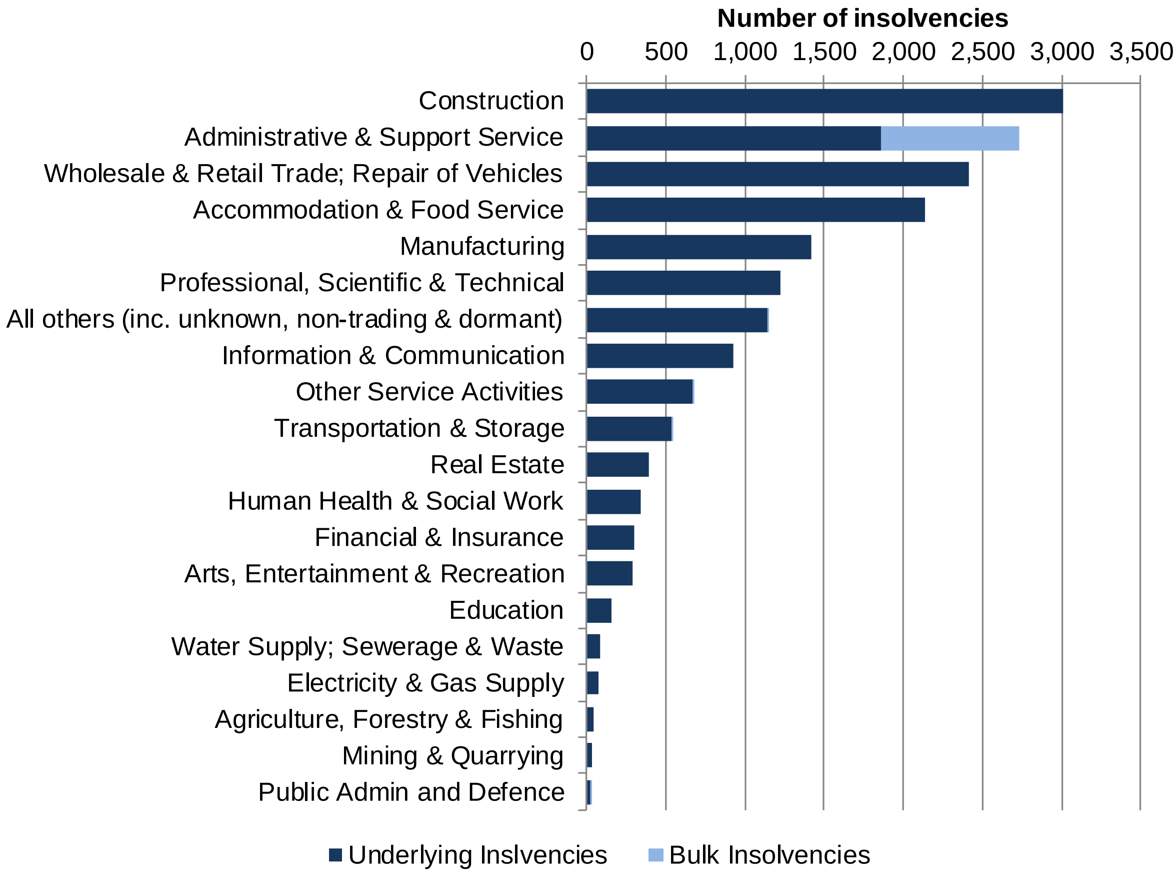
6. Underlying insolvencies increased across several industries in the 12 months ending Q1 2019

Excluding insolvencies where the industry was unknown, the *wholesale and retail trade; repair of vehicles* industry grouping saw the largest increase in underlying insolvencies, with 67 extra cases compared to the 12 months ending Q4 2018. This was closely followed by the *administrative and support services* grouping (66 additional insolvencies); *manufacturing* (58 additional insolvencies); and the *accommodation and food services* grouping (57 additional insolvencies).

The *arts, entertainment and recreation* industry saw the largest decrease in underlying insolvencies, with 23 fewer cases compared to the 12 months ending Q4 2018.

Excluding bulk insolvencies, in the twelve months ending Q1 2019, the highest number of new company insolvencies remains in the *construction* industry with 3,013 insolvencies – up 0.6% from the 12 months ending Q4 2018.

Figure 5: Administrative and support services were most affected by bulk insolvencies in the 12 months ending Q1 2019



The Insolvency Service

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 Official 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.

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

© Crown copyright 2019

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.