



# Company insolvency statistics, Q3 July to September 2019

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## We are seeking feedback

We endeavour to provide the most accurate and timely statistical information to meet our user's needs.

We are modernising our production processes. As part of this, for some series, this could mean revisions further back in time than is currently set out in our [revisions policy](#) and subsequently will mean changes to the policy. This will also mean improvements to the format of our data tables.

Feedback on these proposals is welcomed at [statistics@insolvency.gov.uk](mailto:statistics@insolvency.gov.uk).



## Contents

1. Main messages for England and Wales .....	3
2. Things you need to know about this release.....	4
3. Total company insolvencies increased slightly in Q3 2019 .....	6
4. The liquidation rate fell in the 12 months ending Q3 2019 .....	7
5. Administrations and creditors' voluntary liquidations reached their highest quarterly levels for several years .....	9
6. Insolvencies increased in accommodation and food services but fell in the administrative and support services industry grouping.....	11
7. Company insolvency in Scotland.....	12
8. Company insolvency in Northern Ireland.....	13



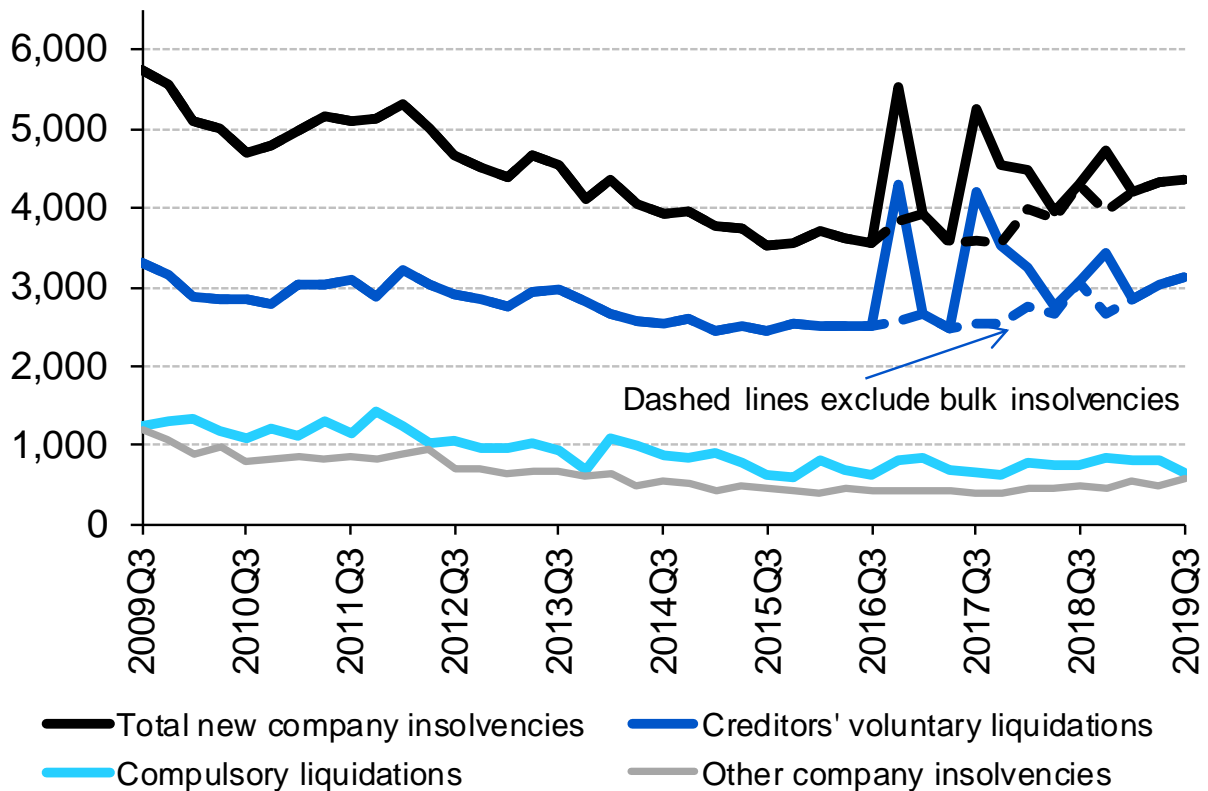
## 1. Main messages for England and Wales

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

- Total company insolvencies increased slightly in Q3 2019 compared with Q2 2019.
- This was driven by increases in administrations and creditors' voluntary liquidations.
- Administrations have reached their highest quarterly level since Q1 2014, continuing recent patterns of growth.
- Underlying creditors' voluntary liquidations have also reached their highest quarterly since Q1 2012 but the CVL liquidation rate has fallen slightly.
- Compulsory liquidations have fallen for the third successive quarter to their lowest level since Q4 2017.

**Figure 1: Total company insolvencies increased in Q3 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**

<b>Liquidation</b>	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.
<b>Compulsory liquidation</b>	A winding-up order obtained from the court by a creditor, shareholder or director.
<b>Creditors' voluntary liquidation (CVL)</b>	Shareholders of a company can themselves pass a resolution that the company be wound up voluntarily.
<b>Administration</b>	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.
<b>Company voluntary arrangement (CVA)</b>	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.
<b>Administrative receivership</b>	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



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other, non-insolvency, procedures, for example under the Law of Property Act 1925.

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**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.**

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**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 company insolvencies increased slightly in Q3 2019

There were 4,355 total company insolvencies in Q3 2019; this is 0.4% higher than in Q2 2019 and has increased for the third successive quarter. Compared to the same quarter last year, this was an increase of 1.6%. This is the highest underlying level of company insolvencies in any quarter since Q1 2014.

**Table 2: The increase in total company insolvencies was driven by administrations and creditors' voluntary arrangements<sup>1</sup>**

England and Wales, seasonally adjusted, underlying insolvencies only

	Company insolvencies <sup>2</sup>	Compulsory liquidations	CVLs <sup>2</sup>	Administrations	CVAs	Receiverships
2018Q1	3,998	783	2,756	356	102	1
2018Q2	3,871	760	2,667	350	94	0
2018Q3	4,285	752	3,057	382	94	0
2018Q4	3,951	845	2,666	375	65	0
2019Q1	4,213	822	2,847	451	93	0
2019Q2	4,338	797	3,045	403	92	0
2019Q3	4,355	666	3,115	484	89	1
2018	16,105	3,140	11,146	1,463	355	1
2019YTD <sup>1</sup>	12,906	2,285	9,007	1,339	274	1

1. Components may not sum to totals due to rounding of seasonally adjusted figures.
2. Underlying insolvencies only – excludes bulk insolvencies. See Table 1 for more information.

Administration increased by 20.0% in the last quarter to reach their highest level since Q1 2014; CVLs increased by 2.3% compared to the previous quarter and have reached their highest quarterly level since Q1 2012. There were no bulk insolvencies in Q3 2019.

Compulsory liquidations decreased for the third successive quarter. In comparison to Q2 2019, they had decreased by 16.4% and compared to the same quarter of 2018 they had decreased by 11.4%. There were 89 CVAs in Q3 2019 compared with 92 in Q2 2019 and 94 compared to the same quarter of the previous year.

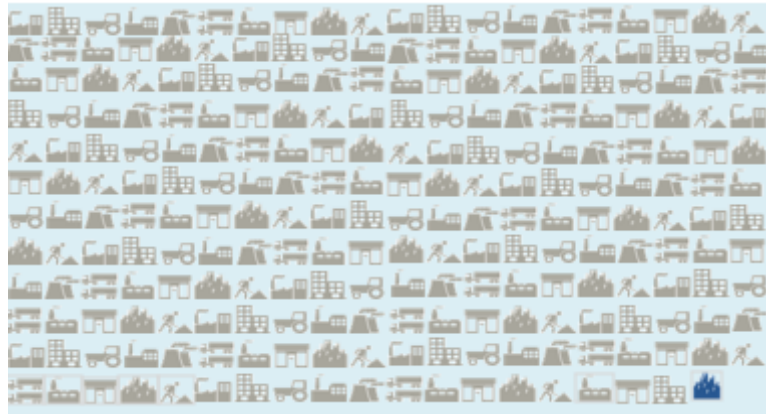
This quarter saw the first recorded receivership since Q1 2018. The last time there was more than one receivership was Q2 2017. Since 2012 there has tended to be fewer than 10 cases per quarter. This is because use of this procedure is restricted to certain types of company or to floating charges created before September 2003.

In Q2 2019, 71.5% of all company insolvencies were CVLs, 15.3% were compulsory liquidations and 13.2% were other types of company insolvency.

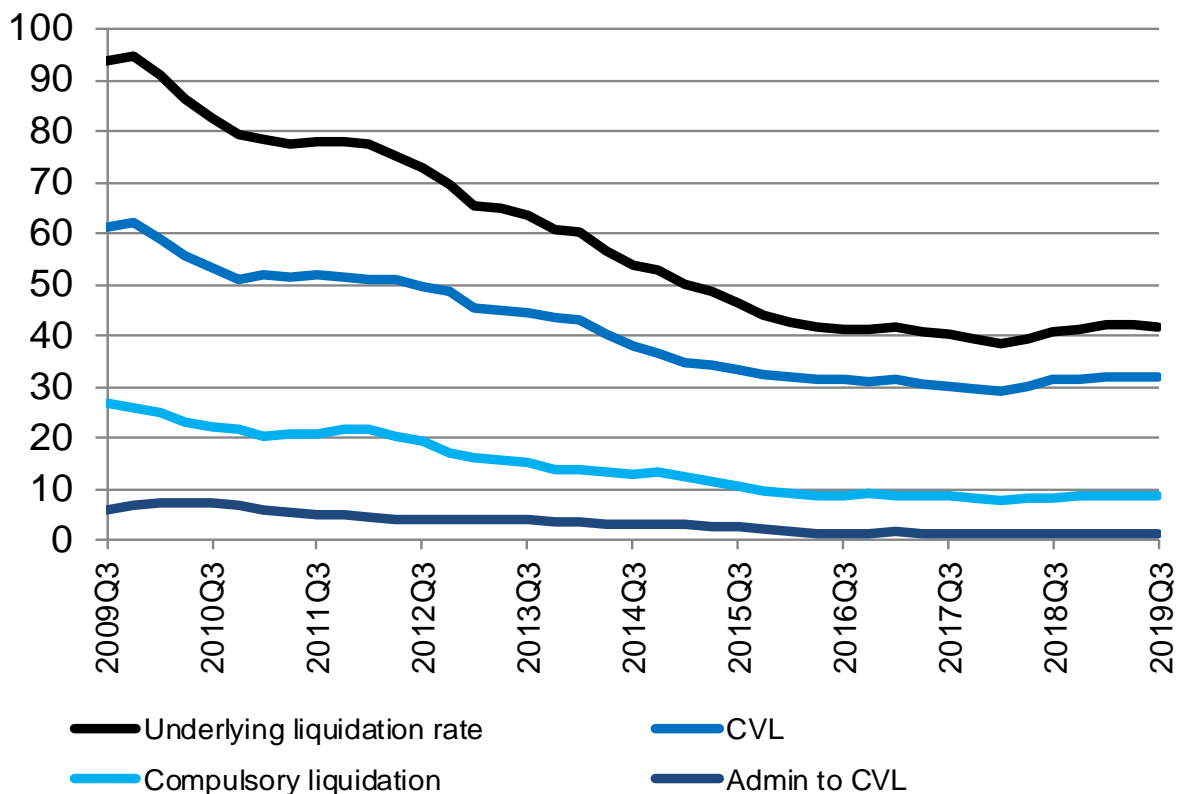
#### 4. The liquidation rate fell in the 12 months ending Q3 2019

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.

**Figure 2: In the 12 months ending Q3 2019, 1 in 239 companies were liquidated**  
England and Wales, 4-quarter rolling rate



**Figure 3: The underlying liquidation rate fell for the first time since Q1 2018**  
England and Wales, 4-quarter rolling rate per 10,000 active companies, seasonally adjusted.



Excluding bulk insolvencies, in the 12 months ending Q3 2019, for every 10,000 active companies in England and Wales, 41.8 were liquidated. This was slightly down from 42.3 per 10,000 in Q2 2019.



This fall was primarily driven by a decrease in the compulsory liquidation rate, from 8.9 per 10,000 in the 12 months ending Q2 2019 to 8.5 per 10,000 in the 12 months ending Q3 2019. A decrease in the creditors' voluntary liquidations rate was also a driver; it decreased from 32.1 per 10,000 in the 12 months ending Q2 2019 to 31.9 per 10,000 in the 12 months ending Q3 2019.

The creditors' voluntary liquidation rate fell in the 12 months ending Q3 2019 despite the number of creditors' voluntary liquidations increasing this quarter. This is because, compared with the 12 months ending Q2 2019, the average quarterly number of companies on the active register increased more quickly than the number of creditors' voluntary liquidations over the same period.

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.

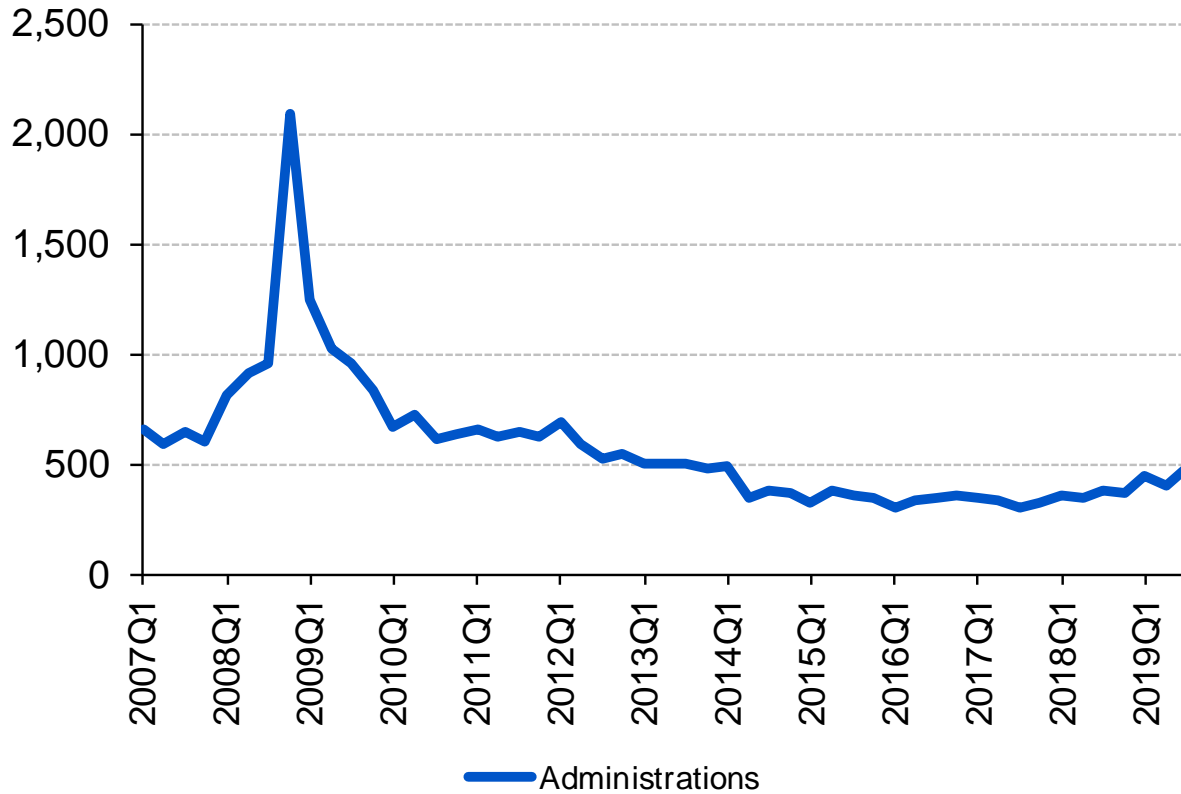
Although the number of liquidations was slightly higher in 1993 than in 2009, the rate of liquidations was substantially higher in 1993. This is because the number of active companies more than doubled over this period, so a much smaller proportion of the total number of companies entered liquidation in 2009. More information on long term trends can be found in the csv file accompanying [this release](#).





## 5. Administrations and creditors' voluntary liquidations reached their highest quarterly levels for several years

**Figure 4: Administrations continued recent patterns of growth**  
England and Wales, seasonally adjusted



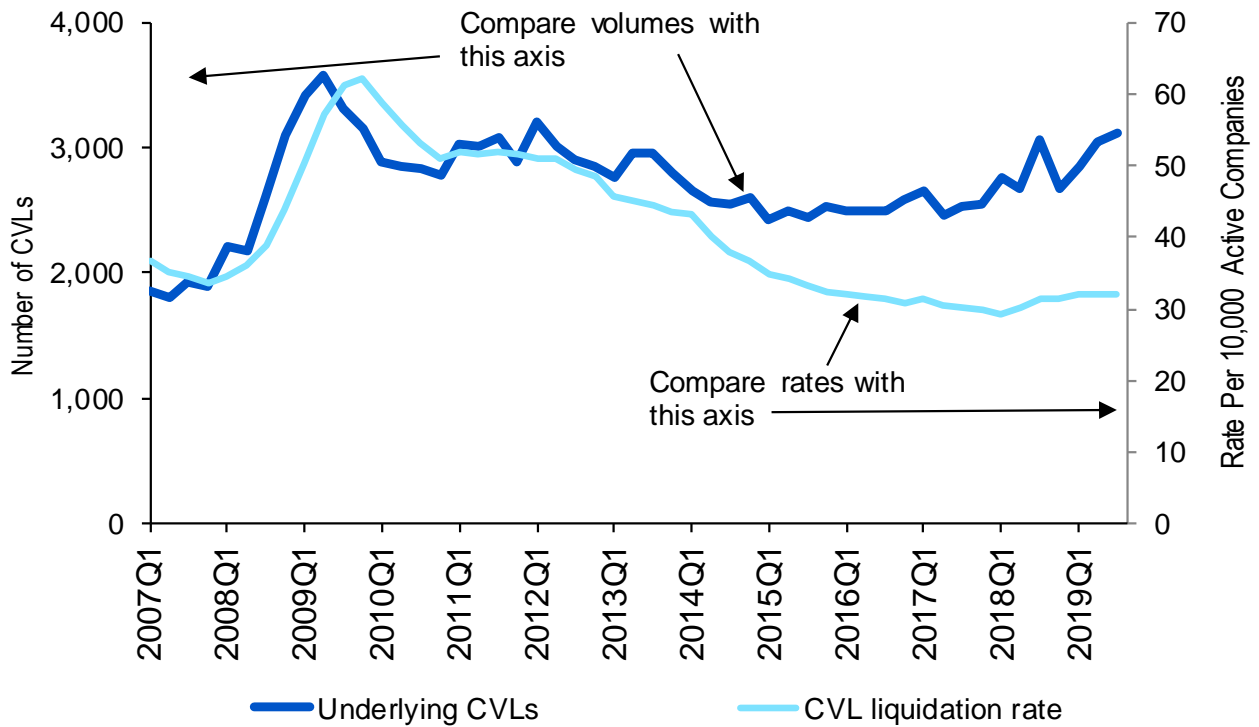
The purpose of administrations is the rescue of companies as a going concern, or if this is not possible, then to obtain a better result for creditors than would be likely if the company were to be wound up.

In Q3 2019 there were 484 administrations, 20.0% higher than Q2 2019. This is the highest number of administrations since Q1 2014 and a 26.7% increase compared to the same period last year. Although 2019 has seen a recent high, the number of administrations is low in comparison to the period around the 2008/09 recession. Administrations peaked at 2,094 in Q4 2008 during the recession before falling until 2014, where they remained broadly flat (at less than 400 administrations per quarter) until Q4 2018. 2019 has seen the 3 highest quarters for administration since Q1 2014.



**Figure 5: Creditors' voluntary liquidations have shown continued growth, in contrast to the rate of creditors' voluntary liquidations<sup>1</sup>**

England and Wales



1. Volumes are seasonally adjusted while the rate per 10,000 is non-seasonally adjusted and covers the 12 months ending the quarter.

In Q3 2019, underlying CVLs increased to their highest level since Q1 2012. Underlying CVLs peaked during the 2008/9 recession reaching 3,586 in Q2 2009. Post-recession the number of underlying CVLs generally decreased, though not to the levels seen before the recession. Underlying CVLs reached a quarterly low of 2,433 in Q1 2015. Since then, there has been a general increasing trend in volumes.

Volumes alone do not paint a complete picture though. Comparing Q2 2019 with Q1 2013, when the trends in volumes and rates appear to diverge, the number of active companies has increased by 42% from 2.6 million to 3.7 million<sup>1</sup>. Comparing the same periods, underlying CVL volumes have increased by 10%. The CVL liquidation rate encompasses a rolling 12-month period rather than just a single quarter, so there is some lag between the actual number of CVLs and the CVL liquidation rate. The CVL liquidation rate reached a peak in the 12 months ending Q4 2009 at 62.1 per 10,000 active companies. Post-recession there was a general falling trend in the CVL liquidation rate until a low in the 12 months ending Q1 2018, when the liquidation rate stood at 29.1 CVLs per 10,000 active companies.

<sup>1</sup> <https://www.gov.uk/government/statistics/incorporated-companies-in-the-uk-april-to-june-2019>



## 6. Insolvencies increased in accommodation and food services but fell in the administrative and support services industry grouping

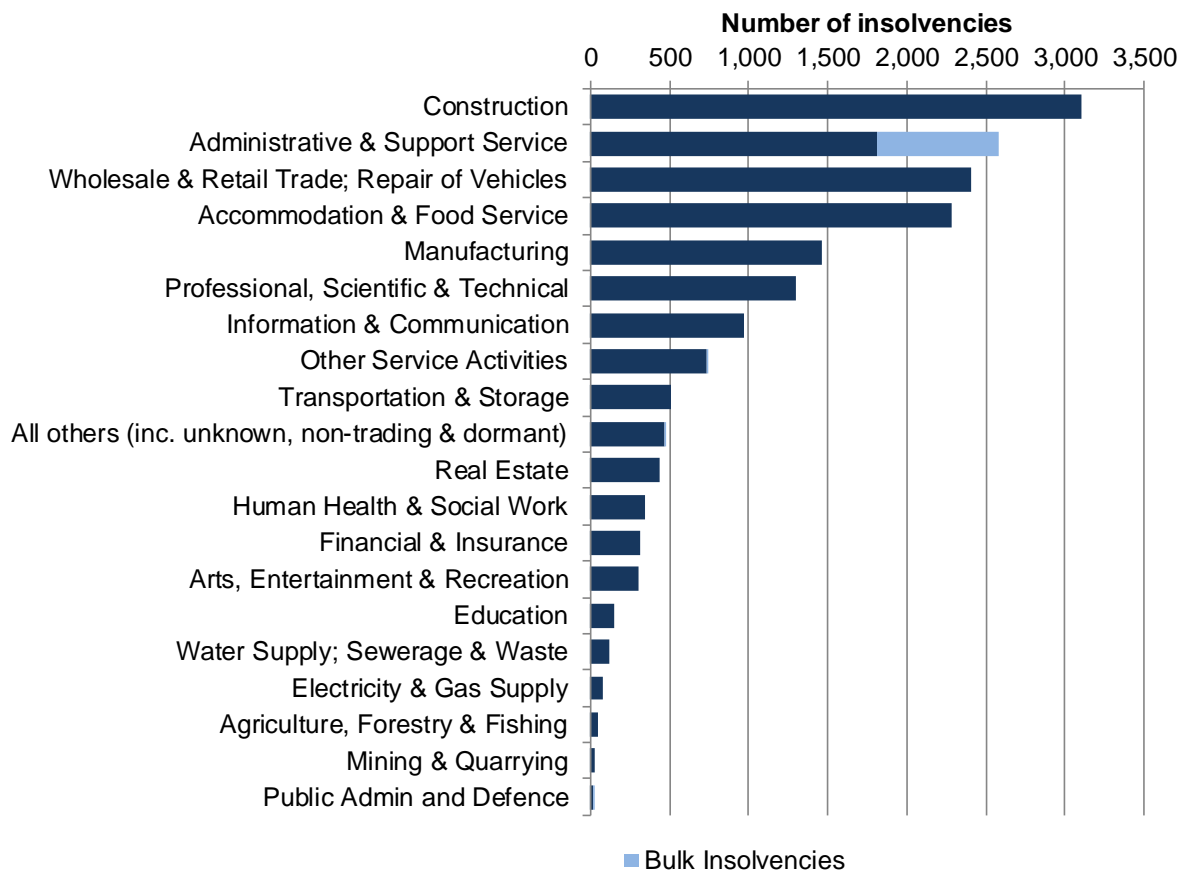
The following analysis excludes insolvencies where the company was unknown, non-trading or dormant.

In the 12 months ending Q3 2019, the accommodation and food services industry group saw the largest increase in underlying insolvency volumes (39 more, a 1.7% increase) compared with the 12 months ending Q2 2019. The administrative and support services group saw the largest decrease in volumes (50 fewer, a 1.9% decrease) compared with the same period.

The highest number of new underlying company insolvencies was in the construction industry with 3,106 insolvencies; followed by the administrative and support services grouping with 2,585 insolvencies; and the wholesale and retail trade, repair of vehicles industrial grouping with 2,409.

**Figure 6: The construction industry had the highest number of insolvencies in the 12 months ending Q3 2019**

England and Wales, non-seasonally adjusted





## 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.

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