



Quarterly Individual Insolvency Statistics, Q2 April to June 2020

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Contents

1. Main messages for England and Wales	3
2. Things you need to know about this release.....	4
3. Individual insolvency in England and Wales	5
3.1. <i>Numbers of individual insolvencies</i>	5
3.2. <i>Rates of individual insolvencies</i>	6
3.3. <i>Individual insolvencies by industry</i>	8
4. Individual insolvency in Scotland.....	9
5. Individual insolvency in Northern Ireland.....	10
6. Data and Methodology	11
7. Glossary.....	12

1. Main messages for England and Wales

Overall numbers of individual insolvencies in England and Wales increased by 12% in Q2 2020 when compared with Q1 2020, and by 7% when compared with the same quarter in the previous year.

However, the rate of individual insolvency for the 12 months ending Q2 2020 remained similar to the rate seen in the 12 months ending in the same quarter a year ago (rate of 25.9 and 26.0 per 10,000 adults respectively).

The increase in the overall number of individual insolvencies in the latest quarter was driven by the volume of individual voluntary arrangements (IVAs). However, numbers of IVAs are volatile and these statistics were affected by an artificial increase in IVA registrations in May 2020, as a result of the technical issues experienced by an IVA provider. Therefore, any changes in IVA trends over time should be interpreted with caution.

The numbers of bankruptcies and debt relief orders (DROs) decreased in the latest quarter. Bankruptcies fell by over 40% and DROs fell by around 30%, when compared with both the previous quarter and the same quarter last year.

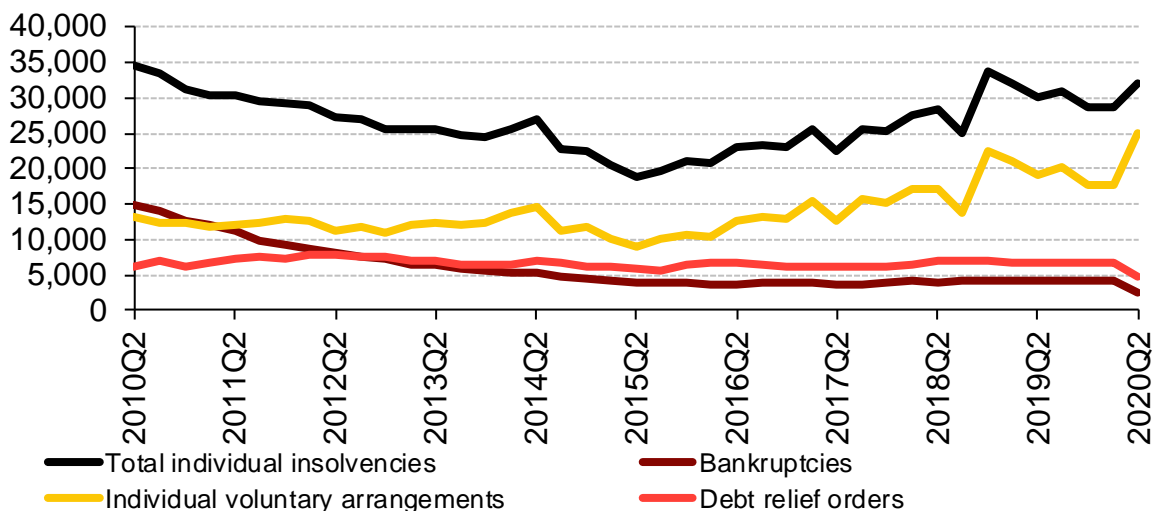
The reduction in bankruptcies and DROs was likely to be at least partly driven by Government measures put in place in response to the coronavirus (COVID 19) pandemic, including:

- Reduced operational running of the courts and reduced HMRC enforcement activity since UK lockdown was applied on the evening of 23 March;
- Enhanced Government financial support for companies and individuals; and
- Financial service regulators have advised 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.

Figure 1: Total individual insolvencies increased in comparison to Q1 2020 driven by IVAs

England and Wales, Q2 2010 to Q2 2020, seasonally adjusted^P



Source: Insolvency Service

^P Figures for the latest quarter are provisional



2. 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.

These statistics are the first quarterly National Statistics to wholly present the impact of the coronavirus (COVID 19) pandemic on individual insolvency, since UK lockdown was applied on 23 March 2020.

The Insolvency Service separately publishes [monthly experimental statistics](#) to provide more up to date information on the impact of the pandemic on insolvency. These monthly statistics provide a timelier indication of 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. 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.



3. Individual insolvency in England and Wales

3.1. Individual insolvency increased in Q2 2020, driven by an increase in IVAs

There were 32,153 total individual insolvencies in Q2 2020. IVAs were the most common type of individual insolvency (78% of cases), followed by DROs (15%) and bankruptcies (8%).

Total individual insolvencies in Q2 2020 increased by 12% from Q1 2020 and by 7% from the same quarter in the previous year. This increase was driven by the volume of IVAs which increased by 42% from Q1 2020 and rose by 30% when compared to Q2 2019.

IVAs have been the most common individual insolvency type since Q2 2011. This contrasts with bankruptcies (in particular, bankruptcies resulting from a debtor application) which decreased following the 2008 financial crisis and the introduction of DROs in 2009.

Some caution needs to be applied when interpreting the quarterly IVA statistics, IVAs are counted within these statistics once they are registered with the Insolvency Service and are reported by quarter of registration date. 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. Therefore, changes in trends are partly a result of this effect, especially where registrations straddle a quarter end. This can lead to volatility in the data from one quarter to the next and create difficulty in constituting reliable short-term trends. In addition, recent statistics have been affected by technical issues experienced by an IVA provider, with approximately 4,950 IVAs registered in May 2020 that would otherwise have been registered in earlier quarters.

Table 2: The increase in total individual insolvencies was driven by individual voluntary arrangements

England and Wales, Q2 2019 to Q2 2020, seasonally adjusted^P

	Total individual insolvencies	Bankruptcies	Debt relief orders	Individual voluntary arrangements
2019Q2	30,076	4,236	6,733	19,107
2019Q3	30,993	4,161	6,713	20,120
2019Q4	28,608	4,162	6,860	17,586
2020Q1	28,747	4,282	6,863	17,603
2020Q2 ^P	32,153	2,415	4,806	24,932
Percentage change, latest quarter (2020 Q2) compared with:				
2020Q1	12	-44	-30	42
2019Q2	7	-43	-29	30

Source: Insolvency Service

^P Figures for the latest quarter are provisional

Bankruptcies fell 44% from the previous quarter and fell 43% when compared with the same quarter last year. Bankruptcies consisted of:

- 2,229¹ debtors' applications, which fell by 37% and 32% on Q1 2020 and Q2 2019 respectively; and

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.

- 172¹ creditors' petitions, which fell by 66% and 81% on Q1 2020 and Q1 2019 respectively, see Figure 2.

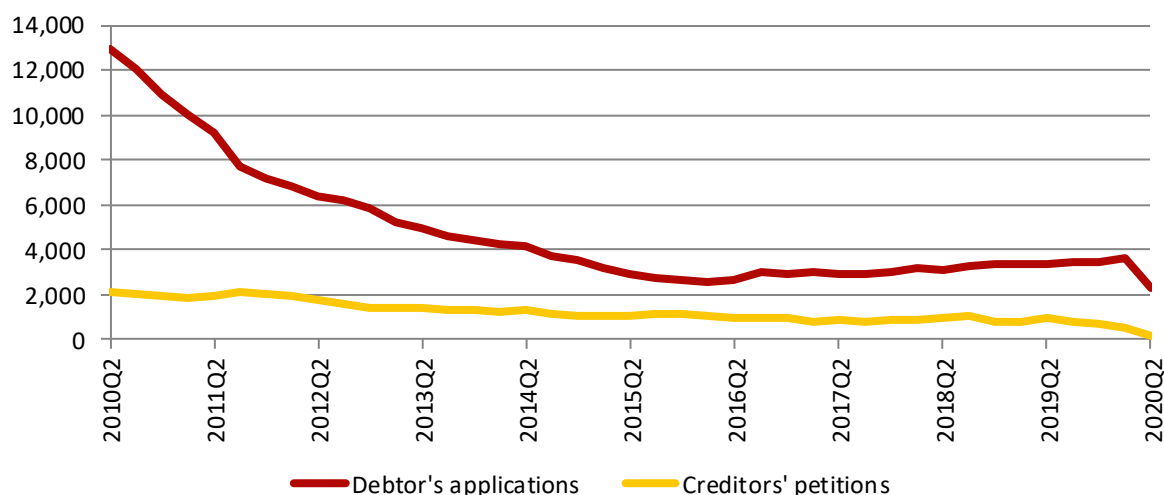
DROs also decreased in Q2 2020, by 30% from the previous quarter, and by 29% when compared with the same quarter last year.

The fall in DROs and debtor bankruptcies 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.

The fall in creditor bankruptcies will likely have been a result of reduced HMRC enforcement activity during this period² and in part, a result of reduced operational running of the courts during this time.

Figure 2: Bankruptcies made on debtor's application and creditor's application fell in comparison to the previous quarter and the same period last year

England and Wales, Q2 2010 to Q2 2020, seasonally adjusted^P



Source: Insolvency Service

^P Figures for the latest quarter are provisional

3.2. The individual insolvency rate increased in Q2 2020 compared to Q1 2020 but broadly aligns with Q1 2019

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 four quarters.

In the 12 months ending Q2 2020, the individual insolvency rate was 25.9 per 10,000 adults in England and Wales. This was up from 25.4 per 10,000 in the 12 months ending Q1 2020, and closer to the rate of individual insolvencies in the same quarter a year ago (26.0 per 10,000).

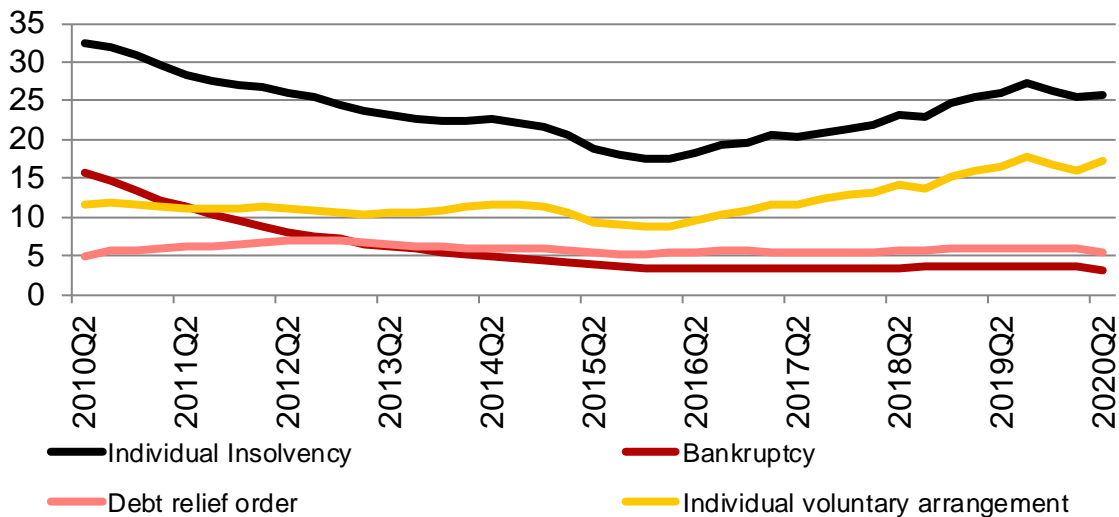
² Dear Insolvency Practitioner, Issue 95 - https://content.govdelivery.com/attachments/UKIS/2020/04/03/file_attachments/1418579/Dear%20IP%20Issue%2095%20April%202020.pdf.

Figure 3: In the 12 months ending Q2 2020, 1 in 387 adults became insolvent
 England and Wales, 4-quarter rolling rate ending Q2 2020^P



Source: Insolvency Service
^P Figures are provisional

Figure 4: The individual insolvency rate rose in Q2 2020 in comparison to Q1 2020 driven by increase in IVA rate.
 England and Wales, 4-quarter rolling rate per 10,000 adults, seasonally adjusted^P



Source: Insolvency Service
^P Figures for the latest quarter are provisional

In the 12 months ending Q2 2020:

- The IVA insolvency rate increased to 17.2 per 10,000, from 16.0 per 10,000 in the 12 months ending Q1 2020;
- the rate of bankruptcy fell to 3.2 per 10,000 down from 3.6 in the 12 months ending Q1 2019; and
- the rate of DROs fell to 5.4 per 10,000 down from 5.8 in the 12 months ending Q1 2020.

The current individual insolvency rate remains 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 which coincided with a large increase in the individual insolvency rate. Since 2015, the insolvency rate has increased due to an increase in the IVA insolvency rate. More information on long term trends can be found in the csv file accompanying this release.



3.3. Bankruptcies increased for the self-employed in Q1 2020 compared to Q4 2019

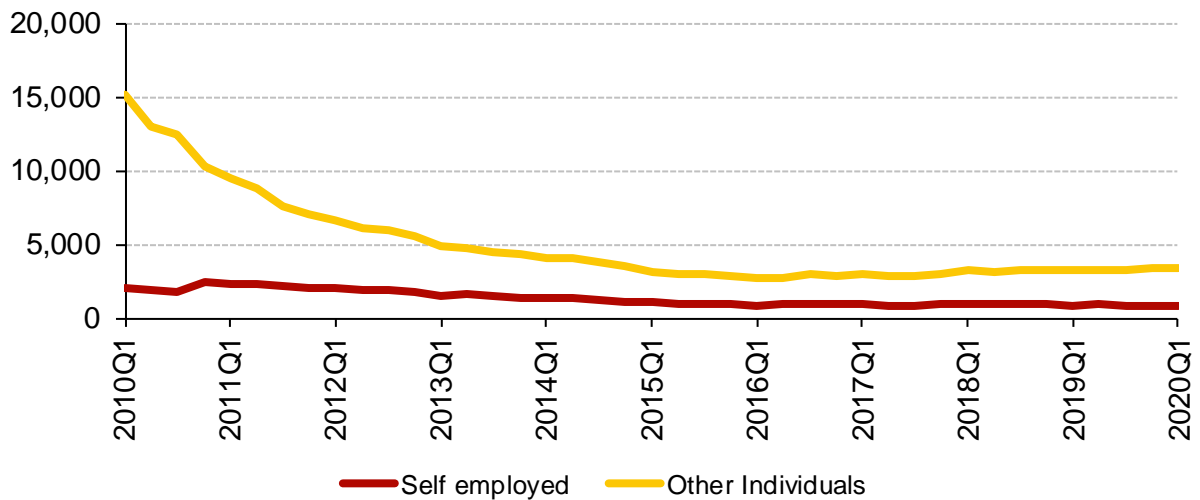
Bankruptcies by self-employment status are presented with a lag of one quarter on most other statistics in this release. This is because it can take several weeks for trading status to be recorded following the date of the bankruptcy order.

In Q1 2020, there were 807 bankruptcies where the individual was self-employed, an increase of 2% on Q4 2019, but 8% lower than the same period last year.

There were 3,461 bankruptcies among other individuals in Q1 2020, an increase of 3% compared with the previous quarter and 5% higher than the same quarter of the previous year.

Figure 5: Numbers of self-employed individuals entering bankruptcy remain low historically

England and Wales, Q2 2010 to Q2 2020, seasonally adjusted^P



Source: Insolvency Service

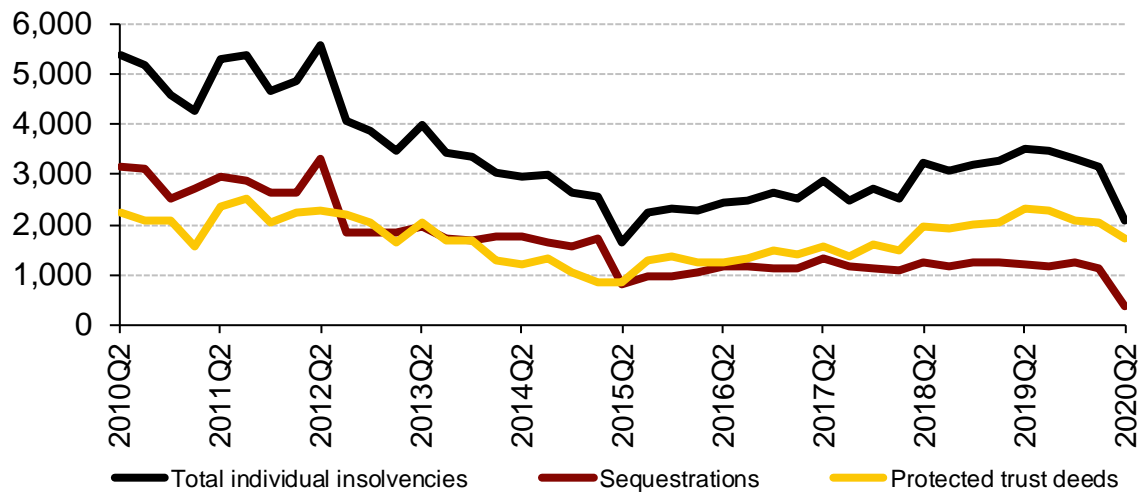
^P Figures for the latest quarter are provisional

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 Q2 2020, there were 2,082 total insolvencies in Scotland, a 41% decrease on the same quarter of 2019. This comprised of 359 sequestrations (of which 210 went into sequestration via the minimal asset process route) and 1,723 protected trust deeds.

Figure 6: Total individual insolvencies decreased in Q2 2020 compared to Q2 2019
Scotland, Q2 2010 to Q2 2020, non-seasonally adjusted^P



Source: Accountancy in Bankruptcy, Scotland

^P Figures for the latest quarter are provisional

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

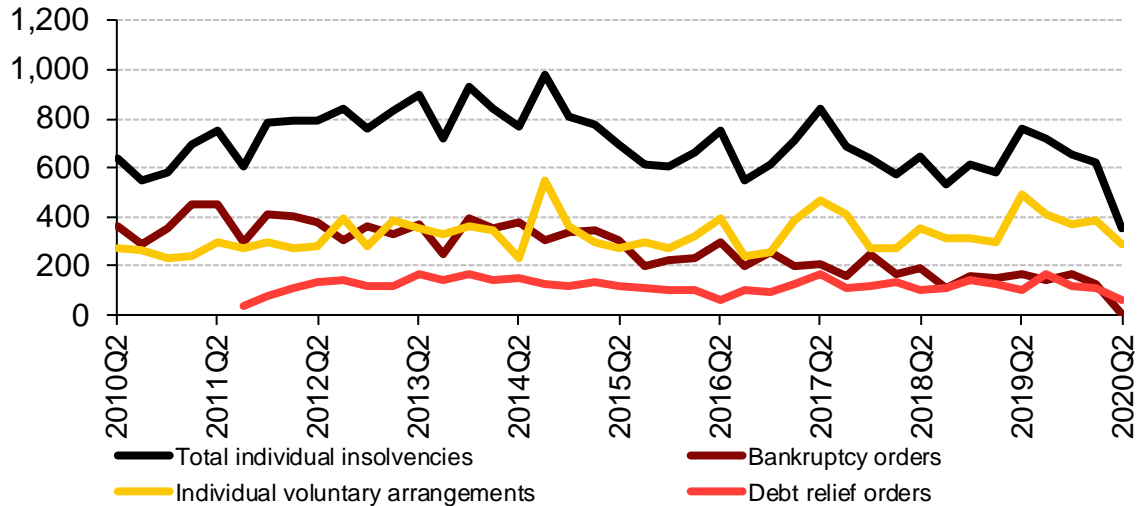


5. Individual insolvency in Northern Ireland

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

In Q2 2020 there were 358 insolvencies, down 53% on the same quarter of 2019. This comprised 290 IVAs, 62 DROs and 6 bankruptcies.

Figure 7: Total individual insolvencies increased in Q1 2020 compared to Q1 2019
Northern Ireland, Q2 2010 to Q2 2020, non-seasonally adjusted^P



Source: Department of the Economy, Northern Ireland

^P Figures for the latest quarter are provisional

The number of bankruptcies in Northern Ireland are likely effected Lockdown measures being implemented by the Northern Ireland Executive which resulted in the Closure of the Courts and Insolvency Service offices.



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.

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 ten 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
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.



7. Glossary

Key Terms used within this statistical bulletin

Individual voluntary arrangements (IVAs)	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. IVAs are supervised by licensed Insolvency Practitioners.
Debt relief orders (DROs)	A form of debt relief available to those who have a low income, low assets and less than £20,000 of debt (£15,000 before October 2015). There is no distribution to creditors, and discharge from debts takes place 12 months after the DRO is granted. DROs were introduced in April 2009.
Bankruptcy	A form of debt relief available for anyone who is unable to pay their debts. Assets owned will vest in a trustee in bankruptcy, who will sell them and distribute the proceeds to creditors. Discharge from debts usually takes place 12 months after the bankruptcy order is granted. Bankruptcies result from either Debtor application – where the individual is unable to pay their debts, and applies online to make themselves bankrupt, or Creditor petition – if a creditor is owed £5,000 or more (£750 before October 2015), they can apply to the court to make an individual bankrupt. These statistics relate to petitions where a court order was made as a result, although not all petitions to court result in a bankruptcy order.
Sequestration	Fulfils much the same role in Scotland as bankruptcy in England and Wales.
Protected trust deeds	Protected trust deeds are voluntary arrangements in Scotland and fulfil much the same role as IVAs in England and Wales. However, there are differences in the way they are set up and administered, meaning the figures shown here are not consistent with those provided for England and Wales or Northern Ireland.



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