

## STATISTICS RELEASE: INSOLVENCIES IN THE THIRD QUARTER 2008

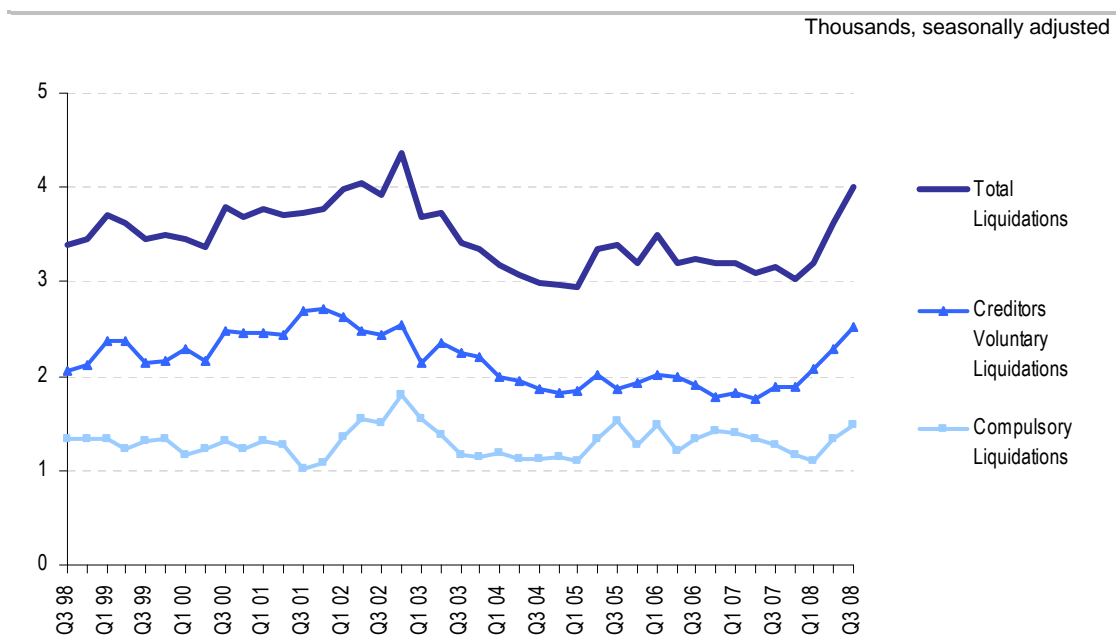
Statistics showing insolvencies in the third quarter of 2008 are published today (7 November) by the Insolvency Service.

### COMPANY INSOLVENCIES

There were 4,001 compulsory liquidations and creditors' voluntary liquidations in total in England and Wales in the third quarter of 2008 (on a seasonally adjusted basis). This was an increase of 10.5% on the previous quarter and an increase of 26.3% on the same period a year ago.

This was made up of 1,483 compulsory liquidations (which are up 10.9% on the previous quarter and 16.1% on the corresponding quarter of the previous year), and 2,518 creditors voluntary liquidations (which are up 10.2% on the previous quarter and 33.2% on the corresponding quarter of the previous year).

**Figure 1. Company Liquidations in England & Wales**



Source: Insolvency Service and Companies House

In the twelve months ending Q3 2008, 0.6% of active companies went into liquidation, the same as the previous quarter and the corresponding quarter of 2007.

**Table I. Company Liquidations in England and Wales (seasonally adjusted) <sup>1</sup>**

	Q3 2007	Q4 2007	Q1 2008	Q2 2008 r	Q3 2008 p	% change – Q3 2008 on	
						Q3 2007	Q2 2008
<b>Company Liquidations</b>	<b>3,167</b>	<b>3,039</b>	<b>3,189</b>	<b>3,622</b>	<b>4,001</b>	<b>26.3</b>	<b>10.5</b>
of which: Compulsory	1,277	1,162	1,106	1,337	1,483	16.1	10.9
Creditors Voluntary <sup>2</sup>	1,890	1,877	2,084	2,285	2,518	33.2	10.2

Source: Insolvency Service and Companies House

p = provisional, r = revised

<sup>1</sup> Longer series back to 1998 are presented in the accompanying detailed tables.

<sup>2</sup> Where the CVL is the first insolvency procedure entered into (see Notes to Editors).

Additionally, there were 1,444 other corporate insolvencies in the third quarter of 2008 (not seasonally adjusted) comprising 270 receiverships, 1,007 administrations and 167 company voluntary arrangements. In total these represented an increase of 64.7% on the same period a year ago.

**Table II. Other Corporate Insolvencies in England and Wales (not seasonally adjusted) <sup>1</sup>**

	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008 p	% change – Q3 2008 on	
						Q3 2007	
Receiverships <sup>2</sup>	80	92	159	177	270		237.5
Administrations <sup>3</sup>	668	575	859	938	1007		50.7
Company voluntary arrangements	129	91	140	131	167		29.5

Source: Companies House

p = provisional, r = revised

<sup>1</sup> Longer series back to 1998 are presented in the accompanying detailed tables.

<sup>2</sup> Includes Law of Property Act receivers (see “Notes to Editors” paragraph 9).

<sup>3</sup> Includes Administrator Appointments.

Note: The figures in Table II are not seasonally adjusted and are not, therefore, on the same basis as the headline figures in Table I. The accompanying detailed tables also include the non-seasonally adjusted series for corporate liquidations.

## INDIVIDUAL INSOLVENCIES

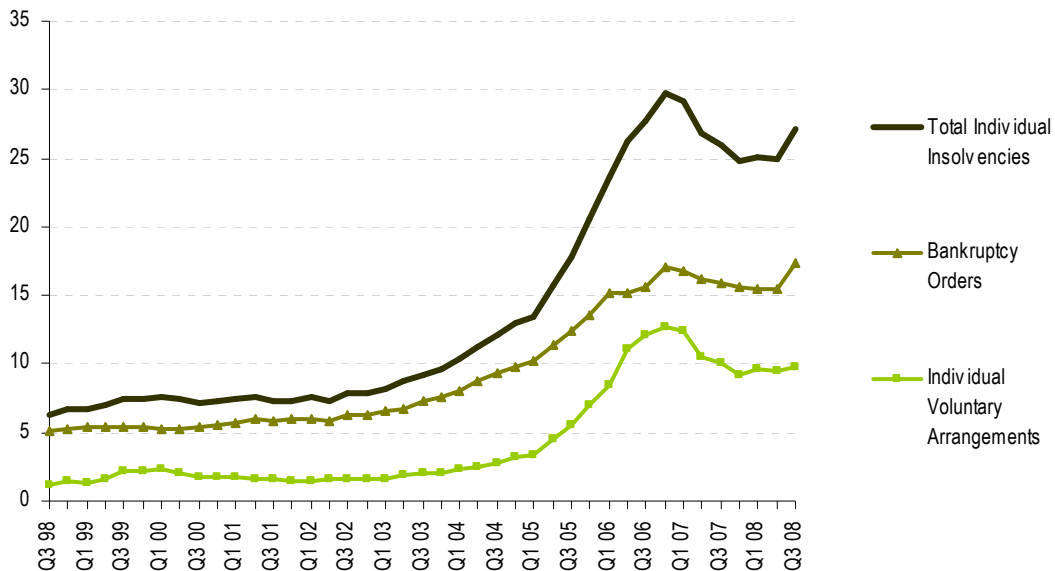
There were 27,087 individual insolvencies in England and Wales in the third quarter of 2008 on a seasonally adjusted basis. This was an increase of 8.8% on the previous quarter and an increase of 4.6% on the same period a year ago.



This was made up of 17,341 bankruptcies (which were up 12.1% on the previous quarter and 9.5% on the corresponding quarter of the previous year), and 9,746 Individual Voluntary Arrangements (IVAs), (which were up 3.3% on the previous quarter but down 3.1% on the corresponding quarter of the previous year).

**Figure 2. Individual insolvencies in England & Wales**

Thousands, seasonally adjusted



Source: Insolvency Service

For bankruptcy orders there has been a pronounced shift towards debtor's petition bankruptcies and away from creditor's petitions in recent years. In the third quarter of 2008, 83.4% were made on the petition of the debtor, a similar level to that seen for 2006 and 2007 as a whole.

**Table III. Individual Insolvencies in England and Wales (seasonally adjusted) <sup>1</sup>**

	Q3 2007	Q4 2007	Q1 2008	Q2 2008 r	Q3 2008 p	% change – Q3 2008 on	
						Q3 2007	Q2 2008
<b>Individuals</b>	<b>25,900</b>	<b>24,854</b>	<b>25,054</b>	<b>24,893</b>	<b>27,087</b>	<b>4.6</b>	<b>8.8</b>
of which: Bankruptcies	15,842	15,636	15,492	15,463	17,341	9.5	12.1
IVAs	10,058	9,218	9,562	9,430	9,746	-3.1	3.3

Source: Insolvency Service

p = provisional, r = revised

<sup>1</sup> Longer series back to 1998 are presented in the accompanying detailed tables

The percentage of bankruptcy orders involving trading debts (self-employed bankruptcies) has fallen from 70% in 1990 (the earliest for which reliable figures exist) to 11.2% in the second

quarter of 2008 (third quarter 2008 figures for trading-related bankruptcies are not yet available). It should be noted, however, that figures for 2007 onwards are based on a revised classification and are not entirely consistent with earlier years figures.

## INSOLVENCIES IN SCOTLAND AND NORTHERN IRELAND

The following tables present recent trends in insolvencies in Scotland and Northern Ireland, complementing those for England and Wales above (longer series back to 1998 are presented in the accompanying detailed tables).

**Table IV. Insolvencies in Scotland (not seasonally adjusted)**

	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008 p	% change – Q3 2008 on
						Q3 2007
<b>Company Liquidations</b>	<b>125</b>	<b>83</b>	<b>102</b>	<b>132</b>	<b>127</b>	<b>1.6</b>
of which: Compulsory	105	71	95	111	111	5.7
Creditors Voluntary	20	12	7	21	16	-20.0
<b>Individuals<sup>1</sup></b>	<b>3,527</b>	<b>3,318</b>	<b>3,324 r</b>	<b>4,735</b>	<b>5,998</b>	<b>70.1</b>
of which: Sequestrations <sup>1</sup>	1,545	1,563	1,444 r	2,853	4,055	162.5
Protected Trust Deeds	1,982	1,755	1,880	1,882	1,943	-2.0

Source: Companies House (Scotland) and Accountant in Bankruptcy (AiB)

p = provisional, r = revised

<sup>1</sup> The sequestration figures for 2008 Q2 onwards include LILAs (Low Income, Low Assets) cases. These were introduced as a new route into bankruptcy under the Bankruptcy and Diligence etc (Scotland) Act 2007, wef 1 April 2008.

**Table V. Insolvencies in Northern Ireland (not seasonally adjusted)**

	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008 p	% change – Q3 2008 on
						Q3 2007
<b>Company Liquidations</b>	<b>42</b>	<b>48</b>	<b>42</b>	<b>57</b>	<b>44</b>	<b>4.8</b>
of which: Compulsory	28	36	37	42	27	-3.6
Creditors Voluntary	14	12	5	15	17	21.4
<b>Individuals</b>	<b>338</b>	<b>319</b>	<b>330</b>	<b>479</b>	<b>386</b>	<b>14.2</b>
of which: Bankruptcies	227	225	226	331	229	0.9
IVAs	111	94	104	148	157	41.4

Source: Department for Enterprise, Trade and Investment, Northern Ireland (DETINI)

p = provisional, r = revised

## Notes to Editors

1. The official Insolvency Statistics are the most comprehensive record of the number of corporate and individual insolvencies in England and Wales. Insolvencies in Scotland and Northern Ireland are also included, but are shown separately as they are covered by separate legislation, there are some differences in definition, and policy responsibility for them lies within the devolved administrations.
2. The statistics for England and Wales are derived from administrative records of the department for Business Enterprise and Regulatory Reform (BERR), Insolvency Service and Companies House Executive Agencies. For Scotland, the company insolvency statistics are derived from administrative records at Companies House, Scotland. Figures for individual insolvencies in Scotland are sourced from the Office of the Accountant in Bankruptcy (AIB). The Northern Ireland statistics are derived from administrative records of the DETI Insolvency Service and Companies Registry. Generally speaking, numbers of cases are based on the date the insolvency procedure was registered on the administrative recording system, not on the date of the order or agreement.
3. Numbers of insolvencies are not directly comparable with official estimates of business stock, formations or closures. Statistics of business start-ups and closures that are directly comparable with each other have been assembled from VAT records and are published by BERR. The latest figures are those for 2006, and were issued in a BERR press notice on 14 November 2007. More detailed figures are available via the on-line database NOMIS. Additionally, analysis into the number of firms in the United Kingdom estimated the total number of businesses at the start of 2007 at 4.7 million.
4. The X12ARIMA program (developed by Statistics Canada) is used for the seasonal adjustment of the insolvency statistics for England and Wales, this being the recommended program within UK National Statistics. Seasonal adjustment is a process by which changes that are due to seasonal or other calendar influences are removed to produce a clearer picture of the underlying behaviour of the data series. The data series covering Scotland and Northern Ireland do not demonstrate consistent seasonality and only the raw (unadjusted) series are presented.
5. Insolvent companies entering liquidation in England & Wales and Scotland are dealt with under the Insolvency Act of 1986 and, in Northern Ireland, by the Insolvency (Northern Ireland) Order 1989. They can **either** be the subject of a **compulsory liquidation** (winding-up) order obtained from the court by a creditor, shareholder or director **or** themselves pass a resolution, subject to the approval of a creditors' meeting that the company be wound up voluntarily (**creditors voluntary liquidations**, registered at Companies House/Companies Registry). In either case they are said to have been **wound-up**, and numbers are given in Tables 1, 4 and 6. A third type of winding-up, members' voluntary liquidation, is not included because it does not involve insolvency.
6. The Insolvency Act 1986 and, in Northern Ireland, the Insolvency (Northern Ireland) Order 1989 also introduced the procedures of **company administration orders** and **company voluntary arrangements (CVAs)**. The administration procedure gives a period of time during which creditors are restrained from taking action and a court appointed administrator puts forward proposals to deal with the company's financial difficulties. The CVA procedure aids business by enabling a company in financial difficulty to come to a binding agreement with its creditors. These are listed separately under Table 3 for England and Wales and Table 5 for Scotland.
7. The Enterprise Act 2002 introduced revisions to the corporate administration procedures, replacing Part II of the Insolvency Act 1986 with Schedule B1. These include the introduction of additional entry routes into administration that do not require the making of an administration order and a streamlined process for **Administrations** whereby a company can in some circumstances be dissolved without recourse to liquidation. The primary objective of

administration (and of CVAs) is the rescue of the company as a going concern. These provisions came into force on 15<sup>th</sup> September 2003 and **Administrations under the Enterprise Act** have been included on Tables 3 and 5 from Q3 2003 (dissolution follows 3 months after a notice is filed with the Registrar of Companies, if no objections are raised by the court). On 27<sup>th</sup> March 2006 the Insolvency (Northern Ireland) Order 2005 introduced similar revisions to the corporate administration procedures in Northern Ireland, replacing Part III of the Insolvency (Northern Ireland) Order 1989 with Schedule B1.

8. Since the Enterprise Act 2002, a number of these streamlined administrations have subsequently converted to a creditors' voluntary liquidation. These liquidations in England and Wales are not included under the headline figures here or at Table 1, as they do not represent a new company entering into an insolvency procedure for the first time. For completeness, however, they are included under Table 3d. It is also possible for the outcome of an administration to be entry into a company voluntary arrangement or a compulsory liquidation, but these cases are not separately identifiable from Companies House' information and will therefore be included within the new case figures for these procedures (the numbers involved are relatively few, compared to those entering CVL).

9. **Receivership appointments** comprise **administrative receivers** appointed under the 1986 Insolvency Act (and the 1989 Order for Northern Ireland) and certain **other receiver appointments, for example under the Law of Property Act 1925** - due to the use of the same statutory documentation for different types of receivership, it is not possible to give a breakdown between them. Law of Property Act receivers are classed as Enforcement of Security and are not insolvency procedures under the Insolvency Act of 1986. For this reason levels of, and trends in, receivership appointments should be interpreted with caution. The provisions of the Enterprise Act 2002 [section 250] (Insolvency [Northern Ireland] Order 2005 [Article 5]) have made some changes to the procedures for administrative receivership.

10. Figures sourced from Companies House (E&W) were revised previously (where appropriate) between 2007 Q1 and 2008 Q1. This reflected inaccuracies identified in the counting of cases during validation following the move to a new IT system in February 2008. The most noticeable revisions were to receiverships (where some companies had been counted more than once); the rest of this series prior to 2007 is not yet available on a revised basis. However, it should also be noted that because the revised counts have been run against a live database, they do not exactly reflect the original numbers of new cases that would have been reported.

11. Individual insolvencies in England and Wales and in Northern Ireland are made up of **bankruptcy orders** and **individual voluntary arrangements (IVAs)**. Insolvent individuals in England and Wales are dealt with mainly under the Insolvency Act 1986. A bankruptcy order is made on the petition of the debtor or one or more of his creditors when the court is satisfied that there is no prospect of the debt being paid. (Figures for bankruptcy orders include orders relating to the estates of deceased debtors). There are also individual voluntary arrangements (IVAs) and deeds of arrangement (the latter under the Deeds of Arrangement Act 1914), which enable debtors to come to an agreement with their creditors. Table 2 summarises the above procedures for England and Wales (IVAs and Deeds of Arrangement are included under a single column) and Table 2a provides bankruptcy orders further split by petition type. Changes to bankruptcy law in England and Wales introduced by the Enterprise Act 2002 came into force on 1 April 2004 – the Act made no changes to the existing individual voluntary arrangement regime.

12. Table 2b records numbers of Income Payments Orders (IPOs) and Income Payments Agreements (IPAs) where the bankrupt makes regular payments from surplus income towards his/her debts for a period of time, either by court order or by agreement. The figures record numbers of IPOs/IPAs made in each period, they do not, in general, relate to the date of the original bankruptcy order. Table 2b records a number of IPAs before Q2 2004 because the IPA provisions of the Enterprise Act 2002 (commenced on 1 April 2004) were applicable, upon commencement, to pre-commencement bankruptcies.



13. Insolvent individuals in Scotland (Table 4) are subject to **sequestration** (bankruptcy) or **protected trust deeds** under the Bankruptcy (Scotland) Act 1985 (as amended). This Act was amended by the Bankruptcy (Scotland) Act 1993. On April 1 2008 the Bankruptcy and Diligence etc. (Scotland) Act 2007 came into force making significant changes to some aspects of bankruptcy, debt relief and debt enforcement in Scotland. Most notably, as far as these statistics are concerned, it introduced a new route into bankruptcy for people with low income and low assets (LILA). The sequestration figures for Q2 2008 onwards include these new LILA cases; therefore trends in numbers of sequestrations before and after this date should be interpreted with care. Protected trust deeds are voluntary arrangements in Scotland, but although they fulfil much the same role as individual voluntary arrangements, there are important differences in the way they are set up and administered. Details of both sequestrations and protected trust deeds are found on the register of insolvencies, which is maintained by the Accountant in Bankruptcy. Further information about insolvency in Scotland can be found on the Accountant's website at [www.aib.gov.uk](http://www.aib.gov.uk). It should also be noted that from April 2008, personal insolvency statistics have been extracted from information published on the AIB website; whereas previously it was supplied on request, tailored to our publication requirements.

14. Insolvent individuals in Northern Ireland are dealt with under the Insolvency (Northern Ireland) Order 1989 and are recorded under Table 6. On 27 March 2006 the Insolvency (Northern Ireland) Order 2005 came into operation and implemented similar changes to bankruptcy procedures as the Enterprise Act 2002 introduced in England and Wales. Further information about insolvency in Northern Ireland can be found on their website at [www.insolvencyservice.detini.gov.uk](http://www.insolvencyservice.detini.gov.uk).

15. Under the Insolvency Act 1986 and the Insolvent Partnerships Order and, in Northern Ireland, the Insolvency (Northern Ireland) Order 1989 and the Insolvent Partnerships Order (Northern Ireland) 1995, insolvent partnerships may be wound up as an unregistered company or administered following bankruptcy orders against the partners. Insolvent Partnerships can also enter administration or a voluntary arrangement.

16. Company insolvencies and bankruptcy orders (relating to the self-employed) in England and Wales broken down by industry are available from Q3 2007 according to the Standard Industrial Classification (SIC) 2003, bringing them into line with other official statistics. Industry breakdowns for compulsory liquidations and bankruptcies (only) are only available one quarter in arrears of the headline series. Figures according to the previously used Insolvency Trade Classification (ITC) are available up to Q3 2006, but information by industry is not available for the period between Q4 2006 to Q2 2007 (inclusive) on either classification. Additionally, the broad split of bankruptcy orders into self-employed and other individuals is available under Table 2a.

17. Company liquidations in Scotland are available from Q1 2007 based on the SIC2003 industry breakdown and these can be found in Tables 4a and 4b. Earlier data are available separately classified according to the Insolvency Trade Classification (ITC).

18. Information concerning insolvency legislation, policy evaluation and research in England and Wales may be obtained from the Insolvency Service website at [www.insolvency.gov.uk](http://www.insolvency.gov.uk).

#### National Statistics

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