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The Insolvency Service has published the official insolvency statistics for England and Wales for the second quarter of 2011.

INSOLVENCY STATISTICS MONITOR

COMPANY INSOLVENCIES

Compulsory liquidations

The number of winding up orders made by the courts in the quarter was 1,290, up by 19.8% on the previous quarter, and an increase of 11.1% on the same period in 2010.

2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	Percentage change Q2 2011 on:	
					2010 Q2	2011 Q1
1,161	1,138	1,196	1,077	1,290	11.1	19.8

Creditors' voluntary liquidations (CVLs)

The number of creditors' voluntary liquidations in the quarter was 2,943, a decrease of 3.3% on the previous quarter, but a slight increase of 1.7% on the equivalent quarter of 2010.

2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	Percentage change Q2 2011 on:	
					2010 Q2	2011 Q1
2,893	2,845	2,777	3,044	2,943	1.7	-3.3

Receiverships, administrations & company voluntary arrangements (CVA's)

The number of receiverships, administrations and CVA's registered at Companies House in the quarter was 1,232, a decrease of 6.2% on the previous quarter. Overall the figures show a decrease of 6% on the second quarter of 2010.

2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	Percentage change Q2 2011 on:	
					2010 Q2	2011 Q1
1,311	1,141	1,114	1,314	1,232	-6.0	-6.2

INDIVIDUAL INSOLVENCIES

Bankruptcies

The number of bankruptcy orders made by the courts against individual debtors in the quarter was 11,113, a decrease of 11.4% on the previous quarter, and down 25.8% on the corresponding period in 2010.

2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	Percentage change Q2 2011 on:	
					2010 Q2	2011 Q1
14,982	13,907	12,028	12,539	11,113	-25.8	-11.4

Debt Relief Orders

Debt relief orders were introduced in April 2009, for individual debtors with few, if any, assets or surplus income and relatively modest liabilities. A total of 7,257 orders were made in the quarter, an increase of 6.9% over the previous period.

2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	Percentage change Q2 2011 on:	
					2010 Q2	2011 Q1
6,295	7,068	6,172	6,788	7,257	15.3	6.9

Individual voluntary arrangements (IVA's)

The number of individual voluntary arrangements in the quarter was 12,143, an increase of 12.2% on the previous quarter, but a decrease of 9.8% compared with the second quarter of 2010.

2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	Percentage change Q2 2011 on:	
					2010 Q2	2011 Q1
13,466	12,960	12,485	10,818	12,143	-9.8	12.2

Source: The Insolvency Service

COMMENTARY

The figures show that the number of company failures, as measured by liquidations, increased in the second quarter of the year, the second successive increase after a trend of falling numbers over the previous two years. A total of 4,233 companies went into liquidation in the second quarter, with a fall in voluntary liquidations more than matched by an increase in compulsory liquidations. Conversely, the number of administrative receiverships, administrations and company voluntary arrangements, which are intended to be procedures aimed at rescuing all or parts of businesses, fell slightly this quarter, notwithstanding several high profile administration appointments including Habitat, T J Hughes, Jane Norman and others.

Recent events both domestically and internationally have given rise to fears of a “double-dip” recession, and many respected commentators have reflected that the UK economy will remain, at best, sluggish for the foreseeable future. In the real world of business, many continue to struggle, and a recent survey for R3, the insolvency trade body, found that as many as 1 in 50 businesses say that they are very likely to enter insolvency in the next year. This is particularly so in the retail sector, where the figure rises to one in eight businesses.

Meanwhile, HMRC’s “time to pay” arrangements, whilst still available, are increasingly difficult to negotiate. The latest figures (the last which HMRC will be publishing) show that the number being approved is barely half the number of a year ago, and that more are being refused. HMRC put this down to the number of repeat requests, a reluctance to support businesses which they perceive to be unviable, and a refusal to allow arrangements for companies which pay dividends, even where those dividends are, in effect, in lieu of remuneration. A robust business plan is likely to be an increasingly vital element of any future time to pay application.

As we continually remind our contacts, where businesses in difficulties take sound, professional advice in good time, instead of leaving things until the problems become insurmountable, there is often a good prospect of recovering at least part of what might otherwise have seemed a hopeless case.

The number of individual insolvencies continues to run at historically extraordinary rates, rising in the last quarter after a sustained period of quarter on quarter decline. That increase was due to the higher number of IVAs and debt relief orders, with a decrease in the figures for bankruptcies.

Without wanting to be messengers of gloom, we believe that there will be more pain to come as the economy continues to stutter. We have noted a perceptible increase in enquiries across all our offices in recent weeks, particularly from the directors of struggling companies.

IMPORTANT NOTE:

This briefing note is intended for general information only. It is not, and does not purport to be, a comprehensive statement of the law. It is not a substitute for specific advice which should be sought for specific cases. We cannot accept responsibility for any action (or decision not to take action) made in reliance on the content of this publication.

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