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The Insolvency Service has published the official insolvency statistics for England and Wales for the second quarter of 2010.

# INSOLVENCY STATISTICS MONITOR

# COMPANY INSOLVENCIES

## Compulsory liquidations

The number of winding up orders made by the courts in the quarter was 1,169, down by 9.9% on the previous quarter, and a reduction of 21% on the same period in 2009.

2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	Percentage change Q2 2010 on:	
					2009 Q2	2010 Q1
1,480	1,289	1,331	1,298	1,169	-21.0	-9.9

## Creditors' voluntary liquidations (CVLs)

The number of creditors' voluntary liquidations in the quarter was 2,911, an increase of 5.4% on the previous quarter, but down 18.3% on the second quarter of 2009.

2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	Percentage change Q2 2010 on:	
					2009 Q2	2010 Q1
3,561	3,326	3,126	2,762	2,911	-18.3	5.4

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

The number of receiverships, administrations and CVA's registered at Companies House in the quarter was 1,311, a insignificant increase of 0.2% on the previous quarter. Overall the figures show a decrease of 14.2% on the second quarter of 2009.

2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	Percentage change Q2 2010 on:	
					2009 Q2	2010 Q1
1,529	1,578	1,465	1,343	1,311	-14.2	-0,2

# INDIVIDUAL INSOLVENCIES

## Bankruptcies

The number of bankruptcy orders made by the courts against individual debtors in the quarter was 14,982, a decrease of 17.9% on the previous quarter, and down 20.6% on the corresponding period in 2009.

2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	Percentage change Q2 2010 on:	
					2009 Q2	2010 Q1
18,870	18,347	17,007	18,256	14,982	-20.6	-17.9

## 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 6,295 orders were made in the quarter, an increase of 11.5% over the previous period demonstrating their increasing popularity.

2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	Percentage change Q2 2010 on:	
					2009 Q2	2010 Q1
1,978	4,505	5,348	5,644	6,295	218.3	11.5

## Individual voluntary arrangements (IVA's)

The number of individual voluntary arrangements in the quarter was 13,446, an increase of 14.1% on the previous quarter, and of 10.2% on the second quarter of 2009.

2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	Percentage change Q2 2010 on:	
					2009 Q2	2010 Q1
12,225	12,390	13,219	11,782	13,446	10.2	14.1

Source: The Insolvency Service

# COMMENTARY

The figures show that the number of company failures as measured by liquidations, after reducing for four successive quarters, increased slightly in the three months to the end of June 2010.

The number of administrative receiverships, administrations and company voluntary arrangements, which are intended to be procedures aimed at rescuing all or parts of businesses, was broadly stable in the quarter.

Normally we would expect to see a fall in the figures in the second quarter of the year, and the fact that the figures have increased, albeit only slightly, is of concern. It is clear that many businesses are, at best, continuing to struggle. HMRC's "time to pay" schemes have undoubtedly helped many businesses to survive when they otherwise would have failed, including some that are probably unviable in the longer term. Certainly HMRC are taking a tougher stance before agreeing such arrangements.

History suggests that insolvencies (and unemployment) are lagging indicators, and that the peak level of insolvencies tends to occur some 18 months to two years after GDP stops shrinking. Certainly, whatever the official figures may say, our experience is that we have seen a perceptible increase in insolvencies since the start of the year, and we anticipate a further increase in company failures as the year proceeds.

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, despite dropping slightly in the second quarter of 2010. Since the Enterprise Act 2002 came into force, there have been almost 600,000 personal insolvencies, nearly 350,000 of them bankruptcies. There has been a significant increase in the number of bankruptcy orders being sought by debtors, as opposed to creditors, suggesting that the Act has succeeded in one of the key aims, namely to reduce the stigma of bankruptcy.

As with company failures, we anticipate a further increase in personal insolvencies in the second half of the year.

## 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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