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The Insolvency Service has published the official insolvency statistics for England and Wales for the fourth quarter of 2009.

INSOLVENCY STATISTICS MONITOR

COMPANY INSOLVENCIES

Compulsory liquidations

The number of winding up orders made by the courts in the quarter was 1,338, up by 2.7% on the previous quarter, and a reduction of 14.2% on the same period in 2008.

2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	Percentage change Q4 2009 on:	
					2008 Q4	2009 Q3
1,560	1,579	1,457	1,301	1,338	-14.2	2.7

Creditors' voluntary liquidations (CVLs)

The number of creditors' voluntary liquidations in the quarter was 3,228, a decrease of 3.5% on the previous quarter, but an increase of 5.7% on the fourth quarter of 2008.

2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	Percentage change Q4 2009 on:	
					2008 Q4	2009 Q3
3,055	3,362	3,598	3,345	3,228	5.7	-3.5

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

The number of receiverships, administrations and CVA's registered at Companies House in the quarter was 1,465, a decrease of 7.1% on the previous quarter. Overall the figures show a decrease of 39.6% on the fourth quarter of 2008.

2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	Percentage change Q4 2009 on:	
					2008 Q4	2009 Q3
2,428	1,783	1,529	1,578	1,465	-39.6	-7.1

INDIVIDUAL INSOLVENCIES

Bankruptcies

The number of bankruptcy orders made by the courts against individual debtors in the quarter was 17,007, a decrease of 7.3% on the previous quarter, and of 5.5% on the corresponding period in 2008.

2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	Percentage change Q4 2009 on:	
					2008 Q4	2009 Q3
18,004	20,446	18,870	18,347	17,007	-5.5	-7.3

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 5,348 orders were made in the quarter.

2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	Percentage change Q4 2009 on:	
					2008 Q4	2009 Q3
-	-	1,978	4,505	5,348	n/a	18.7

Individual voluntary arrangements (IVA's)

The number of individual voluntary arrangements in the quarter was 13,219, an increase of 6.7% on the previous quarter, and of 25.3% on the fourth quarter of 2008.

2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	Percentage change Q4 2009 on:	
					2008 Q4	2009 Q3
10,467	9,807	12,225	12,390	13,219	26.3	6.7

Source: The Insolvency Service

COMMENTARY

The figures show that the number of company failures as measured by liquidations, having remained broadly stable for several years, increased substantially in 2008 (by almost 37% compared to 2007), and increased by a further 23% in 2009. Despite a small reduction in the final quarter of the year, 2009 saw the highest number of liquidations (19,077) since 1993,

The number of administrative receiverships, administrations and company voluntary arrangements, which are intended to be procedures aimed at rescuing all or parts of businesses, increased from 6,277 in 2008 to 6,355 last year. The 2008 figure is, however, slightly misleading in that it includes the administration of 729 separate managed service companies in September 2008, which artificially inflates that year's figures.

Whilst the UK economy is now formally out of recession, and it is clear that tentative green shoots are starting to appear, many businesses are at best struggling. 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.

We continue to believe that there will be a further increase in company failures in 2010.

It remains the case that, 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 exceeded 100,000 for the first time in 2006, and that was repeated in 2007 and 2008, albeit with a slight decline each year. In 2009, the total

number of personal insolvencies (bankruptcies, individual voluntary arrangements and debt relief orders) was a staggering 134,142. Approximately 1 in every 320 adults in England and Wales entered a formal personal insolvency procedure in 2009.

There had been a decline in the number of individual voluntary arrangements (IVA's) from 2006 reversed in 2009, reaching a new record of 47,641. In our view, the increase has more to do with the sheer volume of financially distressed individuals than the advent of the "IVA Protocol" for consumer IVA's, which does not seem to have changed very much the reluctance of banks to approve IVA's. The fact that the number of IVAs is on the rise suggests that people are facing up to their financial problems earlier. Used properly, IVA's can often result in a much better outcome for both the individual and his creditors, helping the individual to avoid the stigma and disabilities of bankruptcy, and at the same time providing a better return for creditors and lenders than they could expect in bankruptcy.

April 2009 saw the introduction of debt relief orders as an alternative to bankruptcy where a debtor has little by way of assets or surplus income, and only modest liabilities, and they will take some time to "bed in". Some individuals who have had debt relief orders would almost certainly have been declared bankrupt had this route not been available to them, and this may account for the small reduction in the number of bankruptcy orders made in each of the last three quarters.

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

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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