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

# INSOLVENCY STATISTICS MONITOR

# COMPANY INSOLVENCIES

## Compulsory liquidations

The number of winding up orders made by the courts in the quarter was 1,200, up by 5.8% on the previous quarter, and a reduction of 9.9% on the same period in 2009.

2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	Percentage change Q4 2010 on:	
					2009 Q4	2010 Q3
1,331	1,295	1,164	1,134	1,200	-9.9	5.8

## Creditors' voluntary liquidations (CVLs)

The number of creditors' voluntary liquidations in the quarter was 2,755, a decrease of 2.6% on the previous quarter, and down 11.8% on the equivalent quarter of 2009.

2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	Percentage change Q4 2010 on:	
					2009 Q4	2010 Q3
3,126	2,757	2,911	2,830	2,755	-11.8	-2.6

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

The number of receiverships, administrations and CVA's registered at Companies House in the quarter was 1,114, a slight decrease (of 0.2%) on the previous quarter. Overall the figures show a decrease of 24.0% on the fourth quarter of 2009.

2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	Percentage change Q4 2010 on:	
					2009 Q4	2010 Q3
1,465	1,343	1,311	1,141	1,114	-24.0	-0.2

# INDIVIDUAL INSOLVENCIES

## Bankruptcies

The number of bankruptcy orders made by the courts against individual debtors in the quarter was 12,049, a decrease of 13.4% on the previous quarter, and down 29.2% on the corresponding period in 2009.

2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	Percentage change Q4 2010 on:	
					2009 Q4	2010 Q3
17,007	18,256	14,982	13,907	12,049	-29.2	-13.4

## 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 6,172 orders were made in the quarter, a decrease of 12.7% over the previous period.

2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	Percentage change Q4 2010 on:	
					2009 Q4	2010 Q3
5,348	5,644	6,295	7,068	6,172	15.4	-12.7

## Individual voluntary arrangements (IVA's)

The number of individual voluntary arrangements in the quarter was 12,508, a small decrease of 3.6% on the previous quarter, and a decrease of 5.4% compared with the second quarter of 2009.

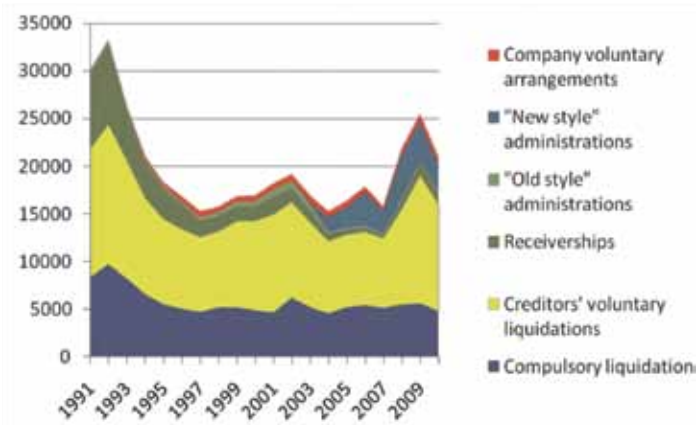
2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	Percentage change Q4 2010 on:	
					2009 Q4	2010 Q3
13,219	11,782	13,466	12,960	12,508	-5.4	-0.3

Source: The Insolvency Service

# COMMENTARY

The figures show that the number of company failures, as measured by liquidations, has continued to fall. A total of 16,045 companies went into liquidation in 2010, compared to 19,077 in 2009. Similarly, the number of administrative receiverships, administrations and company voluntary arrangements, which are intended to be procedures aimed at rescuing all or parts of businesses, have continued to decline this quarter. The number of companies entering one or other procedure fell from 6,855 in 2009 to 4,909 in 2010.

Graph 1 sets out the trend in company insolvencies over the last 20 years:



Historically insolvencies, like unemployment, have been considered a “lagging indicator” and the numbers have surged as the economy has emerged from recession. The liquidation rate peaked at 2.6% of active companies in 1993 as the economy recovered from the downturn of the late 1980s/early 1990s, compared with a rate of less than 1% now.

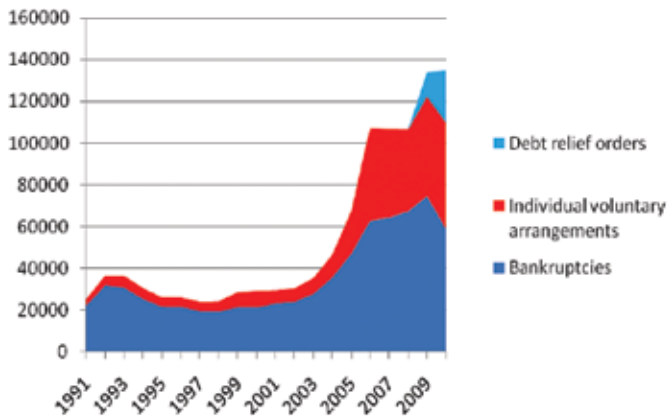
That said, it is clear that many businesses are, at best, continuing to struggle. HMRC’s “time to pay” schemes have undoubtedly helped many businesses to survive when they otherwise would have failed, including some that are probably unviable in the longer term. Certainly HMRC are now not only taking a much tougher stance before agreeing such arrangements, but there is evidence that they are becoming more rigorous in collecting unpaid taxes. The impact of the recent increase in the rate of VAT, the effect of the public spending cutbacks, and the impact of rising consumer prices and falling standards of living, combined with a shaky property market remain to be seen but they are already having a clear effect on consumer confidence and therefore spending.

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, hitting a new record of 135,089 in 2010. Since the Enterprise Act 2002 came into force, the rate of personal insolvencies, particularly bankruptcies, has run on a steeply upward path. There has been a significant increase in the number of bankruptcy orders being sought by debtors (around 85% of the total), as opposed to creditors, suggesting that the Act has succeeded in one of the key aims, namely to reduce the stigma of bankruptcy.

The second graph (bottom left) demonstrates the trend in individual insolvencies from 1991 to 2010:

Without wanting to be messengers of gloom, we believe that there may well be more pain to come.



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### 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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