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

# INSOLVENCY STATISTICS MONITOR

# COMPANY INSOLVENCIES

## Compulsory liquidations

The number of winding up orders made by the courts in the quarter was 1,074, down by 10.2% on the previous quarter, and a reduction of 17.2% on the same period in 2010.

2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	Percentage change Q1 2011 on:	
					2010 Q1	2010 Q4
1,297	1,161	1,138	1,196	1,074	-17.2	-10.2

## Creditors' voluntary liquidations (CVLs)

The number of creditors' voluntary liquidations in the quarter was 3,047, an increase of 9.7% on the previous quarter, and of 11.2% on the equivalent quarter of 2010.

2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	Percentage change Q1 2011 on:	
					2010 Q1	2010 Q4
2,739	2,893	2,845	2,777	3,047	11.2	9.7

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

The number of receiverships, administrations and CVA's registered at Companies House in the quarter was 1,314, an increase of 18% on the previous quarter. Overall the figures show a slight decrease of 0.2% on the first quarter of 2010.

2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	Percentage change Q1 2011 on:	
					2010 Q1	2010 Q4
1,343	1,311	1,141	1,114	1,314	-0.2	18.0

# INDIVIDUAL INSOLVENCIES

## Bankruptcies

The number of bankruptcy orders made by the courts against individual debtors in the quarter was 12,539, an increase of 4.2% on the previous quarter, but down 31.3% on the corresponding period in 2010.

2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	Percentage change Q1 2011 on:	
					2010 Q1	2010 Q4
18,256	14,982	13,907	12,028	12,539	-31.3	4.2

## 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 6,788 orders were made in the quarter, an increase of 10% over the previous period.

2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	Percentage change Q1 2011 on:	
					2010 Q1	2010 Q4
5,644	6,295	7,068	6,172	6,788	20.3	10.0

## Individual voluntary arrangements (IVA's)

The number of individual voluntary arrangements in the quarter was 10,835, a decrease of 13.2% on the previous quarter, and of 8% compared with the first quarter of 2010.

2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	Percentage change Q1 2011 on:	
					2010 Q1	2010 Q4
11,782	13,466	12,960	12,485	10,835	-8.0	-13.2

Source: The Insolvency Service

# COMMENTARY

The figures show that the number of company failures, as measured by liquidations, increased in the first quarter of the year, halting a trend of falling numbers over the last two years. A total of 4,297 companies went into liquidation in the first quarter, with a fall in compulsory liquidations more than matched by an increase in voluntary liquidations.. 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, also increased this quarter.

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. However, HMRC's own figures show that fewer arrangements are being approved, and more rejected; there is evidence that they are becoming more rigorous in collecting unpaid taxes.

The impact of January's 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 seem to be having a clear effect on consumer confidence and therefore spending.

With consumers' disposable incomes falling and an uncertain economic environment, therefore, many will remain cautious. There has been a spate of profit warnings, particularly in the retail sector, in recent weeks, with some high profile retail administrations and an apparent increase in rejection rates of CVAs.

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, continued the overall quarter on quarter decline. However that decline was due to the reduced number of IVAs, with slight increases in the figures for both bankruptcies and debt relief orders.

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

**Burton Sweet Corporate Recovery is a leading firm of specialist insolvency practitioners with offices in nine locations:**

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