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

INSOLVENCY STATISTICS MONITOR

COMPANY INSOLVENCIES

Compulsory liquidations

The number of winding up orders made by the courts in the quarter was 1,126, down by 3.2% on the previous quarter, and a reduction of 12.6% on the same period in 2009.

2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	Percentage change Q3 2010 on:	
					2009 Q3	2010 Q2
1,289	1,331	1,298	1,164	1,126	-12.6	-3.2

Creditors' voluntary liquidations (CVLs)

The number of creditors' voluntary liquidations in the quarter was 2,847, a decrease of 1.8% on the previous quarter, and down 14.4% on the third quarter of 2009.

2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	Percentage change Q3 2010 on:	
					2009 Q3	2010 Q2
3,326	3,126	2,762	2,899	2,847	-14.4	-1.8

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

The number of receiverships, administrations and CVA's registered at Companies House in the quarter was 1,141, a decrease of 13% on the previous quarter. Overall the figures show a decrease of 27.7% on the third quarter of 2009.

2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	Percentage change Q3 2010 on:	
					2009 Q3	2010 Q2
1,578	1,465	1,343	1,311	1,141	-27.7	-13.0

INDIVIDUAL INSOLVENCIES

Bankruptcies

The number of bankruptcy orders made by the courts against individual debtors in the quarter was 13,907, a decrease of 7.2% on the previous quarter, and down 24.2% on the corresponding period in 2009.

2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	Percentage change Q3 2010 on:	
					2009 Q3	2010 Q2
18,347	17,007	18,256	14,982	13,907	-24.2	-7.2

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 7,068 orders were made in the quarter, an increase of 12.3% over the previous period demonstrating their increasing popularity.

2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	Percentage change Q3 2010 on:	
					2009 Q3	2010 Q2
4,505	5,348	5,644	6,295	7,068	56.9	12.3

Individual voluntary arrangements (IVA's)

The number of individual voluntary arrangements in the quarter was 12,960, a decrease of 3.6% on the previous quarter, but an increase of 4.6% compared with the second quarter of 2009.

2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	Percentage change Q3 2010 on:	
					2009 Q3	2010 Q2
12,390	13,219	11,782	13,446	12,960	4.6	-3.6

Source: The Insolvency Service

COMMENTARY

The figures show that the number of company failures as measured by liquidations, has continued to fall, after a slight blip in the previous quarter (to the end of June 2010). 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.

In some respects the figures are puzzling. Historically insolvencies have been considered a “lagging indicator” and the numbers have surged as the economy has recovered 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 taking a much tougher stance before agreeing such arrangements. The impact of the increase in the rate of VAT, and the effect of the public spending cutbacks, remains to be seen.

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 somewhat in the second and third quarters of 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 tot, as opposed to creditors, suggesting that the Act has succeeded in one of the key aims, namely to reduce the stigma of bankruptcy.

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

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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