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

INSOLVENCY STATISTICS MONITOR

COMPANY INSOLVENCIES

Compulsory liquidations

The number of winding up orders made by the courts in the quarter was 1,203, down by 6.6% on the previous quarter, and an increase of 5.7% on the same period in 2010.

2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	Percentage change Q3 2011 on:	
					2010 Q3	2011 Q2
1,138	1,196	1,077	1,288	1,203	5.7	-6.6

Creditors' voluntary liquidations (CVLs)

The number of creditors' voluntary liquidations in the quarter was 3,039, an increase of 3.1% on the previous quarter, and of 6.8% on the equivalent quarter of 2010.

2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	Percentage change Q3 2011 on:	
					2010 Q3	2011 Q2
2,845	2,777	3,044	2,948	3,039	6.8	3.1

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

The number of receiverships, administrations and CVA's registered at Companies House in the quarter was 1,253, an increase of 1.7% on the previous quarter. Overall the figures show an increase of 6% on the third quarter of 2010.

2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	Percentage change Q3 2011 on:	
					2010 Q3	2011 Q2
1,141	1,114	1,294	1,232	1,253	9.8	1.7

INDIVIDUAL INSOLVENCIES

Bankruptcies

The number of bankruptcy orders made by the courts against individual debtors in the quarter was 9,567, a decrease of 13.9% on the previous quarter, and down 31.2% on the corresponding period in 2010.

2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	Percentage change Q3 2011 on:	
					2010 Q3	2011 Q2
13,907	12,028	12,539	11,113	9,567	-31.2	-13.9

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 7,604 orders were made in the quarter, an increase of 4.8% over the previous period.

2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	Percentage change Q3 2011 on:	
					2010 Q3	2011 Q2
7,068	6,172	6,788	7,257	7,604	7.6	4.8

Individual voluntary arrangements (IVA's)

The number of individual voluntary arrangements in the quarter was 13,048, an increase of 7.4% on the previous quarter, and a slight increase of 0.7% compared with the third quarter of 2010.

2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	Percentage change Q3 2011 on:	
					2010 Q3	2011 Q2
12,960	12,485	10,818	12,143	13,048	0.7	7.4

Source: The Insolvency Service

COMMENTARY

The figures show that the number of company failures, as measured by liquidations, was broadly stable in the third quarter of the year, increasing only very slightly as compared with the previous quarter. Nonetheless, it is the third successive increase after a trend of falling numbers over the previous two years. A total of 4,242 companies went into liquidation in the third quarter, with a fall in compulsory liquidations pretty well 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, increased only very slightly this quarter. It should be noted that insolvency numbers have historically generally dipped in the third quarter.

Meanwhile the unrelenting diet of economic doom and gloom, both in the UK and internationally, continues. The National Institute for Economic and Social Research is the most recent to predict a "strong chance" of a return to recession in the UK, even if the Eurozone manages to find a speedy solution to its woes. What is certain is that the UK economy faces a bumpy ride for the foreseeable future. In the real world of business, many continue to struggle in a weak and volatile trading context. The most recent Business Distress Index from R3, the insolvency trade body, found increasing signs of distress in almost all of the key indicators measured, particularly those around cash flow difficulties. The sharpest increases were in frequent use of the maximum overdraft facility, decreased profits and reduced sales volume. The number of businesses taking on new borrowing to pay down existing debt has doubled. More businesses are finding difficulty in paying invoices on time and more report selling assets in order to maintain cash flow.

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, albeit falling overall in the last quarter. For the second successive quarter there was a higher number of IVAs and debt relief orders, with a decrease in the figures for bankruptcies. It may be interesting that, for the first time, more than half the bankruptcy orders were made against women.

More than half of people saying that they are suffering from debt worries, and fewer than 1 in 5 individuals believing that their financial situation will improve in the near term, with concerns about prospects for job security, earnings and disposable incomes. Worryingly, although many report reigning in their spending and having cut down on non-essential expenditure, increasing numbers are struggling to make ends meet each month. Inflation and rising taxes will only exacerbate those problems.

We have noted that the number of enquiries has increased across all our offices recently, particularly from the directors of struggling companies. Without wanting to add to the gloom-laden environment, we believe that there is bound to be more pain to come as the UK economy continues what is, at best, a stuttering recovery and businesses will face challenging times for the foreseeable future.

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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