The Insolvency Service

Insolvency Statistics – January to March 2016 (Q1 2016)

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Northern Ireland

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This statistics release contains the latest data on **company insolvency** (companies which are unable to pay debts and enter liquidation, or enter administration or other company rescue process) and **individual insolvency** (people who are unable to pay debts and enter formal procedures).

Statistics are presented separately for England and Wales, Scotland, and Northern Ireland because of differences in legislation and policy.

Main messages

Companies

- **Total company Insolvencies increased for the first time since Q1 2014, but were still lower than Q1 2015.**
- **This increase was mainly driven by an increase in compulsory liquidations, which were at the highest level since Q1 2015**

People

- **Total individual insolvencies increased slightly compared to last quarter, but were lower compared to the same period a year ago.**
- **There was an increase in debt relief orders, which resulted from a change to the eligibility criteria.**

Contents

Change of methods for company insolvency statistics, and estimation of data for the latest quarter

Beginning with the July to September 2015 release, the methodology for producing statistics on company insolvencies has been improved. This follows a consultation and pre-announcement of the change in the April to June 2015 statistics. Consistent time series data back to 2000 are included in this release.

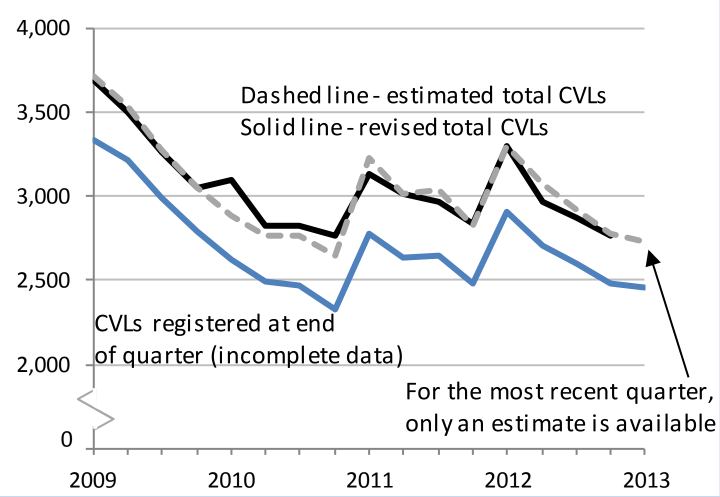
As part of this change, the latest quarter's statistics are **estimated**, using an adjustment to predict late registration, and are subject to uncertainty.

Statistics for the most recent quarter will be revised in the next quarter's publication as more data become available. This is a consequence of the trade-off between timeliness and accuracy. The first estimate may be revised up or down as illustrated in the chart (right). More information on the accuracy of the first estimate can be found in the analysis of accuracy of first estimates.

Comparisons of company insolvencies before and after 2000Q1 should be made with caution, as the earlier data are subject to bias. More information can be found in the analysis of historical revisions.

More information can be found in the methodology and data quality assurance documents.

Illustration of estimation of company insolvencies



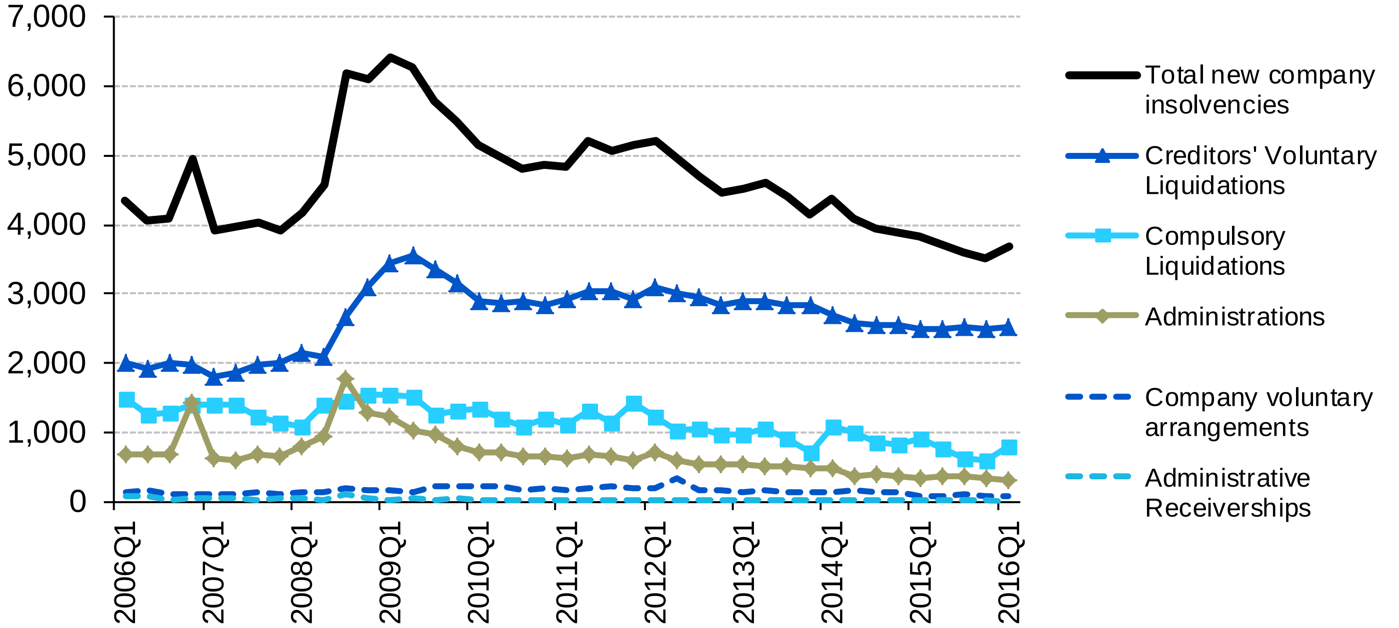
This graph shows the number of creditors' voluntary liquidations each quarter. About one in seven cases which begin in any one quarter is registered after the end of the quarter, so the latest (incomplete) data is adjusted to calculate an estimate.

The dashed line shows what the first estimate would have been using this methodology, while the solid line shows the final total.

1 Summary for Q1 2016

1.1 Company insolvency in England and Wales *(Further information: section 3)*

Figure 1: Company insolvencies in England and Wales (quarterly data, seasonally adjusted)



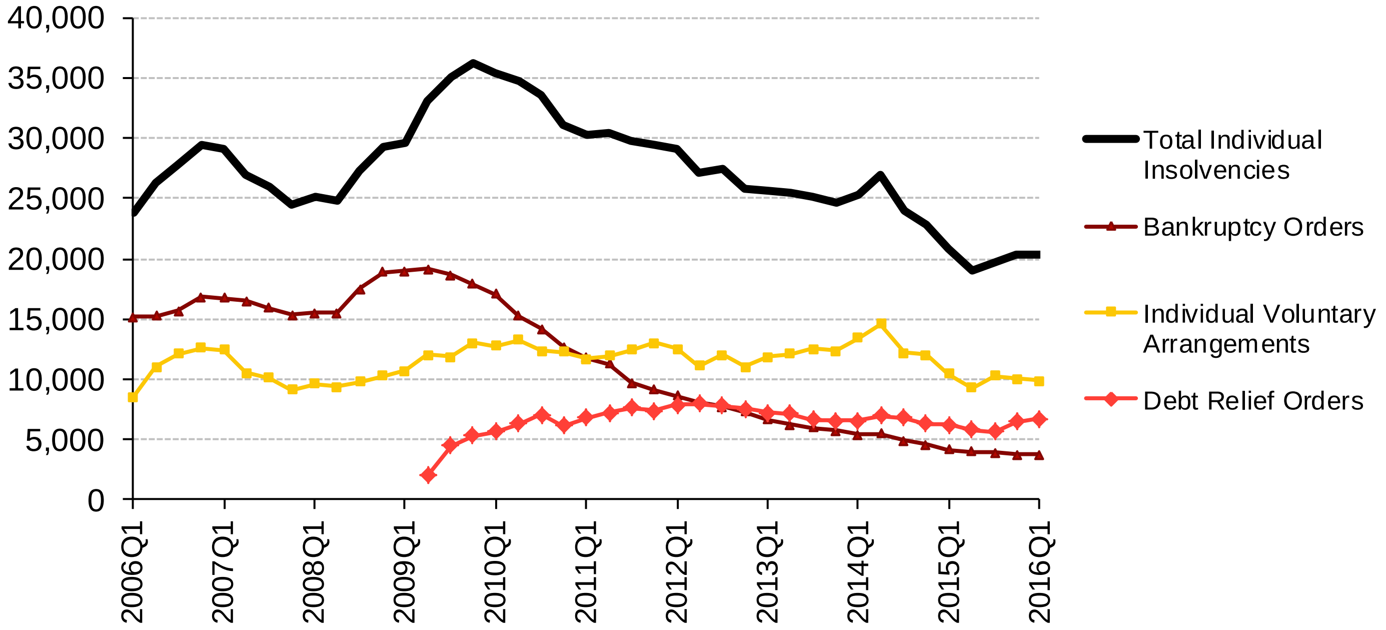
Source: Insolvency Service and Companies House. Excludes CVLs following administration.

Key findings for Q1 2016

Company insolvencies increased for the first time since Q1 2014	An estimated total of 3,694 companies entered insolvency in Q1 2016, which was 5.4% more than Q4 2015 but 3.6% lower than Q1 2015.
Compulsory liquidations increased for the first time since Q1 2015	A total of 804 companies were subject to a compulsory winding-up order in Q1 2016, a 36.0% increase on the previous quarter but 11.5% lower than Q1 2015. This was the main driver of the increase in total company insolvencies.
Creditors' voluntary liquidations remained fairly stable	An estimated 2,515 companies entered creditors' voluntary liquidation in Q1 2016, a 0.8% increase on the previous quarter and 0.6% higher compared to the same period in 2015.
CVAs at their lowest level since Q1 1998 and administrations lowest level since Q4 2003.	There were an estimated 301 administrations in Q1 2016, a decrease of 11.1% compared to the previous quarter and 10.9% lower than the same quarter in 2015. There were an estimated 75 CVAs in Q1 2016, a decrease of 7.4% on the previous quarter and 12.8% lower than Q1 2015. There were an estimated zero administrative receiverships.
The liquidation rate was at its lowest level since comparable records began	The estimated liquidation rate in the 12 months ending Q1 2016 was 0.42% of active companies, the lowest level since comparable records began in Q4 1984.

1.2 Individual insolvency in England and Wales *(Further information: section 4)*

Figure 2: Individual insolvencies in England and Wales[1] (quarterly data, seasonally adjusted)[2]



Source: Insolvency Service.

Key findings for Q1 2016

Total individual insolvencies increased compared with the previous quarter	The number of people who became insolvent in England and Wales was 20,383 in Q1 2016, a 0.3% increase on the previous quarter, but 2.2% lower than the same quarter in 2015.
This was driven by a continued increase in debt relief orders (DROs)	There were 6,722 DROs in Q1 2016, which was a 3.4% increase compared to Q4 2015 and 8.2% higher than Q1 2015. This increase was because of a change to eligibility criteria effective October 2015: about a quarter of DROs in Q1 2016 involved qualifying debts greater than the previous threshold of £15,000.
The number of bankruptcies was at the lowest level since Q4 1990	There were 3,744 bankruptcy orders in Q1 2016, a decrease of 0.7% compared with last quarter, 10.8% lower than Q1 2015 and the lowest level since Q4 1990. However, the introduction of DROs in 2009 and more recently the change to DRO eligibility criteria are likely to have affected the number of bankruptcies.
The number of IVAs decreased slightly	There were 9,916 IVAs in Q1 2016, which was 1.2% lower compared to Q4 2015 and 5.0% lower compared to the same period in 2015.
The rate of insolvency decreased	In the 12 months ending Q1 2016, 1 in 576 adults (0.17% of the adult population) became insolvent. This was the lowest rate since the 12 months ending Q4 2005.

1.3 Summary tables

Table 1: New company insolvencies in England and Wales[1,2] (seasonally adjusted)[3]

	Number of insolvencies					% change – 2016 Q1 on:	
	2015 Q1 p	2015 Q2 p	2015 Q3 p	2015 Q4 p	2016 Q1 e	2015 Q4	2015 Q1
Total company insolvencies	**3,833**	**3,715**	**3,592**	**3,506**	**3,694**	**5.4**	**-3.6**
Compulsory liquidations	908	769	614	591	804	36.0	-11.5
Creditors' voluntary liquidations[2]	2,501	2,482	2,514	2,494	2,515	0.8	0.6
Administrations	338	372	354	339	301	-11.1	-10.9
Company voluntary arrangements	86	85	110	81	75	-7.4	-12.8
Administrative receiverships	1	7	1	2	0	-100	-100

Source: Insolvency Service and Companies House.

p = provisional, r = revised, e = estimated.

[1] Longer series back to 2006 are presented in the accompanying detailed tables.

[2] Excludes creditors' voluntary liquidations following administration (see section 2.1).

[3] The series for compulsory liquidations, company voluntary arrangements and receiverships do not require seasonal adjustment.

Table 2: Individual insolvencies in England and Wales (seasonally adjusted)[1]

	Number of insolvencies					% change – 2016 Q1 on:	
	2015 Q1r	2015 Q2 p	2015 Q3 p	2015 Q4 p	2016 Q1 e	2015 Q4	2015 Q1
Total Individuals	**20,843**	**19,066**	**19,775**	**20,312**	**20,383**	**0.3**	**-2.2**
Bankruptcy orders	4,197	3,973	3,887	3,771	3,744	-0.7	-10.8
Debt relief orders	6,213	5,832	5,629	6,501	6,722	3.4	8.2
Individual voluntary arrangements	10,433	9,261	10,259	10,040	9,916	-1.2	-5.0

Source: Insolvency Service

p = provisional, r = revised.

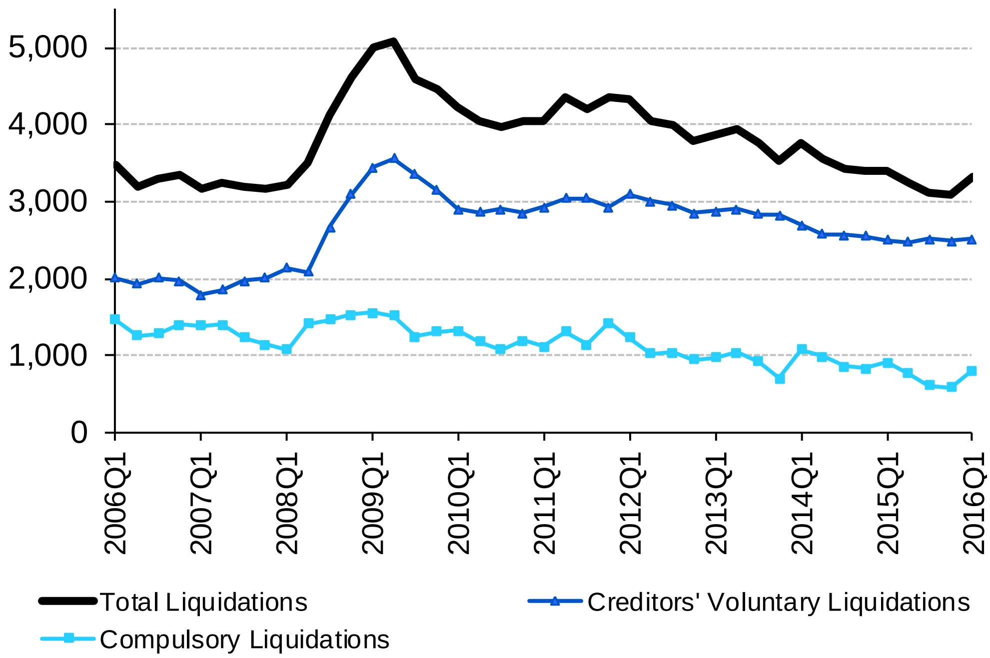
[1] Longer series back to 2006 are presented in the accompanying detailed tables.

2 Company insolvency in England and Wales

These statistics relate to **incorporated companies (including limited liability partnerships)** – a specific legal form of business that is registered at Companies House. Company insolvency (being unable to pay creditors the money they are owed) can be dealt with through a variety of legal processes, including liquidation (section 2.1) which result in the company ceasing to exist; or through company rescue procedures such as administration (section 2.2).

2.1 Company liquidations

Figure 3: Company liquidations in England and Wales[1]
(quarterly data, seasonally adjusted)[2]



Source: Insolvency Service and Companies House.

[1] Where the liquidation was the first insolvency procedure entered into.

[2] Total company liquidations, and creditors' voluntary liquidations, are seasonally adjusted; compulsory liquidations do not require seasonal adjustment.

See Table 1a of the accompanying Excel file for more detail.

Explanation of key terms

Liquidation is a legal process in which a liquidator is appointed to 'wind up' the affairs of a limited company. The purpose of liquidation is to sell the company's assets and distribute the proceeds to its creditors. At the end of the process, the company is dissolved – it ceases to exist.

Compulsory liquidation – a winding-up order obtained from the court by a creditor, shareholder or director.

Creditors' voluntary liquidation (CVL) – shareholders of a company can themselves pass a resolution that the company be wound up voluntarily.

In either case they are said to have been **wound up**.

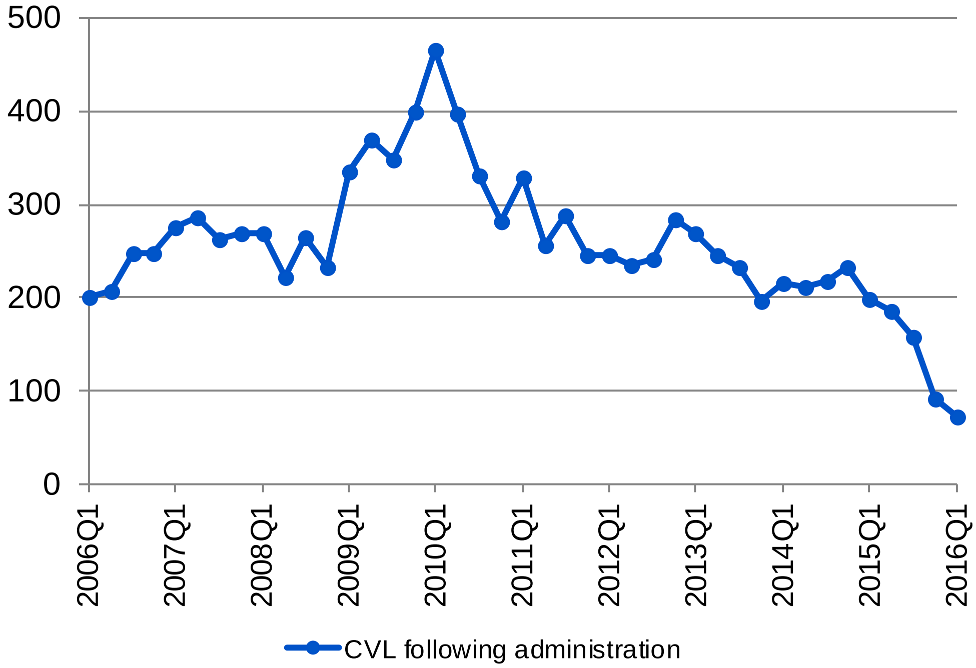
A third type of winding up, members' voluntary liquidation (MVL), is not included because it does not involve insolvency – all creditors' debts are paid in full. Companies House produces statistics on MVLs.

In the first quarter of 2016, there were an estimated 3,319 company liquidations – a 7.6% increase on the previous quarter but 2.6% less than in Q1 2015. This is the first increase in company liquidations since Q1 2015.

The increase in company liquidations was mainly driven by an increase in compulsory liquidations. In Q1 2016 there were 804 compulsory liquidations, a 36% increase compared to the previous quarter, but 11.5% lower than the same quarter a year ago.

There were an estimated 2,515 creditors' voluntary liquidations (CVLs) in Q1 2016, an increase of 0.8% on the last quarter, and 0.6% higher than the same period a year ago. Creditors' voluntary liquidations have been fairly stable over recent quarters.

Figure 4: Creditors' voluntary liquidation following administration in England and Wales (quarterly data, not seasonally adjusted)



Source: Companies House.

See Table 2 of the accompanying Excel file for more detail.

Explanation of key terms

An administration (see section 2.2) can end in a number of ways, one of which is by entering **creditors' voluntary liquidation following administration.**

These are not included in the figures above as they do not represent a new company entering into an insolvency procedure for the first time.

Following administration, companies could alternatively be returned to the control of their directors and management; be dissolved; enter compulsory liquidation; or enter a voluntary agreement. No separate figures are available on these outcomes.

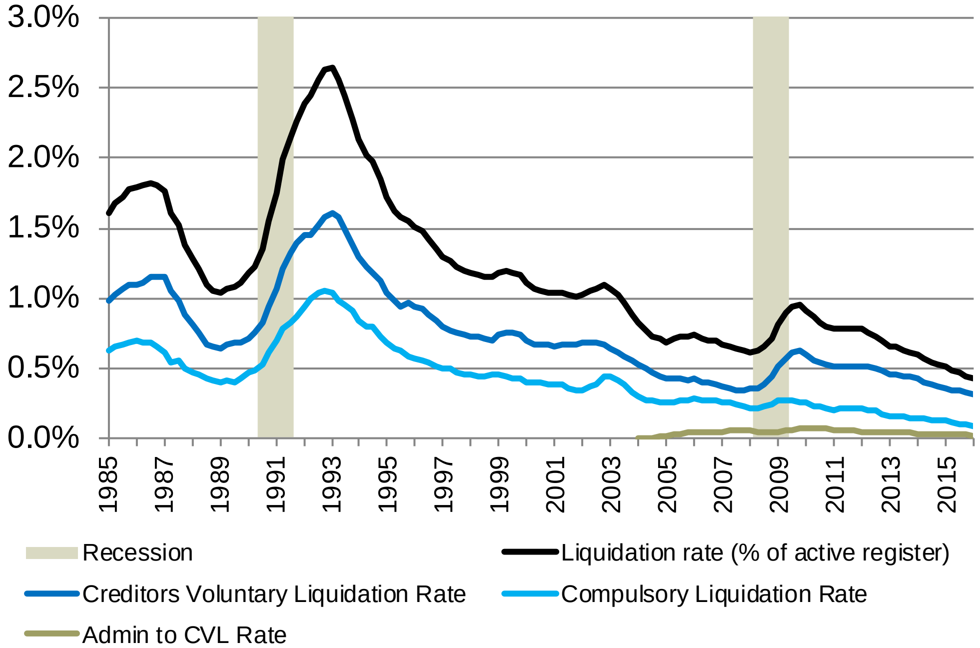
In the first quarter of 2016, an estimated 72 companies entered creditors' voluntary liquidation following administration, a decrease of 63.6% on the same quarter of 2015. This was the lowest total since Q3 2004.

The peak in the number of companies entering creditors' voluntary liquidation following administration was seen in early 2010. This is in contrast to the peak of liquidations as a first insolvency procedure, which was in 2009. This is because the usual length of an administration is one year (though it can be extended for a further six months), and the number of administrations peaked in late 2008 / early 2009 (section 2.2).

Longer-term perspective

Company liquidations may be expressed as the percentage of active companies, as this takes into account changes over time in the underlying population. As liquidation is a final procedure, meaning there is no risk of double counting companies, creditors' voluntary liquidations following administration are included in the total liquidation rate.

Figure 5: Company liquidation rate in England and Wales
(rolling 12-month rates)



Source: Insolvency Service and Companies House.
See Table 3 of the accompanying Excel file for more detail.

Explanation of key terms

Liquidation rate – the number of company liquidations in the latest twelve month period divided by the average number of active companies in that period.

Active companies – all companies which are registered at Companies House, minus those in the process of dissolution or liquidation.

The number of active companies has changed considerably over this period: there were 3.1 million active registered companies in Q3 2015; this compares with only about 900,000 in the early 1990s and fewer than 800,000 in 1986.

In the 12 months ending Q1 2016, an estimated 1 in 236 active companies (or 0.42% of all active companies) went into liquidation, down from 1 in 226 in the 12 months ending Q4 2015, and 1 in 197 in the 12 months ending Q1 2015. This continues the downwards trend in the rates from 2011. The liquidation rate was at its lowest level since comparable records began in 1984.[1]

Changes in company liquidation rates are related to economic conditions: in periods of economic growth, liquidation rates tend to decrease. The liquidation rate peaked at 2.6% (24,300 companies) in the year ending March 1993, over a year after the end of the 1990s recession. The next sustained increase in the rate coincided with the 2008-09 recession, when 0.9% (19,200 companies) entered liquidation in the year ending December 2009.

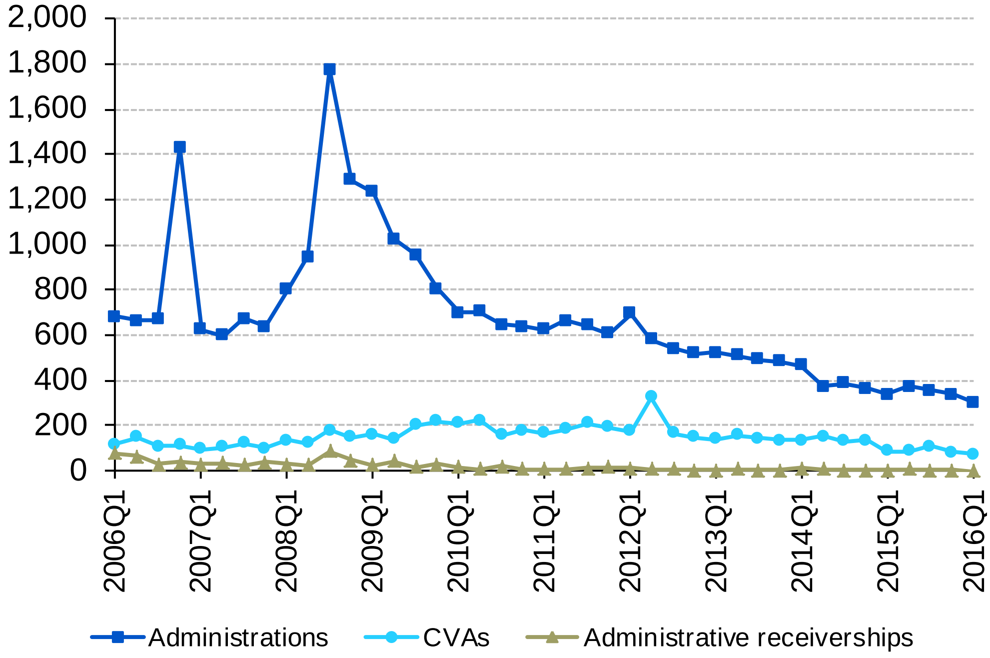
Although the number of liquidations was slightly higher in 1993 than in 2009, the rate of liquidations was substantially higher in 1993. This is because the number of active companies more than doubled over this period, so a much smaller proportion of the total number of companies entered liquidation in 2009.

[1] Counts of creditors' voluntary liquidations are available on a consistent basis back to 2000Q1. On average, historical data from 2000 to 2015 were revised downwards by 0.5%. It is unlikely that revisions to data before 2000 would bring liquidation rates below current levels.

2.2 Administrations, company voluntary arrangements, and receiverships

These statistics relate to other types of company insolvency, where the objective is the rescue of the business rather than its winding up.

Figure 6: Other company insolvencies in England and Wales
(quarterly data, seasonally adjusted)[1]



Source: Companies House.
[1] Administrations are seasonally adjusted; receiverships and company voluntary arrangements are not seasonally adjusted as the data do not exhibit regular patterns.

See Table 1a of the accompanying Excel file for more detail.

Explanation of key terms

Administration is when a licensed insolvency practitioner, 'the administrator', is appointed to manage a company's affairs, business and property for the benefit of the creditors. The objective of administration is the rescue of the company as a going concern, or if this is not possible then to obtain a better result for creditors than would be likely if the company were to be wound up.

Company voluntary arrangements (CVAs) are also designed as a mechanism for business rescue. They are a voluntary means of repaying creditors some or all of what they are owed. Once approved by 75% or more of creditors, the arrangement is binding on all creditors. CVAs are supervised by licensed insolvency practitioners.

Administrative receivership is where a creditor with a floating charge (often a bank) appoints a licensed insolvency practitioner to recover the money it is owed. Before 2000, receivership appointments also include other, non-insolvency, procedures, for example under the Law of Property Act 1925.

In Q1 2016 there were an estimated 301 administrations, 11.1% lower than Q4 2015 and 10.9% lower than the same period in 2015. This is the lowest number of administrations since Q4 2003

There were an estimated 75 company voluntary arrangements (CVAs) in Q1 2016, 7.4% lower than the previous quarter and 12.8% lower compared to Q1 2015 – though it should be noted that, because numbers of insolvencies are low, any small changes will result in large percentage changes. This was the lowest number of CVAs since Q1 1998.

In Q1 2016 there were zero administrative receiverships. Since 2012 there have tended to be fewer than ten cases per quarter, because use of this procedure is restricted to certain types of company or to floating charges created before September 2003.

2.3 Total new company insolvencies by industry

These statistics provide a breakdown of company insolvencies by industry, using the Standard Industrial Classification 2007 (SIC2007) – a harmonised set of industry classifications used in other UK Official Statistics. The Excel file which accompanies this release contains equivalent data broken down by type of company insolvency, and for trading-related bankruptcies, in England and Wales. It also includes industry breakdowns for company insolvencies in Scotland.

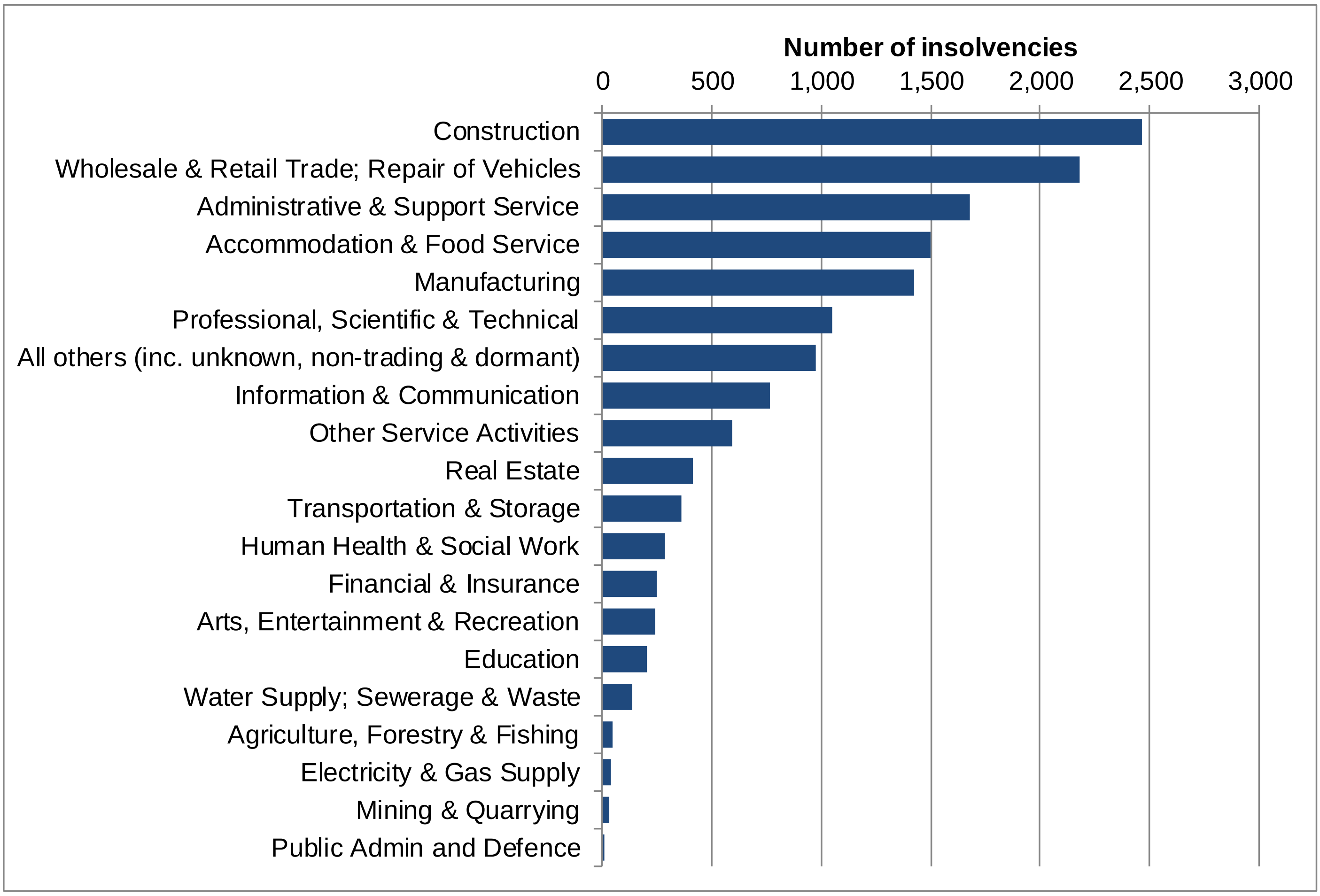
These statistics are presented with a lag of one quarter, because it allows time for more complete data to be collected by industry.

In the twelve months ending Q4 2015, the highest number of new company insolvencies was in the construction sector (2,462 – down 3.4% from the 12 months ending Q3 2015).

The second highest number of new company insolvencies was wholesale and retail trade & repair of motor vehicles and motorcycles sector with 2,178 new company insolvencies in Q4 2015, which was a decrease of 2.6% compared to the 12 months ending Q3 2015.

In Q4 2015 the five industry sectors with the highest number of new company insolvencies were 'construction'; 'wholesale and retail trade; repair of motor vehicles and motorcycles'; 'administrative and support service activities'; 'accommodation and food service activities' and 'manufacturing'. These five have had the highest numbers of insolvencies (though sometimes in a different order) each quarter since the 12 months ending Q1 2012.

Figure 7: Total new company insolvencies in England and Wales by broad industry sector, year ending 2015 Q4[1]



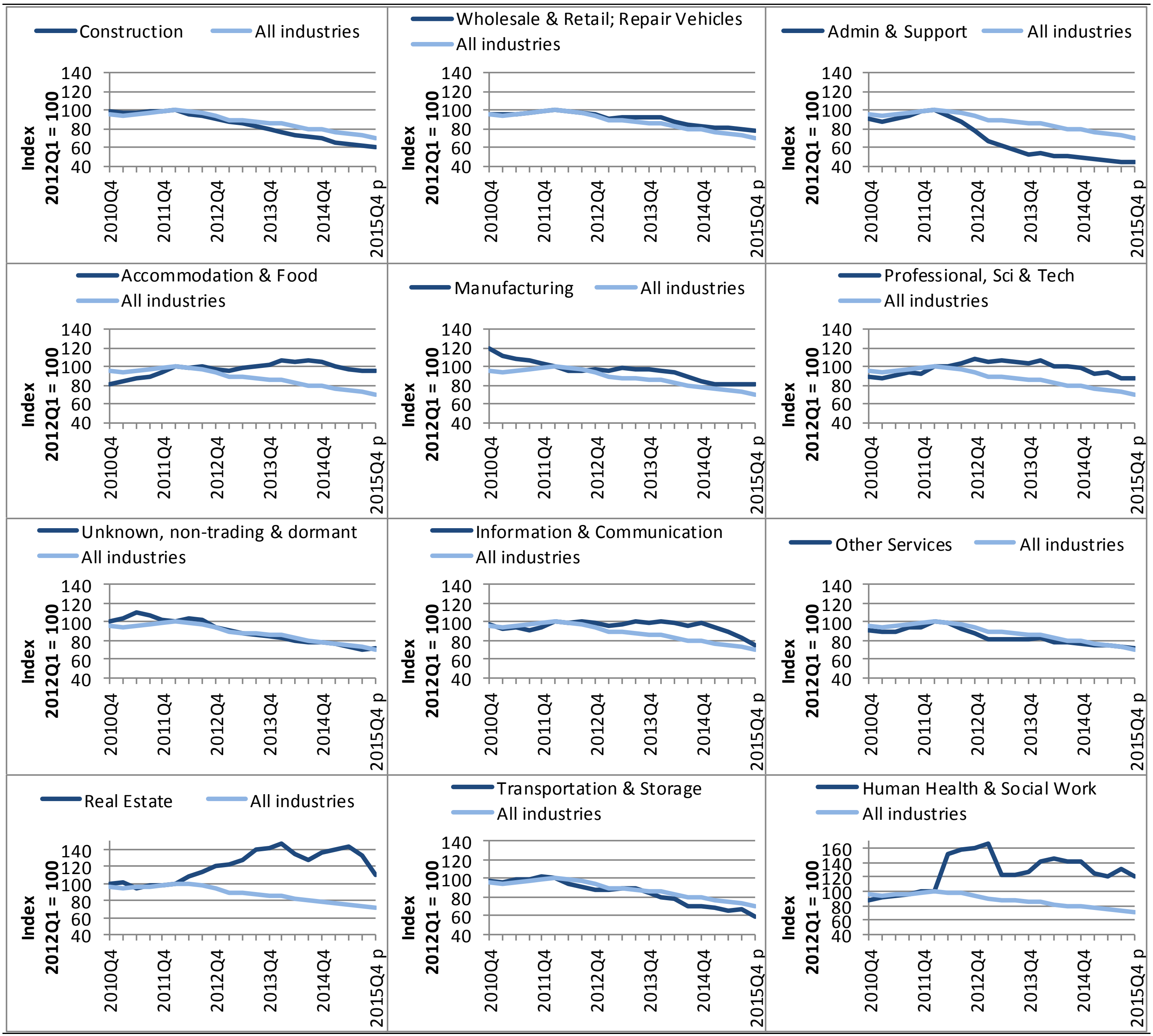
Source: Insolvency Service and Companies House

[1] A sector breakdown for company insolvencies is not yet available for 2016 Q1.

The number of company insolvencies on a rolling 12-month basis peaked in Q1 2012. By the 12 months ending Q4 2015 the total was 29% lower than the peak. Figure 8 shows changes in insolvencies by industry, indexed to the 12 months ending Q1 2012, for the 12 industries with the highest numbers of insolvencies.

- Insolvencies in the construction industry have decreased more quickly than the total, with an index value of 60 (and therefore a decrease of 40%).
- The largest decrease in insolvencies since the peak was in the administrative and support services industry, where insolvencies were 56% lower in the 12 months ending Q4 2015 compared with 12 months ending Q1 2012.
- The largest increase in insolvencies was in the human health and social work industry, where insolvencies were 20% higher in the 12 months ending Q4 2015 compared with 12 months ending Q1 2012.

Figure 8: Rolling 12-month indices of total new company insolvencies in England and Wales, by industry, Q4 2010 to Q4 2015[1] (index 2012Q1 = 100)



Source: Insolvency Service and Companies House

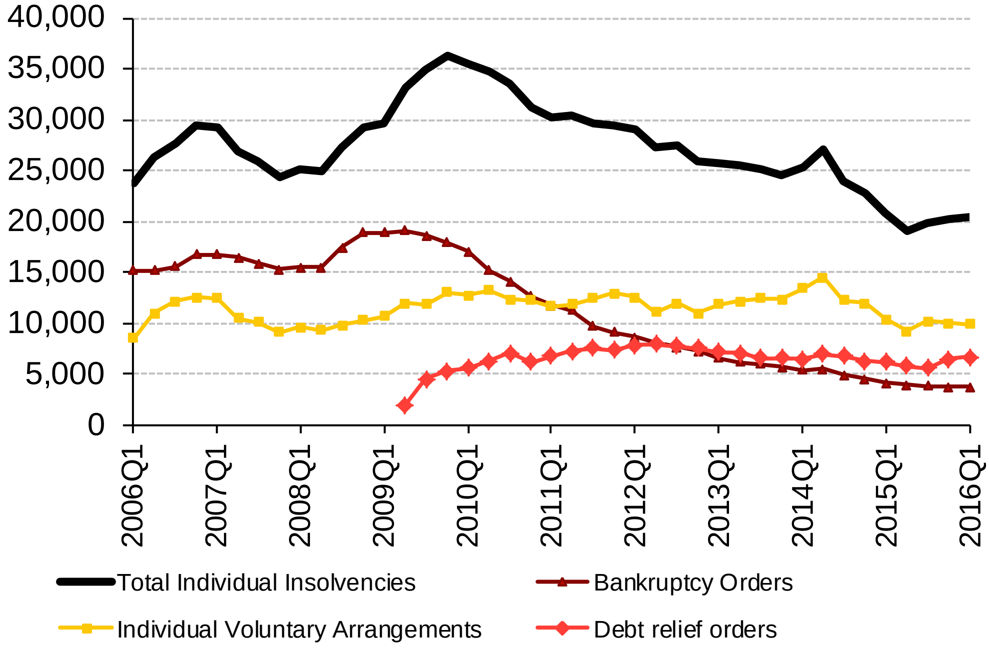
[1] A sector breakdown for company insolvencies is not yet available for 2016 Q1.

3 Individual insolvency in England and Wales

These statistics relate to **people**, rather than companies, who have had problems with debt and have entered a formal insolvency procedure. There are other, informal, means for individuals to deal with their debts, for example debt management plans, but no official statistics are collected regarding these.

3.1 Bankruptcies, debt relief orders and individual voluntary arrangements

Figure 9: Individual insolvencies in England and Wales[1]
(quarterly data, seasonally adjusted)[2]



Source: Insolvency Service.

[1] Total individual insolvencies for Q2 2009 onwards include Debt Relief Orders, which came into force on 6 April 2009.

[2] Total individual insolvencies, bankruptcy orders and IVAs are seasonally adjusted. The series for DROs does not require seasonal adjustment.

See Table 4a of the accompanying Excel file for more detail.

Explanation of key terms

Bankruptcy orders – a form of debt relief available for anyone who is unable to pay their debts. Assets owned will vest in a trustee in bankruptcy who will sell them and distribute the proceeds to creditors. Discharge from debts usually takes places 12 months after the bankruptcy order is granted.

Debt relief orders (DROs) – a form of debt relief available to those who have a low income, low assets and less than £20,000 of debt (£15,000 before October 2015). There is no distribution to creditors, and discharge from debts takes place 12 months after the DRO is granted. DROs were introduced in April 2009.

Individual voluntary arrangements (IVAs) – a voluntary means of repaying creditors some or all of what they are owed. Once approved by 75% or more of creditors, the arrangement is binding on all. IVAs are supervised by licensed Insolvency Practitioners.

All individuals entering these procedures are listed on the Individual Insolvency Register, and remain on the list until three months after their insolvency ends.

On 1 October 2015, changes to bankruptcy and DRO criteria were implemented, which have affected the statistics. The minimum debt a creditor must be owed to petition to make someone bankrupt increased from £750 to £5,000. DROs are now available to people with up to £20,000 debt (up from £15,000) and £1,000 assets (up from £300). The surplus income limit for DROs was unchanged at £50 per month.

From 6 April 2016, debtor bankruptcy petitions will no longer be made to the courts; instead, applications will be submitted online via the central UK Government website, https://www.gov.uk/, to an adjudicator within the Insolvency Service. This may affect future numbers of bankruptcies.

There were a total of 20,383 individual insolvencies in England and Wales in Q1 2016, comprising 3,744 bankruptcies, 6,722 debt relief orders (DROs), and 9,916 individual voluntary arrangements (IVAs). Individual insolvencies increased 0.3% compared to the previous quarter, which was the third consecutive increase in individual insolvencies. However, the total was 2.2% lower than in Q1 2015.

The quarter on quarter increase in individual insolvencies was due to the increase in DROs. In Q1 2016 there were 6,722 DROs, which was 3.4% higher than the previous quarter and 8.2% more than Q1 2015. Of these, 1,674 (25%) were for individuals with qualifying debts higher than the previous limit of £15,000.

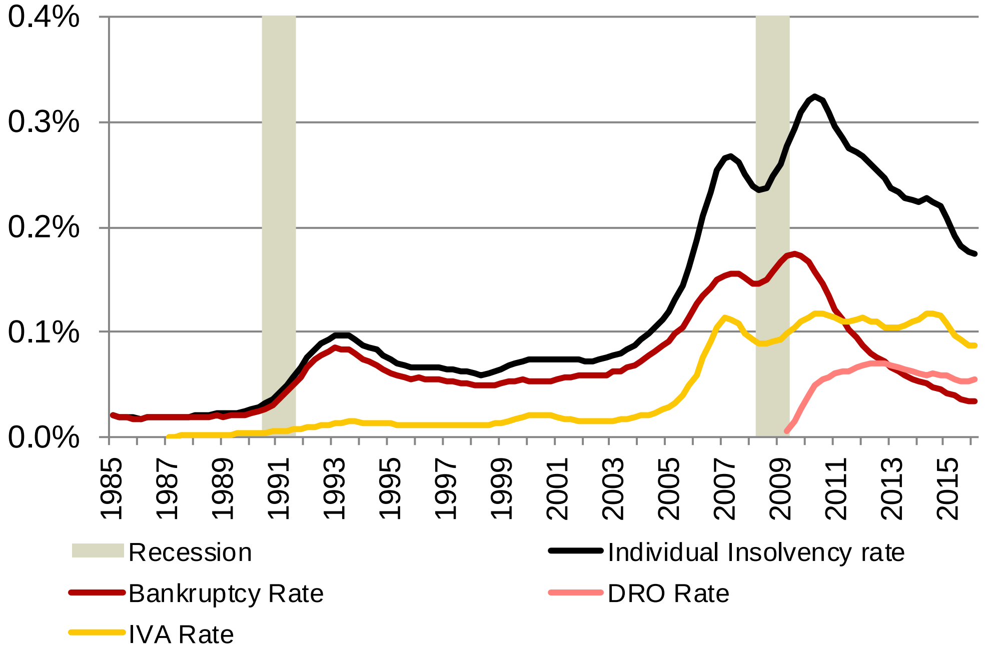
IVAs in Q1 2016 decreased by 1.2% compared to Q4 2015 and were 5.0% lower than Q1 2015.

Bankruptcy orders were 0.7% lower than Q4 2015, 10.8% lower than in the same period in 2015 and the lowest level of bankruptcies since Q4 1990. The number of bankruptcy orders has been on a decreasing trend since 2009, and may have been affected by the introduction of DROs in 2009.

Longer-term perspective

Individual insolvencies can be expressed as a percentage of the adult population, as this takes into account changes over time in the underlying population. In this section, rolling 12-month total individual insolvencies are compared with the estimated adult (18+) population of England and Wales.

Figure 10: Individual insolvency rate in England and Wales
(rolling 12-month rates)



Source: Insolvency Service, Office for National Statistics.

See Table 5 of the accompanying Excel file for more detail.

Explanation of key terms

Insolvency rate –the total number of bankruptcies, IVAs and DROs in the latest twelve month period, divided by the average estimated adult (18+) population of England and Wales.

Bankruptcy, IVA and DRO rates are calculated in the same way.

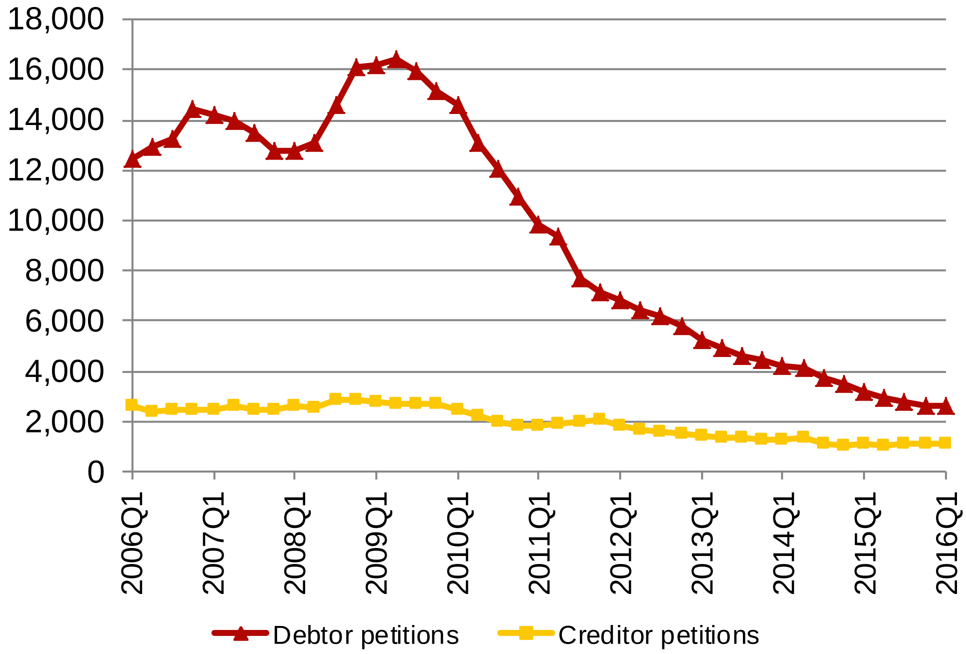
In the 12 months ending Q1 2016, 1 in 576 adults (0.17% of the adult population) became insolvent. This is down from 1 in 570 in the twelve months ending Q4 2015 and the lowest rate since the 12 months ending Q4 2005. With one exception (Q2 2014), the individual insolvency rate has decreased each quarter since mid-2010, but it is still elevated compared with rates of less than 0.1% observed before 2004.

The bankruptcy rate has decreased each quarter since the 12 months ending Q3 2009, while the DRO rate has increased for two consecutive quarters. The IVA rate on a rolling 12-month basis decreased for the seventh consecutive quarter.

The individual insolvency rate is related to levels of household debt, and with economic growth. The expansion of credit in the early- to mid-2000s coincided with a large increase in the individual insolvency rate, which abated following the credit crunch in 2007 before increasing again during the 2008-09 recession.

3.2 Characteristics of bankruptcies

Figure 11: Bankruptcies in England and Wales: petition type
(quarterly data, seasonally adjusted)



Source: Insolvency Service.

See Table 6a of the accompanying Excel file for more detail.

Explanation of key terms

Debtor petition – where the individual is unable to pay their debts, and applies to the court to declare themselves bankrupt.

Creditor petition – if a creditor is owed £5,000 or more (£750 before October 2015), they can apply to the court to make an individual bankrupt.

Not all petitions to court result in a bankruptcy order. These statistics relate to petitions where a court order was made as a result.

The Ministry of Justice publishes quarterly National Statistics on the total number of bankruptcy petitions presented to court in England and Wales.

For any particular quarter, seasonally adjusted figures for creditor and debtor petition bankruptcies will not sum to the seasonally adjusted figure for total bankruptcies. This is because they have been adjusted separately using different models. Over a calendar year, the totals will match because of the model chosen.

On 1 October 2015, changes to bankruptcy and DRO criteria were implemented, which could affect these statistics. The minimum debt a creditor must be owed to petition to make someone bankrupt increased from £750 to £5,000. It is expected that this change will lead to a decrease in the number of creditor petition bankruptcies, but since there can be a time lag between the petition being presented and an order being made this may not become apparent in the statistics immediately.

DROs are now available to people with up to £20,000 debt (up from £15,000) and £1,000 assets (up from £300). The surplus income limit for DROs was unchanged at £50 per month. It is expected that this change will lead to a decrease in the number of debtor petition bankruptcies.

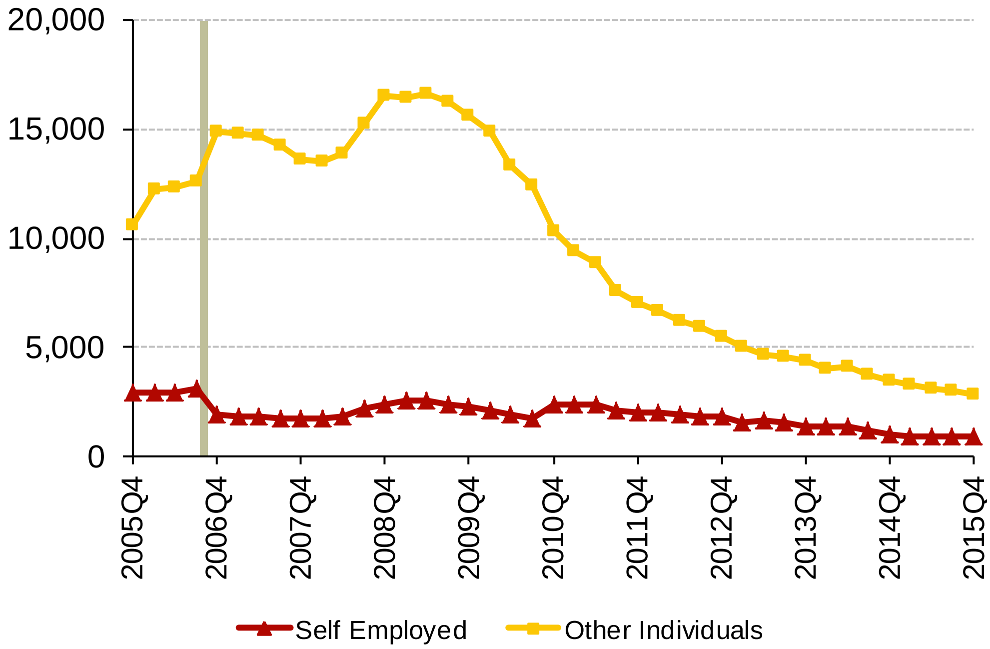
From 6 April 2016, debtor bankruptcy petitions will no longer be made to the courts; instead, applications will be submitted online via the central UK Government website, https://www.gov.uk/, to an adjudicator within the Insolvency Service. This may affect future numbers of bankruptcies.

In Q1 2016 there were 2,637 debtor petition bankruptcies, which was 1.4% higher than the previous quarter, 15.9% less than the same quarter in 2015 and around 84% lower than the peak in Q2 2009.

There were 1,110 creditor petition bankruptcies, which was 2.4% lower than the last quarter but 3.4% higher than the same quarter in 2015.

The number of debtor petition bankruptcies increased until 2006, coinciding with increasing levels of household debt. As the availability of credit decreased in 2007 and 2008, so did the number of these cases, before they increased again during the recession of 2008-09.

Figure 12: Bankruptcies in England and Wales: trading status
(quarterly data, seasonally adjusted)



Source: Insolvency Service.

See Table 7a of the accompanying Excel file for more detail.

Vertical line indicates discontinuity in methods – data after 2006Q4 not directly comparable with previous data.

Explanation of key terms

Self-employed – individuals who have entered bankruptcy, and who have identified themselves as being self-employed.

Other individuals – those who were not self-employed at the point at which they became bankrupt, or where this information is unknown.

Changes have been made to the part of the database used to capture information on trading status and industry codes. This is shown by the vertical line in the graph.

The breakdown by trading status from Q4 2006 should not therefore be considered to be entirely consistent with that for the period before this quarter.

For any particular quarter, seasonally adjusted figures for self employed and other bankruptcies will not sum to the seasonally adjusted figure for total bankruptcies. This is because they have been adjusted separately using different models. Over a calendar year, the totals will match because of the model chosen.

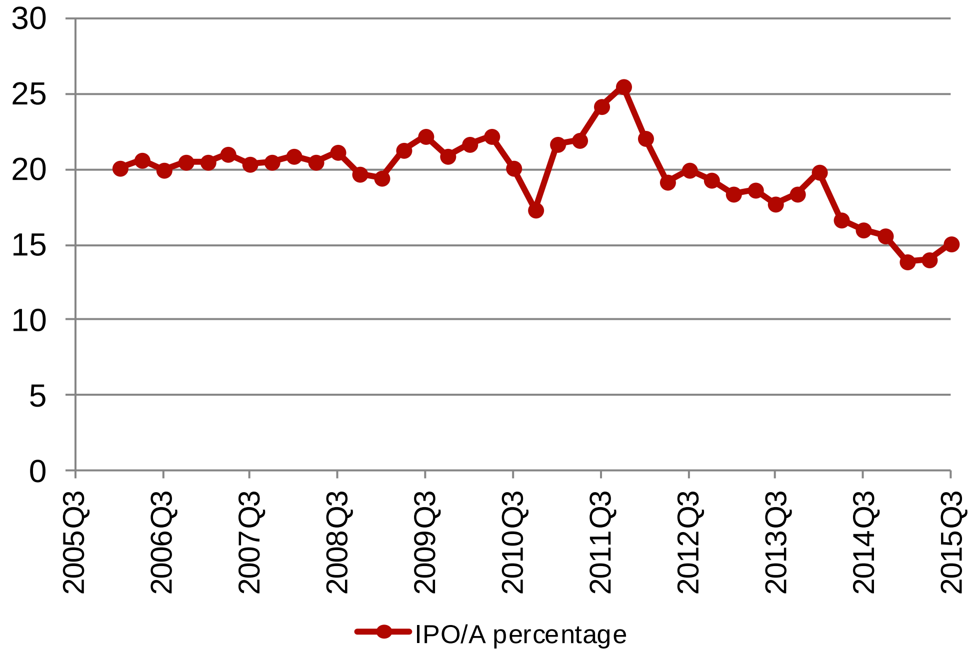
These statistics are presented with a lag of one quarter on most other statistics in this release, because it can take a number of weeks for trading status to be recorded following the date of the bankruptcy order.

In Q4 2015, there were 932 bankruptcies where the individual was self-employed, 6.1% more than Q3 2015 but 9.2% less than the same quarter the previous year. This was a continuation of a generally decreasing trend since 2011.

There were 2,802 bankruptcies among other individuals, a decrease of 7.4% compared with the previous quarter, and 19.3% lower than the same quarter the previous year, a continuation of the decreasing trend since late 2009.

The rate of decrease in bankruptcy orders has generally been less rapid for self-employed individuals than for others. This means that the proportion of bankruptcy orders where the individual was self-employed is higher than it has been in earlier years.

Figure 13: Percentage of bankruptcies in England and Wales resulting in income payment agreements / orders
(quarterly data, seasonally adjusted)



Source: Insolvency Service.

See Table 8a of the accompanying Excel file for more detail.

Explanation of key terms

Bankrupts who can make reasonable contributions to their debts are required to do so under an **income payments agreement** (IPA).

If they do not agree, the official receiver or trustee in the bankruptcy will apply to court for an **income payments order** (IPO).

IPA or IPO payments come from surplus income – money left over from income after reasonable living expenses have been deducted.

An IPA or IPO will normally be payable for 36 months.

These statistics are presented with a lag of two quarters on most other statistics in this release, because it can take a number of months for income payment agreements (IPAs) or income payment orders (IPOs) to be made, following the date of the bankruptcy order.

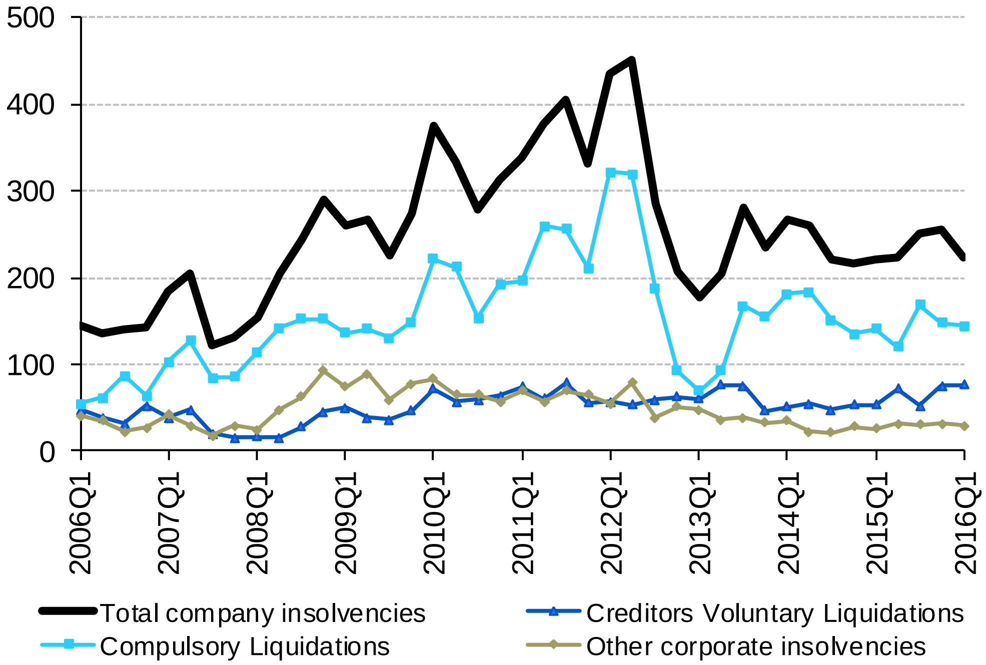
In Q3 2015, 15.1% of bankruptcy orders made resulted in an IPA or IPO, 1 percentage point higher than Q2 2015.

4 Insolvency in Scotland

4.1 Company insolvency

Company insolvency in Scotland is governed by broadly the same legislation as for England and Wales; however, the development of policy on and the recording of information about liquidations and receiverships is devolved to the Scottish Government, so figures are presented separately.

Figure 14: Company insolvencies in Scotland
(quarterly data, not seasonally adjusted)



Source: Companies House.

See Table 9 of the accompanying Excel file for more detail.

Explanation of key terms

See section 2 (company insolvency in England and Wales) for further information.

The Excel file which accompanies this release additionally contains statistics on the number of administrations, receiverships and CVAs in Scotland.

The Accountant in Bankruptcy (AiB), Scotland's Insolvency Service, publishes quarterly Official Statistics on company liquidations. These are based on AiB's administrative records, and are not coherent with these statistics, which are based on data from Companies House.

In the first quarter of 2016, there were an estimated 224 total company insolvencies, an increase of 1.8% compared to Q1 2015. Of these, 144 were company liquidations – a 2.1% increase on the same quarter of 2015. Liquidations were fairly stable until 2009, followed by a generally increasing trend until a period of rapid decrease between Q2 2012 and Q1 2013.

The total number of company liquidations in Scotland is driven by the number of compulsory cases. This is in contrast to England and Wales, where the number of creditors' voluntary liquidations (CVLs) account for the majority of company liquidations. This difference may be because in England and Wales, the Insolvency Service manages the initial stage of case administration for all compulsory liquidations, for which a fee is charged.

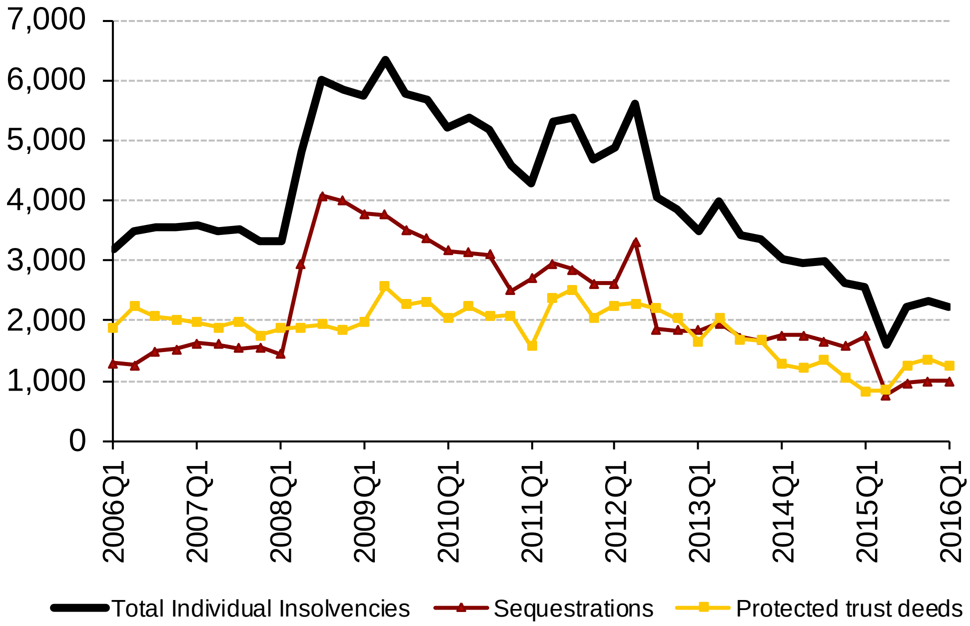
There were an estimated 76 CVLs. The number of CVLs has remained largely stable, with between 50 and 100 cases in each quarter since 2010.

There were an estimated 29 other company insolvency procedures in the first quarter of 2016, 25 of which were administrations, four were company voluntary arrangements and zero were receivership appointments.

4.2 Individual insolvency

Legislation relating to individual insolvency in Scotland is devolved. The Accountant in Bankruptcy, Scotland's Insolvency Service, administers individual insolvency in Scotland.

Figure 15: Individual insolvencies in Scotland
(quarterly data, not seasonally adjusted)



Source: Accountant in Bankruptcy (AiB), AiB Quarterly Statistics – Q2 2015/16

The sequestration figures include LILA (Low Income, Low Assets) cases from 1 April 2008, and MAP (Minimal Asset Process) cases from 1 April 2015.

See Table 11 of the accompanying Excel file for more detail.

Explanation of key terms

Sequestration fulfils much the same role as bankruptcy in England and Wales.

In April 2008, the law was changed to offer a new route into sequestration for individuals with **low income and low assets** (LILA), which resulted in a large increase in the number of sequestrations in Scotland.

In April 2015, the Minimal Asset Process replaced LILA, and other changes affected sequestrations, resulting in a large decrease.

Protected trust deeds are voluntary arrangements in Scotland and fulfil much the same role as IVAs in England and Wales. However there are differences in the way they are set up and administered, meaning the figures shown here are not consistent with those provided for England and Wales or Northern Ireland.

These statistics do not include debt payment programmes under the debt arrangement scheme, which are not formal insolvencies.

In Q1 2016, there were 2,232 individual insolvencies in Scotland, 13.3% lower than the same quarter in 2015.

There were 997 sequestrations in Q1 2016, a decrease of 42.7% compared to Q1 2015. In Q1 2016, 401 people went into sequestration via the Minimal Asset Process route. A decrease of 24.3% compared to Q1 2015.

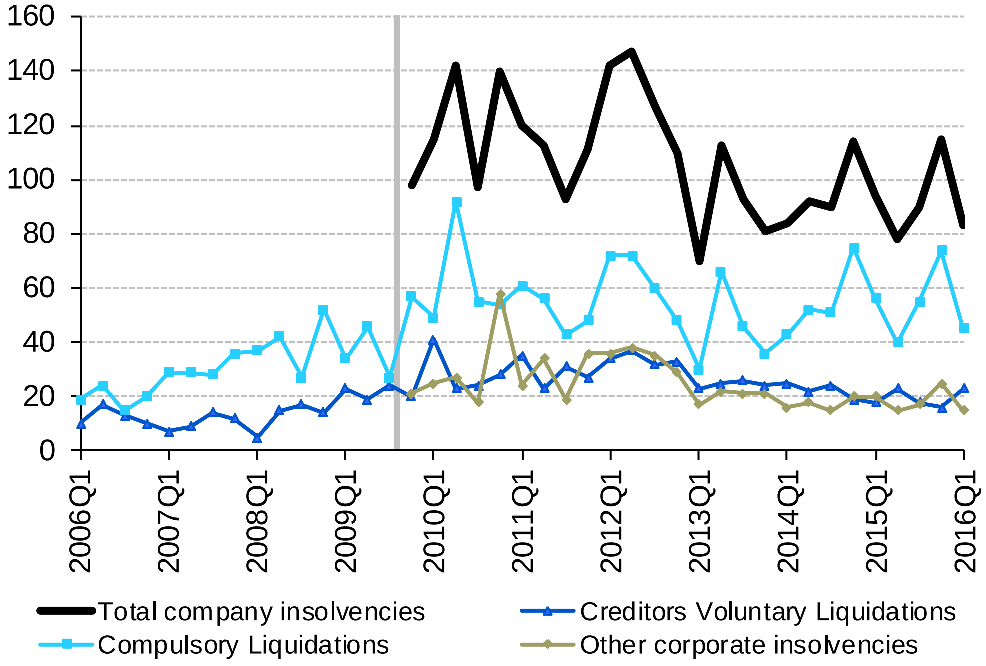
In Q1 2016, there were 1,235 PTDs, an increase of 48.1% compared with Q1 2015. Recent changes to insolvency legislation have aligned the minimum periods that individuals are required to contribute to their insolvency estate to four years for both sequestrations and PTDs; prior to this, individuals entering sequestration were required to make contributions for three years. This change is likely to have led to some individuals entering PTDs rather than bankruptcy.

5 Insolvency in Northern Ireland

5.1 Company insolvency

Company insolvency in Northern Ireland is governed by separate, but broadly similar, legislation to England and Wales, and so figures are presented separately.

Figure 16: Company insolvencies in Northern Ireland
(quarterly data, not seasonally adjusted)



Sources: Department for Enterprise, Trade and Investment, Northern Ireland; Companies House.

Vertical line indicates discontinuity in methods – data from 2009Q4 not directly comparable with previous data. Creditors' Voluntary Liquidations before 2009 Q4 includes those companies which had previously been in administration.

See Table 12 of the accompanying Excel file for more detail.

Explanation of key terms

See section 2 (company insolvency in England and Wales) for further information.

There were an estimated 83 company insolvencies in Northern Ireland in Q1 2016, 11.7% less than the same quarter in 2014. Of these, 45 were compulsory liquidations (down 19.6% on the same quarter last year), and an estimated 23 were creditors' voluntary liquidations (CVLs, up 27.8%).

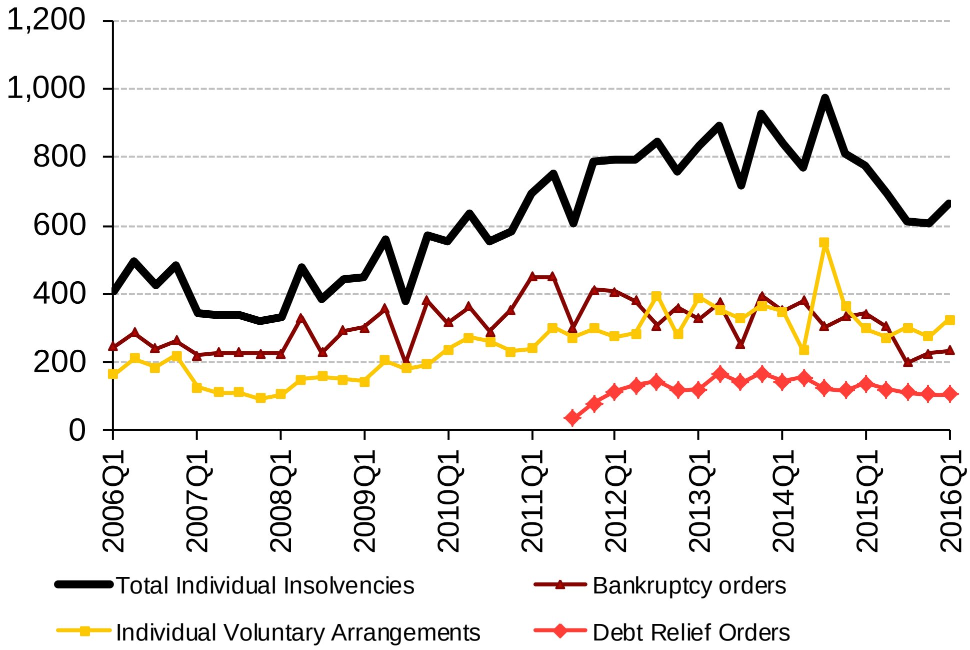
The number of CVLs in Northern Ireland increased between 2007 and 2010, and has been on a decreasing trend since early 2014. The number of compulsory liquidations has been more volatile.

There were an estimated 12 administrations and 3 company voluntary arrangements in Q1 2016.

6.2 Individual insolvency

Individual insolvency in Northern Ireland is governed by separate, but broadly similar, legislation to England and Wales, and so figures are presented separately.

Figure 17: Individual insolvencies in Northern Ireland
(quarterly data, not seasonally adjusted)



Source: Department for Enterprise, Trade and Investment, Northern Ireland.

See Table 14 of the accompanying Excel file for more detail.

Explanation of key terms

Bankruptcy orders – a form of debt relief available for anyone who is unable to pay their debts. Assets owned will vest in a trustee in bankruptcy who will sell them and distribute the proceeds to creditors. Discharge from debts usually takes places 12 months after the bankruptcy order is granted.

Debt relief orders (DROs) – a form of debt relief available to those who have a low income, low assets and less than £15,000 of debt. There is no distribution to creditors, and discharge from debts takes place 12 months after the DRO is granted.

DROs were introduced in June 2011.

Individual voluntary arrangements (IVAs) – a voluntary means of repaying creditors some or all of what they are owed. Once approved by 75% or more of creditors, the arrangement is binding on all. IVAs are supervised by licensed Insolvency Practitioners.

There were 664 individual insolvencies in Northern Ireland in Q1 2016, 14.5% less than the same quarter in 2015.

In Q1 2016 there were 234 bankruptcies, down 31.6% on the same quarter last year. There were 324 IVAs, an increase of 8.4% on the same quarter last year but in line with the medium term trend. There were 106 DROs, down 22.1% on the same quarter last year.

Though the graph highlights changes, it should be noted that the volatility in the data is because the numbers of insolvencies are low, so any small changes will result in large percentage changes.

7 Background notes

Further information can be found in the Guide to Insolvency Statistics, including high-level descriptions of the types of insolvency which apply to companies and people; the data recorded and any associated data quality issues; and legislation coming into effect in the period covered by the statistics, which may affect comparisons over time.

Data sources and methodology

More details may be found in Insolvency Statistics Methodology, the Statement of Administrative Sources, the Revisions Policy, and Data Quality Assurance and Audit Arrangements, on the policy and procedures section of the Insolvency Service website.

Data sources

The statistics for England and Wales are derived from administrative records of the Insolvency Service and Companies House, both of which are Executive Agencies of the Department for Business, Innovation and Skills (BIS). For Scotland, the company insolvency statistics are derived from administrative records at Companies House, while figures for individual insolvencies in Scotland are sourced from the Office of the Accountant in Bankruptcy (AiB). The Northern Ireland statistics are derived from administrative records of the DETI Insolvency Service and from Companies House. The adult (18+) population data for England and Wales (used in the calculation of individual insolvency rates) are created using annual mid-year population estimates by single year of age sourced from the Office for National Statistics

Methodology

The statistics are produced via tabulation of raw data collected from the various sources. More information is available in a separate methodology document.

The methods used to produce breakdowns by industry are described in more detail in the accompanying Excel file.

Seasonal adjustment is performed on certain data series. The X13-ARIMA-SEATS program (developed by the US Census Bureau) is used for the seasonal adjustment of the *Insolvency Statistics*, this being the recommended program within UK National Statistics. Seasonal adjustment models are reviewed annually: the most recent review was completed in April 2015 with the outcome published on the policy and procedures section of the Insolvency Service website.

Revisions

These statistics are subject to scheduled revisions, as set out in the published revisions policy. The latest quarter's data sourced from Companies House are adjusted to predict late registrations, then revised the following quarter to reflect cases being entered on to the administrative system at a later date. The size of such revisions will vary. More information can be found in the analysis of estimation accuracy.

Other revisions tend to be made as a result of data being entered onto administrative systems after the cut-off date for data being extracted to produce the statistics. Such revisions tend to be small in the context of overall totals; nonetheless all figures in this release that have been revised since the previous edition have been highlighted in the relevant tables.

A new method for producing statistics on company insolvencies was introduced in 2015. A revised historical time series using the new method was provided back to 2000Q1 for England and Wales, and for Scotland. For Northern Ireland, the data required were only available back to 2009Q4. However, it should also be noted that because the revised counts have been run against a live database, which includes subsequent corrections, they may not exactly reflect the original numbers of new cases that would have been reported at the time. More information can be found in the analysis of historical revisions.

Quality

This section provides information on the quality of the *Insolvency Statistics*, to enable users to judge whether or not the data are of sufficient quality for their intended use. The section is structured in terms of the six quality dimensions of the European Statistical System. Further information can be found in the statement on quality strategy, principles and processes, which cover all Official Statistics outputs from the Insolvency Service.

Relevance *(the degree to which the statistical product meets user needs for both coverage and content)*

The *Insolvency Statistics* are the most comprehensive record of the number of corporate and individual insolvencies in England and Wales. They include all formal types of insolvency procedure currently available. Insolvencies in Scotland and Northern Ireland are also included, but are shown separately as they are covered by separate legislation. There are some differences in definition, and policy responsibility for them lies within the devolved administrations. The Statistics Release itself covers the most recent 10 years of annual and quarterly figures; while historic data series are also available (back to 1960 in some cases), as are related sets of Official Statistics on insolvency.

Key users of the *Insolvency Statistics* include the Insolvency Service itself, which has policy responsibility for insolvency in England and Wales and for the non-devolved areas within Scotland and Northern Ireland; other government departments; parliament; the insolvency profession; debt advice agencies; media organisations; academics; the financial sector; the business community and the general public. The headline quarterly statistics are widely reported in national, regional and specialist media on the day of release.

The statistical production team welcomes feedback from users of the *Insolvency Statistics* (current contact details are provided at the end of these Notes). More formal engagement with users has recently included a user feedback survey on Insolvency Service Official Statistics, the results of which will be published soon.

Accuracy and Completeness *(including the closeness between an estimated or stated result and the [unknown] true value)*

All formal insolvency procedures entered into by a company, a partnership or an individual are required by law to be reported to the appropriate body, so the statistics should be a complete record of insolvency in the United Kingdom.

Generally speaking, numbers of cases are based on the date of the order or agreement of the insolvency procedure, not on the date it was registered on the administrative recording system. The implication of this is that the published figures will be influenced by, for example, the late reporting of orders made leading to missing data. The exceptions for England and Wales are: compulsory liquidations and bankruptcy orders before Q2 2011; individual voluntary arrangements; and corporate insolvencies before Q1 2000 (when the methodology changed). This should be noted when making comparisons of trends over time. Checks are in place to identify and remove duplication of cases, to ensure that returns cover all reporting areas, and to check consistency within tables and between related tables.

Coherence *(the degree to which data which are derived from different sources or methods, but which refer to the same phenomenon, are similar)*

The Insolvency Service also publishes individual insolvency statistics by location, age and gender, and outcome statistics for individual voluntary arrangements, both as Official Statistics. These report figures on an annual basis, and they differ from the headline quarterly *Insolvency Statistics* in that there are some differences in the case selection criteria and/or the database from which they are sourced; this means that the totals are not identical between different outputs.

Companies House produces monthly official statistics on company insolvencies registered each week, and totals for the period covered by the publication (either four or five weeks). These are not consistent with the *Insolvency Statistics*, which cover calendar quarters. There are also differences in counting rules.

The Accountant in Bankruptcy (AiB) is required to be notified of all company liquidations and receiverships in Scotland, and publishes quarterly official statistics based on its own administrative records. These differ from the *Insolvency Statistics*, which use data from Companies House as the source. Differences are due to the Accountant in Bankruptcy using its own administrative system's date rather than the start date of the insolvency. AiB does not publish information on the number of company voluntary arrangements or administrations, which are a reserved matter for the UK government.

AiB also publishes quarterly statistics on the number of individual insolvencies, which are reproduced in the *Insolvency Statistics*.

The Office for National Statistics produces annual statistics on business "deaths" in its Business Demography publication. These statistics relate to all registered businesses, whereas the *Insolvency Statistics* relate to companies on the Companies House register. Not all business deaths are because of insolvency.

Timeliness and Punctuality *(Timeliness refers to the elapsed time between publication and the period to which the data refer. Punctuality refers to the time lag between the actual and planned dates of publication.)*

The *Insolvency Statistics* are usually published on the 29th of the month following the end of the quarter being reported on; this is the earliest publication date which ensures receipt of all the data inputs, and allows sufficient time for liaising with data suppliers and completing all the steps between this and compilation of the statistical release in its final form ready for publication. The exception to this is where the 29th falls on a weekend or a Monday, when the statistics will be delayed until the following Tuesday, or brought forward to an earlier date if possible.

There is a publication schedule for a year ahead available on the UK National Statistics Publication Hub and the statistics have always been published on target.

Accessibility and Clarity *(Accessibility is the ease with which users are able to access the data. It also relates to the format in which the data are available and the availability of supporting information. Clarity refers to the quality and sufficiency of metadata, illustrations and accompanying advice)*

The *Insolvency Statistics* are available free of charge to the end user on the Insolvency Service website. They are released via the Publication Hub and they meet the standards required under the Code of Practice for Official Statistics.

Historic data are also published for the key series, on the National Archives website.

Views on the clarity of the publication are welcomed via the contact details on the cover page of this release.

Comparability *(the degree to which data can be compared over time and domain)*

Changes in legislation and policy can affect the extent to which comparisons can be made over time for individual data series. Where such changes are known, they have been highlighted in explanatory notes at the bottom of the tables in the accompanying Excel file.

Company insolvency statistics after 2000 Q1 (England and Wales, and Scotland) and 2009 Q4 (Northern Ireland) are not directly comparable with earlier periods because of a change to methods.

The series for bankruptcy orders will have been impacted by the introduction (with effect from 6 April 2009) of debt relief orders (DROs). DROs comprise some of those individuals who would have otherwise been declared bankrupt (a subset of DRO-eligible cases, who were advised of the DRO route and chose to take it) and other individuals who, perhaps, could not have afforded the fee to enter into bankruptcy and who may have otherwise been in an informal debt management process, or been unable to access any form of debt resolution. It is not possible to quantify exactly the impact of the introduction of DROs on the number of bankruptcy orders. The series for DROs is currently not long enough to formally seasonally adjust. Table 2 therefore only shows bankruptcy orders and IVAs on a seasonally adjusted basis.

See also the Guide to Insolvency Statistics for additional specific aspects relevant to comparability.

National Statistics

The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

Designation can be broadly interpreted to mean that the statistics:

- meet identified user needs;
- are well explained and readily accessible;
- are produced according to sound methods, and
- are managed impartially and objectively in the public interest.

Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.

This document/publication is also available on our website at https://www.gov.uk/government/collections/insolvency-service-official-statistics.

Any enquiries regarding this document/publication should be sent to us at statistics@insolvency.gsi.gov.uk.