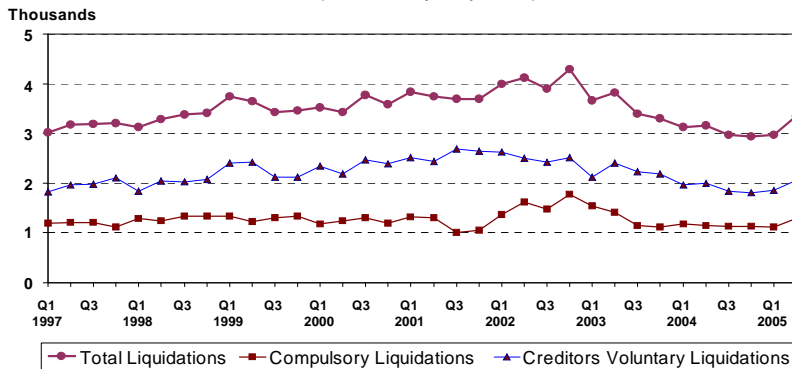


STRICTLY EMBARGOED UNTIL 9.30 AM, 5 August 2005

STATISTICS RELEASE: INSOLVENCIES IN THE SECOND QUARTER 2005

Statistics showing insolvencies in the second quarter 2005 are published today (5 August) by the Department of Trade and Industry.

Number of Company Liquidations in England and Wales
(Seasonally Adjusted)



Source: DTI

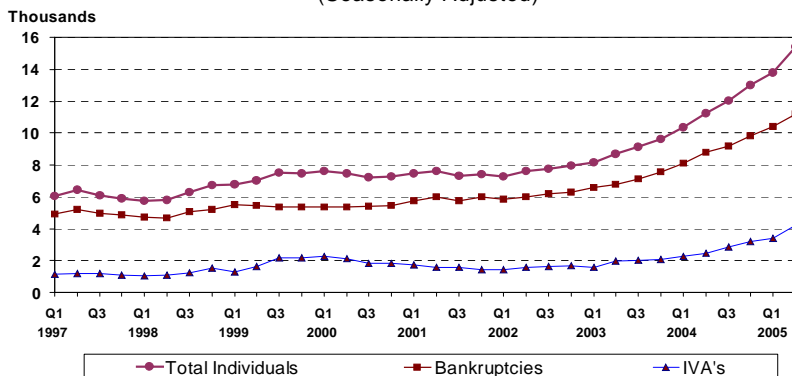
COMPANY LIQUIDATIONS

There were 3,342 liquidations in England and Wales in the second quarter of 2005 on a seasonally adjusted basis. This was an increase of 12.5% on the previous quarter and an increase of 6% on the same period a year ago.

This was made up of 1,286 compulsory liquidations, an increase of 14.6% on the previous quarter and an increase of 11.6% on the corresponding quarter of last year, and 2,056 creditors voluntary liquidations, an increase of 11.2% on the previous quarter and an increase of 2.8% on the corresponding quarter of last year.

0.7% of active companies went into liquidation in the twelve months ended Q2 2005, the same as the previous quarter and a decrease on the corresponding quarter of 2004.

Number of Individual Insolvencies in England and Wales
(Seasonally Adjusted)



Source: DTI

INDIVIDUAL INSOLVENCIES

There were 15,394 individual insolvencies in England and Wales in the second quarter of 2005 on a seasonally adjusted basis. This was an increase of 11.7% on the previous quarter and an increase of 36.8% on the same period a year ago.

This was made up of 11,195 bankruptcies, an increase of 7.8% on the previous quarter and 27.5% on the corresponding quarter of last year, and 4,199 Individual Voluntary Arrangements (IVA's), an increase of 23.7% on the previous quarter and an increase of 69.6% on the corresponding quarter of the previous year.

Number of Insolvencies in England and Wales (seasonally adjusted)

	2004	2004	2004	2005	2005	Percentage change	
						Q2	Q3
Company Liquidations	3,154	2,969	2,938	2,972	3,342	12.5	6.0
of which: Compulsory	1,153	1,128	1,131	1,122	1,286	14.6	11.6
Creditors	2,001	1,841	1,807	1,850	2,056	11.2	2.8
Voluntary							
Individuals	11,255	12,032	13,020	13,781	15,394	11.7	36.8
of which: Bankruptcies	8,779	9,202	9,814	10,386	11,195	7.8	27.5
IVA's	2,476	2,830	3,206	3,395	4,199	23.7	69.6

p = provisional, r = revised

Notes to Editors

1. The Official Insolvency Statistics are the most comprehensive record of the number of insolvencies and bankruptcies and provide a more accurate picture for analysing business conditions. The figures include businesses and individuals, with a breakdown by type of insolvency procedure. The figures treat Scotland separately (as insolvencies are defined differently in Scotland) and give an industrial analysis (for which the figures for England & Wales are published one quarter in arrears).

2. The statistics are derived from administrative records of the DTI Insolvency Service and Companies House Executive Agencies. The figures for company liquidations are made up of compulsory liquidations (winding-up orders made by the courts) and creditors' voluntary liquidations registered at Companies House. Figures for individual insolvencies comprise bankruptcy orders and individual voluntary arrangements under the Insolvency Act 1986 and deeds of arrangement under the Deeds of Arrangement Act 1914. Individual voluntary arrangements and deeds of arrangement are now included under one column.

3. Numbers of insolvencies are not directly comparable with numbers of new business formations. Statistics of business start-ups and closures that are directly comparable with each other have been assembled from VAT records and are published by the Department of Trade and Industry. The latest figures are those for 2003, and were issued in a DTI press notice on 3 November 2004. More detailed figures are available via the on-line database NOMIS. Additionally, analysis into the number of firms in the United Kingdom estimated the total number of businesses at the start of 2003 at 4 million.

4. The X11ARIMA program (developed by Statistics Canada) is used for the seasonal adjustment of the insolvency statistics, this being the recommended program within UK National Statistics.

5. A company or individual with debts that they are unable to pay as they fall due is said to be **insolvent**.

6. Insolvent companies are dealt with under the Insolvency Act of 1986. They can **either** be the subject of a **compulsory liquidation** (winding-up) order obtained from the Court by a creditor, member or director **or** themselves pass a resolution, subject to the approval of a creditors' meeting that the company be wound up voluntarily (**creditors voluntary liquidations**). In either case they are said to have been **wound-up**, and numbers are given in Tables 1 and 6. A third type of winding-up, members' voluntary liquidation, is not included because it does not involve insolvency.

7. The Insolvency Act 1986 also introduced the procedures of **company administration orders** and **company voluntary arrangements**. The administration procedure gives a period of time during which creditors are restrained from taking action and a court appointed administrator puts forward proposals to deal with the company's financial difficulties. The Company Voluntary Arrangement procedure aids business by enabling a company in financial difficulty to come to a binding agreement with its creditors. These are listed separately in Table 3.

8. The Enterprise Act 2002 introduced revisions to the corporate administration procedures, replacing Part II of the Insolvency Act 1986 with Schedule B1. These include the introduction of additional entry routes into administration that do not require the making of an administration order and a streamlined process for **Administrations** whereby a company can in some circumstances be dissolved without recourse to liquidation. The primary objective of administration (and of Company Voluntary Arrangements) is the rescue of the company as a going concern; where liquidation does result these cases will be recorded under the insolvency figures at Table 1. These provisions came into force on 15th September 2003 and **Administrations under the Enterprise Act** have been included on Table 3 from Q3 2003 (dissolution follows 3 months after a notice is filed with the Registrar of Companies, if no objections are raised by the court).

9. **Receivership appointments** comprise **administrative receivers** appointed under the 1986 Act and certain other receivership appointments, for example under the Law of Property Act 1925. Due to the use of the same statutory documentation for different types of receivership, it is not possible to give a breakdown between them. The provisions of the Enterprise Act 2002 (section 250) have made some changes to the procedures for administrative receivership from 15 September 2003.

10. For individuals the term **bankrupt** is used to indicate insolvency.

11. Insolvent individuals in England and Wales are dealt with mainly under the Insolvency Act 1986. A **bankruptcy order** is made on the petition of the debtor or one of his creditors when the Court is satisfied that there is no prospect of the debt being paid. (Figures for bankruptcy orders include **administration orders**, which are bankruptcy orders relating to the estate of a deceased debtor). On 1 April 2004 there was an increase in the amount of the petition deposit required before a bankruptcy order can be made. There was a significant rise in the number of bankruptcy orders made in the last two weeks before the increase in petition deposits became effective. There are also **individual voluntary arrangements** and **deeds of arrangement**, which enable debtors to come to an agreement with their creditors. Table 2 summarises all of the above types of individual insolvencies.

12. Insolvent individuals in Scotland are subject to **sequestration** under the Bankruptcy (Scotland) Act 1985. (There are no deeds of arrangement or individual

voluntary arrangements in Scotland). The Bankruptcy (Scotland) Act 1993 amending the 1985 Act came into force on 1 April 1993 and will have affected the number of sequestrations in the Scottish Courts.

13. Under the Insolvency Act 1986 and the Insolvent Partnerships Order, insolvent partnerships may be wound up like an unregistered company or administered following bankruptcy orders against the partners. Insolvent Partnerships can also enter administration or a voluntary arrangement.

National Statistics

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