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media relations and profile

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R3 comments on Q3 insolvency statistics

- Surprise quarterly increase in England & Wales individual insolvencies; driven by IVA rise
- Decrease in quarterly corporate insolvency numbers

Responding to this morning's announcement of the Q3 2013 insolvency statistics, William Ballmann, chair of insolvency trade body R3 in Yorkshire and partner at national law firm Gateley LLP, says:

Corporate insolvencies

"The decrease in corporate insolvencies is slightly surprising. Economic recovery usually heralds an increase in insolvencies.

"However, there has been a significant downward trend in insolvencies since the recession in 2008-9, while anecdotal evidence from the profession suggests this is still a historically quiet time for new appointments.

"Although we've heard reports of creditor pressure increasing, businesses may also be receiving a helping hand from their employees. Employees making sacrifices to keep their employer afloat was not uncommon during the depths of the recession, and, as the recent Grangemouth story showed, this phenomenon may still be going on.

"It may take a little while for the recent economic growth to have an impact on insolvency figures: growth over the past year has been solid rather than spectacular. Meanwhile, interest rates remain low which will continue to give struggling businesses a helping hand.

"While corporate insolvencies increased in Q2, one-off quarterly increases have not been unheard of in the past few years."

Individual insolvencies

"The continued quarterly increase in individual insolvencies in England and Wales is surprising, and it is even more surprising that this is the second quarterly increase in individual insolvencies in a row.

"This quarter's individual insolvency statistics are very curious; it's an incredibly mixed picture. Individual insolvencies have fallen significantly in Scotland over the quarter and compared to last year too, while they've gone up in England and Wales.

"The rise in England & Wales has been driven by a boom in IVAs, which are now at their second highest level in the past decade.

"Individual insolvencies are still lower than they were this time last year, but it will be interesting to see whether this remains the case in future quarters.

"Ordinarily, most people will use a recession and recovery to pay down debts, and record low interest rates should be helping with that.

"However, our Personal Debt Snapshots have found that the rising cost of living has been a major concern over the past year for those that struggle to payday, while optimism about personal finances remains low. Although the economy is returning to growth, some people may be left behind.

"The continued fall in bankruptcy and DRO numbers was expected though. Many people either can't afford the fees to enter bankruptcy, but have too much debt or too many assets to qualify for alternatives like Debt Relief Orders.

"Individual Voluntary Arrangements are possible alternatives to these, but they are only suitable for those with a reasonable level of spare income after meeting expenses or those with assets such as equity in the family home."

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For more information, please contact:
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Photo shows: William Ballmann, chair of insolvency trade body R3 in Yorkshire and partner at national law firm Gateley LLP

Notes to editors (R3):

The Insolvency Service's statistics can be found here. R3 is the trade body for Insolvency Professionals, and represents 97% of the UK's Insolvency Practitioners. R3 comments on a wide variety of personal and corporate insolvency issues. Contact the press office, or see www.r3.org.uk for further information. R3 promotes best practice for professionals working with financially troubled individuals and businesses; all R3 members are regulated by one of nine recognised professional bodies. R3 stands for 'Rescue, Recovery, and Renewal' and is also known as the Association of Business Recovery Professionals.

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