Commenting on the [July-September England & Wales insolvency statistics](#), William Ballmann, chair of R3 in Yorkshire and partner at Gateley LLP, says:

**Personal insolvency**

The recent spikes in personal insolvency numbers have been partially driven by people switching into formal processes – usually IVAs – having previously been in unrecorded debt management plans. It may be that the bulk of this ‘switch’ has now taken place.

It does need to be remembered that until non-statutory debt management plans are officially recorded, it will be difficult to establish the full picture of personal insolvency in England and Wales. R3 research shows 44% of British adults are worried about their level of debts, while one-in-four 25-44 year olds have five or more debts to their name, so falling insolvency numbers do not necessarily mean the UK’s personal debt issue is going away.

There are a few factors in the pipeline that could have an effect on future insolvency levels. A 2015 rise in interest rates might put too much pressure on some household finances while the outcome of a recently closed government ‘call for evidence’ could make it easier for people to access Debt Relief Orders – although it could also become harder to make people bankrupt. Accelerated tax payment demands from HMRC could have an impact further down the line too.
There is still much scope for personal insolvency reform. The current regime does not do enough to protect creditors from reckless debtors, while it is sometimes too hard for debtors to access a debt solution appropriate to their needs.

**Corporate insolvency**

The long-term corporate insolvency trend is downwards and activity has been very quiet recently. However, it is encouraging to see relatively greater use of business rescue procedures – rather than liquidations – in the last quarter following recent falls.

Decreasing corporate insolvencies and sustained economic growth don’t always go hand-in-hand: counter-intuitively, growth can lead to rising insolvency levels.

Businesses can run into trouble after recessions or economic doldrums – as we’ve experienced for the past five years or so – because they’re simply not ready for growth. If a business can’t invest to support its growth, cash flow can become a big problem and the business may find itself ‘over-trading’. Fresh access to finance is crucial to avoid funding gaps.

Recent R3 research found 154,000 businesses, up from 103,000 in November 2013, were only able to pay the interest on their debts.

Formal insolvency isn’t the only option for struggling businesses either. For some, it may make sense to simply have the business taken off the register at Companies House.

We may start to see a change in the make-up of the corporate insolvency landscape in the next year as reforms, lobbied for by the insolvency profession, begin to take effect. The 2013 Enterprise and Regulatory Reform Act will make it easier to put businesses into a business rescue procedure by preventing key suppliers, like IT providers, from changing their terms of supply to struggling businesses. This will enhance the UK’s business rescue culture and save more viable businesses once the relevant parts of the Act come into force.

Other government reforms are set to damage the corporate insolvency landscape, however. The government’s refusal to make insolvency litigation permanently exempt from changes to civil litigation rules – the 2012 Legal Aid, Sentencing and Punishment of Offenders Act – could see £160m of creditors’ money stay in rogue directors’ hands every year from next April.

**Ends**

**Photo shows:** William Ballmann, chair of R3 in Yorkshire and partner at Gateley LLP

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Notes to editors

- R3 is the trade body for Insolvency Professionals and represents 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 recognised professional bodies.
- R3 stands for ‘Rescue, Recovery, and Renewal’ and is also known as the Association of Business Recovery Professionals.