



2021

The value of the profession: how insolvency and restructuring supports the UK economy

R3, the insolvency and restructuring trade body



Foreword

The insolvency, restructuring and turnaround profession plays a vital role in the UK economy. It promotes economic regeneration, resolves financial distress for businesses and individuals, saves jobs, and creates the confidence and public trust which underpin trading, lending and investment.



But given the unique circumstances of each business and individual that the profession works with, it is often difficult to quantify exactly what the value of the profession's role is to the UK economy.

This report – *The value of the profession: how insolvency and restructuring supports the UK economy* – aims to address this problem. Working with Savanta ComRes, R3 has reached out across its membership to obtain the information required to put a number on the businesses and jobs the profession rescues, the amount of money it returns to creditors, the number of businesses and individuals it advises, and more.

The findings of the report show that across the UK in 2019, the insolvency and restructuring profession:

- **Rescued 7,200 businesses;**
- **Saved 297,000 jobs;**
- **Returned £1.82 billion to creditors;**
- **Advised 60,000 businesses and 144,000 individuals.**

While these figures help to illustrate the scale and importance of the profession's work to the wider economy, in what we now know to have been a relatively benign economic environment, they also help to highlight another key point.

With the country still in the process of returning to 'normal' following a year of pandemic-related disruption, businesses and individuals have weathered an economic hit that has left many of them with uncertain futures.

Resolving this financial distress will require government support, creditor forbearance and a legislative framework that gives businesses and individuals time to get back on their feet. But crucially, a successful post-pandemic economic recovery will require the skills and expertise of the insolvency and restructuring profession, to support businesses and individuals to navigate the still-choppy economic waters.

This report shows just what a contribution the profession made in 2019, but also how important the profession's work in rescuing businesses and jobs will be in the months and years ahead.

Colin Haig
R3 President

Survey findings

Corporate insolvency and restructuring

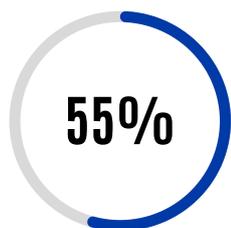
In 2019, the profession advised around 60,000 businesses about insolvency and restructuring related issues.

Four out of ten (39%) businesses advised by R3 members were still operating after their insolvency procedure concluded, which shows the profession rescued a total of 7,200 UK businesses in 2019, saving 297,000 jobs, and returning an estimated £353m to creditors in corporate insolvencies.

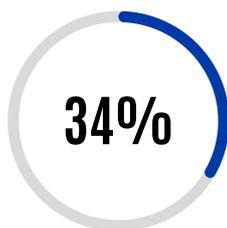
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Procedures and case background

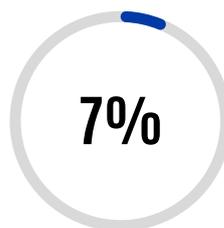
Of R3 members' corporate insolvency work, the most common procedures were:



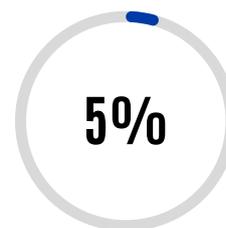
Creditor Voluntary Liquidations



Administrations



Compulsory liquidations



Company Voluntary Arrangements (CVAs)

Among the reasons for a company's insolvency, the top four were: management failure, financial issues, loss of market, and the knock-on effect from the failure of another company – showing the potential domino effect a corporate insolvency can have on those in its supply chain.

Eleven per cent of corporate insolvency cases involved fraud or criminal activity, respondents said, highlighting the importance of the profession's extensive powers to investigate and, under civil litigation, to prosecute those involved in or assisting in fraud, corporate misconduct and director misfeasance – work which helps to return money to creditors and victims alike.

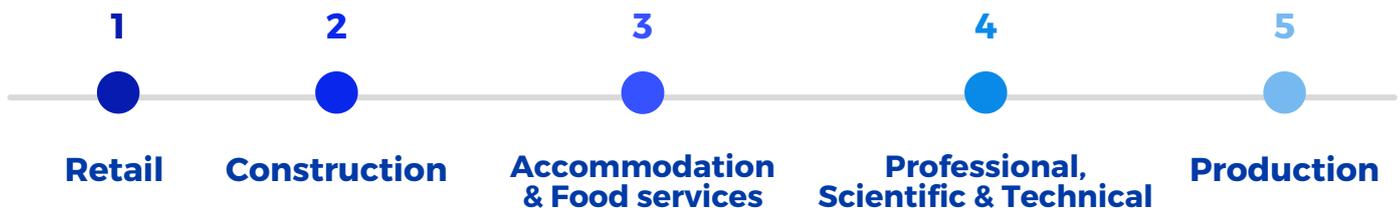
In 2019 the insolvency and restructuring profession rescued a total of 7,200 UK businesses and saved 297,000 jobs.

Of the corporate insolvency cases in 2019, more than eight out of ten (82%) of the companies involved were based in England, with the South East (21%), London (18%) and South West (13%) being the top three regions in which these companies were based, showing that, as expected, most economic activity is centred around London and the South East.



In 2019, the insolvency and restructuring profession returned £1.82bn to creditors in personal and corporate insolvency procedures.

Looking at which sectors companies entering a corporate insolvency process were most likely to be from, the five most common were:



Survey findings: personal insolvency

In 2019, the insolvency and restructuring profession advised 144,000 individuals.

An average of £13,300 was returned to creditors upon completion of each personal insolvency procedure, based on our responses, which meant a total of £1.47bn was returned to creditors in personal insolvencies in 2019.

The profession supported individuals through the full range of personal insolvency procedures in 2019. Of these, the most common were bankruptcies and Individual Voluntary Arrangements (IVAs).

Survey methodology

Savanta ComRes surveyed 71 unique companies from the insolvency and restructuring profession in the UK, all of whom are members of R3.

The research was carried out via an online survey which involved two phases of fieldwork (to account for the impact of COVID-19 on business workload and consequent survey uptake): 30th June to 9th September 2020 and 13th January to 22nd March 2021. The fieldwork process was managed by R3.

Summaries for the individual practice areas are based on the maximum total number of unique respondents and multiple cases; respondents were asked to answer a series of questions on at least one case from the end of 2019 (up to a maximum of five cases). As the R3 membership is assumed to be representative of companies involved in the profession, we are able to use these audiences to provide an examination of the state of the UK insolvency and restructuring profession in 2019.

Throughout this report, total figures are rounded to the nearest whole number or percentage.

About R3

R3 is the trade association for the UK's insolvency, restructuring, advisory, and turnaround professionals. We represent licensed insolvency practitioners, lawyers, turnaround and restructuring experts, students, and others in the profession. Our members work across the spectrum of the profession, from global legal and accountancy firms through to smaller, local practices. Our members have direct experience of insolvencies and their impact on individuals and businesses across the UK.

For more information, visit www.r3.org.uk or to discuss the findings of the report, please contact James Jeffrey, R3's Head of Press, Policy and Public Affairs, by emailing james.jeffreys@r3.org.uk.