WHY INSOLVENCY MATTERS

The insolvency profession's value to the UK economy

Insolvency is a fact of the economic cycle and an inevitable part of the UK's economic landscape. Insolvency practitioners help rescue businesses, restore heavily indebted individuals to financial health, ensure creditors are treated fairly, and help bring misbehaving directors and fraudsters to justice. At its heart, the insolvency regime is about achieving a balance between protecting creditors from reckless borrowing or trading, and helping those in difficulty get a fresh start.

Thankfully, formal insolvency numbers have fallen since the recession, but these numbers do not tell the full story. Insolvency practitioners are advising thousands of businesses outside formal processes, while hundreds of thousands of individuals are in non-statutory arrangements with creditors.

The next five years could see key changes to the insolvency landscape. Household debts are rising again, while the current climate of creditor forbearance, record low inflation, and record low interest rates may not last. Problem debt – corporate, personal, and public sector – is a major policy issue for the new Government; the insolvency profession has a unique insight into the effects problem debt has – and, importantly, how it can be tackled.

INSOLVENCY AND THE INSOLVENCY PROFESSION

Insolvency practitioners work with insolvent businesses and their creditors in liquidations, administrations, company voluntary arrangements, and pre-insolvency advice. Where possible, insolvency practitioners will try to rescue a business as this increases the chances that the business' creditors will see more of their money back – one of the profession's main objectives. In business insolvencies, insolvency practitioners also have a role to play in investigating the behaviour of company directors prior to the insolvency. This can include bringing directors who have committed fraud to justice.

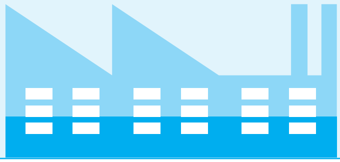
Insolvency practitioners also work with insolvent individuals and their creditors in bankruptcies, individual voluntary arrangements, debt management plans and other non-statutory agreements with creditors.

In 2013-14 the UK's insolvency profession:

- Worked with **10,400** businesses
- Worked with businesses employing **540,000** people
- Advised **70,000** businesses about their finances
- Helped **60,000** individuals through an insolvency procedure
- Helped individuals with an average of **£228,000** of debts (including mortgages)

In 2013-14 the UK's insolvency profession:

Rescued 41% (6,700) of insolvent businesses



Saved 230,000 jobs

Advised 135,000 people about their finances

Helped individuals repay £5bn of personal debt to creditors within five years

May 2015

INSOLVENCY AND BUSINESS

UK corporate insolvencies fell from their 2009 peak of 26,000 to 18,000 per year in 2014, a number of insolvencies roughly in line with pre-financial crisis years. The 2009 peak was well below the number of insolvencies in the early 1990s recession: businesses have been helped by record low interest rates and forbearance from creditors, particularly banks. However, the statistics do not tell the full story: thousands of businesses can still only afford to pay the interest on their loans and may suffer when interest rates rise.

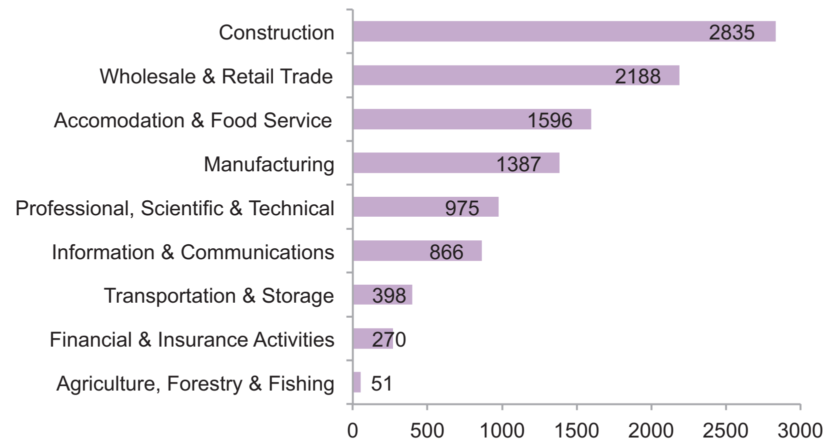
In 2013-14, the insolvency profession rescued approximately 6,700 businesses through formal insolvency procedures, saving around 230,000 jobs, while another 3,700 businesses continued operating after informal advice, employing around 310,000 people after receiving the advice.

Certain sectors are more prone to insolvency than others. Of the sectors tracked in 2014, construction had the highest number of formal insolvencies, while agriculture had the lowest. The construction sector is particularly exposed to changes in the wider economy, late payment issues, and seasonal variations.

Businesses supported by the insolvency profession 2013-14

Region	Cases handled by the insolvency profession	Number of businesses rescued	Proportion of businesses rescued	Turnover of supported businesses	Total jobs saved
UK	**16,569**	**6,755**	**41%**	**£71.9bn**	**234,444**
London	3,771	1,546	41%	£23.1bn	59,021
Midlands	2,522	958	38%	£10.7bn	28,502
North West	2,391	1,243	52%	£9.9bn *	34,786
Yorkshire & The Humber	2,102*	631*	30%*	£16.5bn*	46,246*
South East	1,567	674	43%	£1.9bn	13,551
South West & Wales	1,270	597	47%	£3.7bn*	9,309
Eastern	1,146*	458*	40%*	£1.6bn*	7,347*
Scotland	922*	286*	31%*	£1.6bn*	22,423*
North East	501*	196*	39%*	£2.2bn*	11,102*
Northern Ireland	376*	166*	44%*	£0.6bn*	2,156*

*Figures indicative only due to sample size



Corporate insolvencies in 2014, by sector

INSOLVENCY AND INDIVIDUALS

UK personal insolvencies almost quadrupled from 45,000 in 2003 to 160,000 in 2009; by 2014, insolvencies had fallen to 114,000 per year, although the rate of decline is slowing. Importantly, the full extent of personal insolvency in the UK is unknown as the official figures do not include the thousands of people in non-statutory debt management plans. In 2013-14 the insolvency profession advised around 135,000 people, and helped approximately 60,000 individuals through an insolvency procedure.

Key facts about the UK's insolvency regime

- Insolvency doesn't necessarily mean permanent financial failure; insolvency procedures are a solution to debt worries.
- Insolvency practitioners have a duty to maximise returns to creditors whilst helping to bring individuals and businesses back to financial health where possible; more than £4bn a year is repaid to creditors (including HMRC and businesses).
- The UK's insolvency regime is one of the best in the world according to the World Bank. It has one of the highest rates of returns to creditors, returning money quicker and cheaper than regimes in the US, Germany and France.
- There are approximately 1,750 IPs in the UK and around 12,000 professionals who work in insolvency.
- Most insolvency practitioners are accountants or lawyers. They are all qualified and regulated (by one of eight regulatory bodies – as of April 2015).
- Insolvency practitioners usually offer their first hour of advice for free.
- Full details of how insolvency works can be found at R3's website for creditors **www.creditorinsolvencyguide.co.uk**.

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Methodology

All figures in this report are approximations calculated using data from the Insolvency Service and the responses of R3 members to a ComRes survey.

ComRes surveyed 448 insolvency practitioners across the UK, all of whom are members of R3. ComRes is a member of the British Polling Council and abides by its rules. Data tables are available on the ComRes website, www.comres.co.uk.

Personal and corporate insolvency data are compiled from quarterly reports by the Insolvency Service.

About R3:

R3 is the trade body for the UK insolvency profession. From senior partners at the 'Big Four' accountancy firms to practitioners who run their own small and micro-businesses, our members have extensive experience of helping businesses and individuals in financial distress.