R3 Annual Business Health report

The Business Health report from R3, the UK's trade body for restructuring, turnaround, and insolvency professionals, provides an overview of industry trends. Supported by data from CreditSafe, it examines insolvency and start-up activity, highlights sectors under financial stress, and explores key business pressures.

R3 Business Health report 2025, based on CreditSafe data. Published January 2026
Contact: **dawn.boyall@r3.org.uk**

2025 in summary

28,616	**775,242**	**Greater London**
Insolvency activities in 2025 (2% down on 2024)	UK start ups in 2025 (2% down on 2024)	Region with most distressed businesses

In 2025, UK businesses continued to experience significant financial strain, with insolvency levels remaining elevated and start-up growth slowing. Insolvency-related activity, including liquidator and administrator appointments and creditors' meetings, totalled 28,616 cases, reflecting ongoing strain from elevated borrowing costs, persistent inflation, and subdued consumer demand. While this year marks a slight improvement from 29,104 cases in 2024, levels of business distress remain well above pre-pandemic norms, underscoring a fragile operating environment.

Construction
4,584 insolvencies

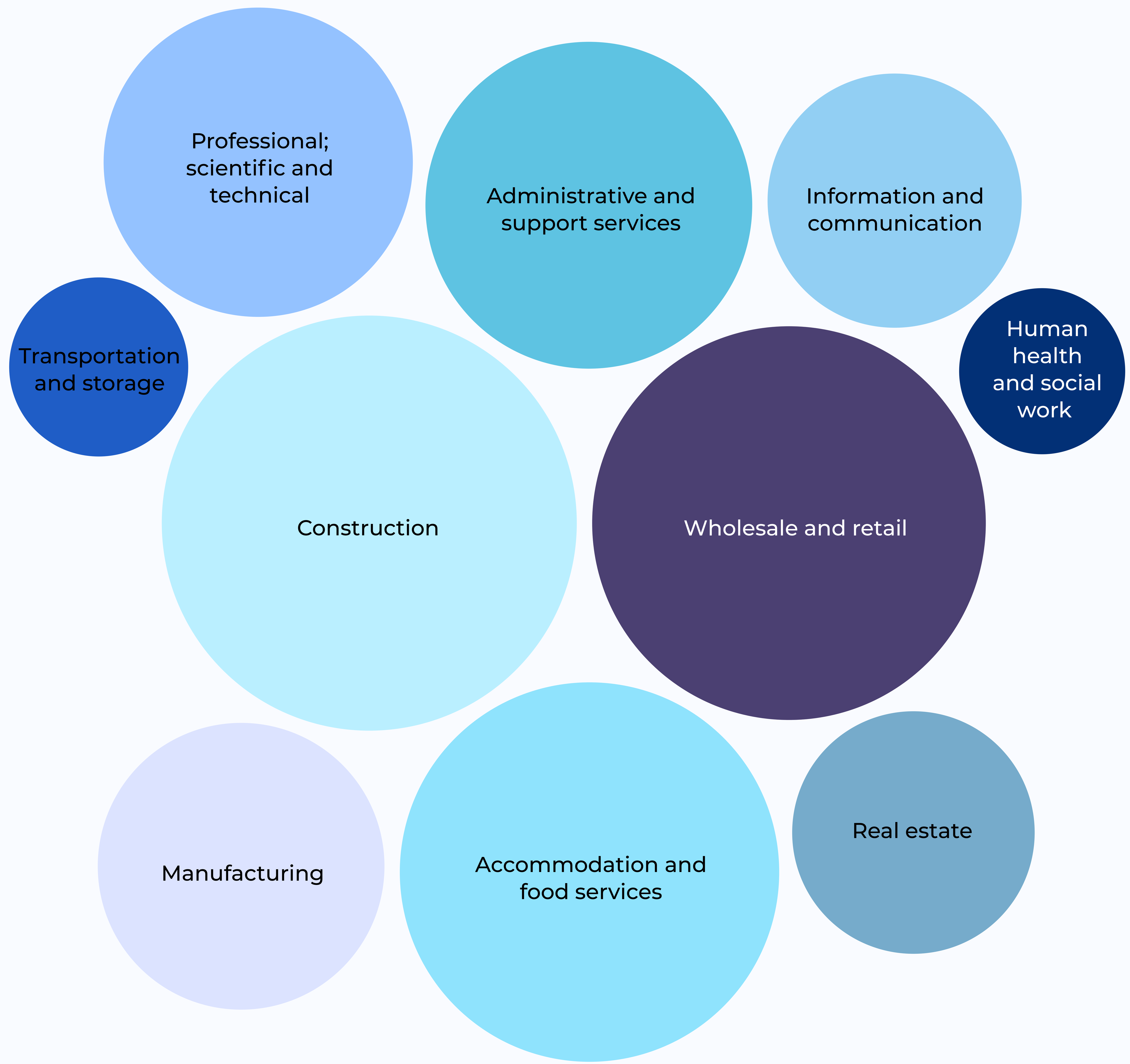
Wholesale and retail
4,124 insolvencies

Accommodation and food services
3,831 insolvencies

Where is distress focussed?

- **Construction** recorded the highest insolvency activity in 2025 with 4,584 cases, down 6% from 2024. This sector remains vulnerable to rising material costs, delayed payments, skills shortages, and weak investor confidence.
- **Wholesale & retail** (4,124) and **Accommodation & food services** (3,831) also saw elevated insolvency levels, reflecting margin pressures as households cut discretionary spending and businesses struggle with higher costs. Both sectors saw slight declines in insolvency activity year-on-year.
- **Manufacturing** saw 2,188 cases, reflecting historically high insolvency activity amid energy cost challenges, supply chain disruptions, and subdued export demand.
- **Professional & business services** continued to face significant distress, with 2,545 cases in professional, scientific, and technical services and 2,842 in administrative and support services, driven by reduced client spending and rising overheads.

Top 10 sectors in distress



Notable increases in insolvency activity year-on-year occurred in **Water supply, waste management & remediation**, which increased by 14% to 172 cases, reflecting regulatory and cost pressures. **Health & social work activities** and **Entertainment & recreation** also saw increases, underscoring fragility in demand-dependent industries.

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Regional trends

Insolvency activity varied widely across the UK in 2025. Greater London recorded the highest number of cases (5,684), though this was down 11% from 2024.

The North West (4,880), East Anglia (3,812) and West Midlands (3,152) also saw elevated levels, driven by exposure to manufacturing, construction, and retail. While most regions posted year-on-year declines, insolvency levels remain stubbornly high across much of the country.

Start-ups declined by 2% across the UK in 2025, signalling a more cautious entrepreneurial climate. Greater London start-ups fell 3% to 259,092, with similar drops in East Anglia (88,154), and the South East (69,213). While the North West, Scotland, and Wales posted modest start-up growth, overall trends reflect persistent uncertainty, rising financing costs, and muted growth expectations.

2025 vs 2024 regional comparison

Insolvency related activity

20.2%	▲	Northern Ireland
11.7%	▲	West Midlands
2.3%	▲	Wales
2.2%	▲	Scotland
1.7%	▲	East Anglia
1.4%	▲	North West
-2.3%	▼	South West
-6.2%	▼	South East
-8.2%	▼	East Midlands
-9.3%	▼	North East
-9.9%	▼	Yorkshire and Humberside
-11%	▼	Greater London

Start ups

8.7%	▲	Wales
4.2%	▲	Scotland
3.3%	▲	North East
2.4%	▲	North West
0.6%	▲	West Midlands
-1.6%	▼	South West
-1.9%	▼	South East
-2.7%	▼	East Anglia
-2.9%	▼	Greater London
-3.3%	▼	East Midlands
-8.4%	▼	Yorkshire and Humberside
-35.3%	▼	Northern Ireland

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Analysis by R3 President

“Our analysis offers insight into 2025’s insolvency trends, with many businesses experiencing a sustained period of stable stress while struggling to regain their footing after several years of economic challenges. While insolvency activity was slightly down on 2024 levels, instances remain historically high with regional and sector variations, driven by differences in local economies, access to finance, and consumer demand.

Looking ahead to 2026, many businesses still face financial challenges amid tough market conditions. However, easing inflation and interest rate cuts offer hope that pressures may begin to ease. Margins remain tight, so seeking professional advice early from an R3 member can be critical to survival and recovery.”

Tom Russell
R3 President,
Director,
James Cowper Kreston

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