

# Scottish Insolvency Statistics 2013-14: Quarter 1 Release

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## Introduction

This release provides Scottish insolvency statistics compiled by Accountant in Bankruptcy (AiB) for the first quarter of 2013-14. Statistics relating to the Debt Arrangement Scheme (DAS) are also reported. The figures are collated to 30 June 2013.

## Key Points

The key points from this quarter's release are:

- Total personal insolvencies increased by 14.7 per cent on the previous quarter but are 28.6 per cent lower than the same quarter of the previous year, with the longer term trend showing a general decline since 2008-09.
- The number of Scottish registered companies becoming insolvent or entering receivership increased by 28.7 per cent since the last quarter although this is a 56.2 decrease on the same quarter of the previous year.
- The use of DAS continues to grow with 1,200 applications approved in this quarter, representing almost a four-fold increase since the equivalent quarter in 2009-10. A total of £7.0 million was repaid through DAS during this quarter.

## Personal Insolvencies

Personal insolvency figures consist of the number of bankruptcies awarded and the number of protected trust deeds (PTDs) registered. There was a total of 3,999 personal insolvencies in Scotland in the first quarter of 2013-14. This represents a 14.7 per cent increase on the previous quarter although this is 28.6 per cent lower than the total recorded in the same quarter of the previous year.

In total there were 1,961 awards of bankruptcy in the first quarter which is a 6.9 per cent increase on the previous quarter. However this total is 40.8 per cent lower than the total awarded in the equivalent quarter of the previous year. The 1,961 individual awards of bankruptcy can be broken down as follows:

- 1,676 awards were made as a result of debtor applications to Accountant in Bankruptcy, an increase of 10.3 per cent on the previous quarter and a

decrease of 42.5 per cent on the same quarter last year. Of these, 742 were awarded bankruptcy through the Low Income, Low Asset (LILA) route.

- 277 awards resulted from petitions to the courts by creditors, a 6.4 per cent decrease compared to the previous quarter and a 24.3 per cent decrease on the same quarter last year.
- 8 awards were made as a result of petitions to the court by trustees in a trust deed. This represents a 57.9 per cent decrease on the previous quarter and a 72.4 per cent decrease on the same quarter last year.

The number of PTDs also increased in the first quarter as there were 2,038 awarded in total which is 23.4 per cent higher than the number recorded in the previous quarter. However this is 11.0 per cent lower than the total recorded in corresponding quarter of the previous year. Further information is shown in the table 1 below.

**Table 1: Personal Insolvencies by Quarter**

<i>Financial Year</i>  <i>Quarter</i>	2012-13 (r)				2013-14 (p)	Percentage change 2013-14 Q1 on:	
	Q1	Q2	Q3	Q4	Q1	2012-13 Q4	2012-13 Q1
Awards of Bankruptcy	3,310	1,861	1,833	1,834	1,961	6.9%	-40.8%
Breakdown of awards by source							
Creditor Petitions	366	390	339	296	277	-6.4%	-24.3%
Trust Deed Petitions	29	31	30	19	8	-57.9%	-72.4%
Debtor Applications	2,915	1,440	1,464	1,519	1,676	10.3%	-42.5%
of which LILA	1,563	653	607	658	742	12.8%	-52.5%
of which other	1,352	787	857	861	934	8.5%	-30.9%
Protected Trust Deeds	2,291	2,204	2,030	1,652	2,038	23.4%	-11.0%
<b>Total Personal Insolvencies</b>	<b>5,601</b>	<b>4,065</b>	<b>3,863</b>	<b>3,486</b>	<b>3,999</b>	<b>14.7%</b>	<b>-28.6%</b>

**r** - Figures for 2012-13 have been revised following validation at the end of the previous financial year.

**p** - Figures for 2013-14 will remain provisional until final validation of end of financial year figures.

Table 2 below shows the number of personal insolvencies each year from 2005-06 to 2013-14 to date. This shows that the total revised figure for 2012-13 was 17,015 which is 16.0 per cent lower than the previous year's total. The number of bankruptcies awarded reduced by 20.1 per cent in 2012-13 while the number of PTDs recorded was down by 11.1 per cent.

**Table 2: Personal Insolvencies by Financial Year**

Financial Year	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13 (r)	2013-14 (p) <i>Year to date</i>
1 Bankruptcies	5,423	5,885	6,158	14,777	13,810	11,443	11,056	8,838	1,961
2 Protected Trust Deeds	7,199	8,298	7,509	7,633	9,188	7,980	9,194	8,177	2,038
<b>3 Total Personal Insolvencies</b>	<b>12,622</b>	<b>14,183</b>	<b>13,667</b>	<b>22,410</b>	<b>22,998</b>	<b>19,423</b>	<b>20,250</b>	<b>17,015</b>	<b>3,999</b>

**Note:** LILA route to bankruptcy introduced at start of 2008-09 which widened access to bankruptcy resulting in a significant increase in the number of bankruptcies awarded.

The following chart shows the quarterly volume of bankruptcies awarded and PTDs recorded since 2008-09. The general trend is that the number of bankruptcies awarded each quarter has been declining since the second quarter of 2008-09, with the exception of the first quarter of 2012-13 when changes to the bankruptcy fee structure resulted in a substantial increase in the number of applications received. The trend of PTDs awarded each quarter has been more flat since 2008-09 with the first quarter of each year tending to have the highest volume of the four quarters in the year.

**Chart 1: Personal Insolvencies in Scotland**

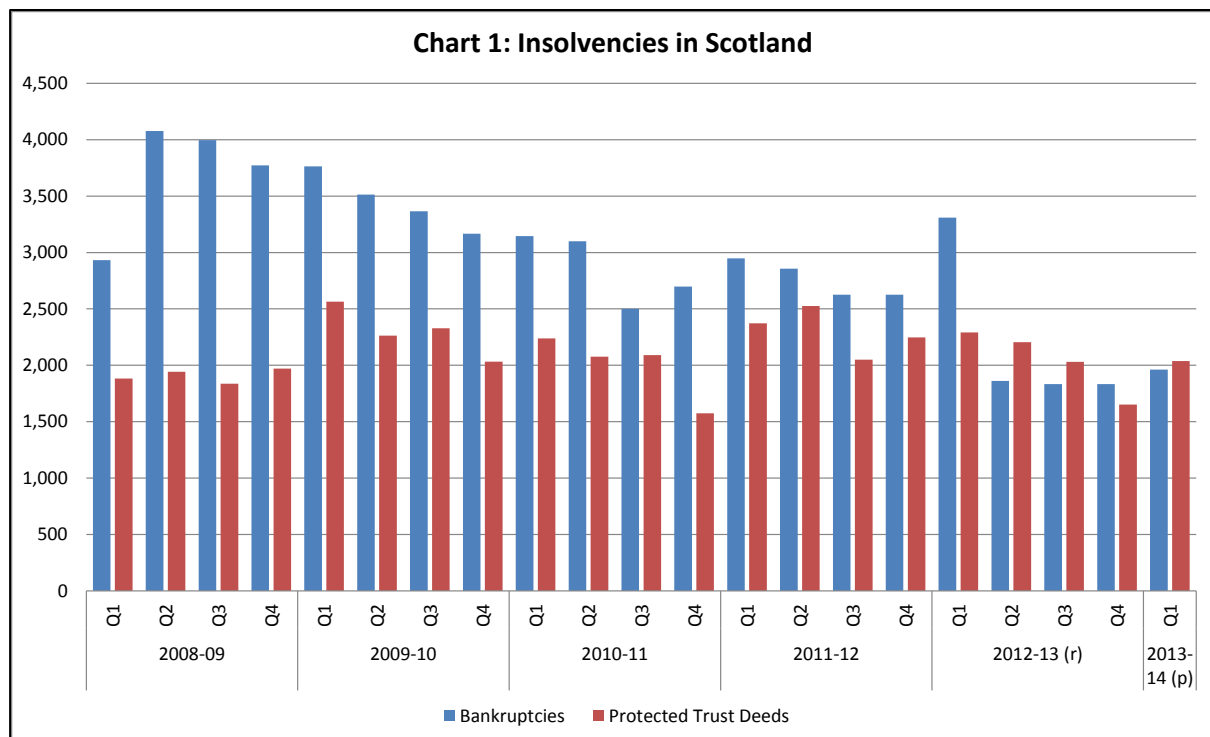
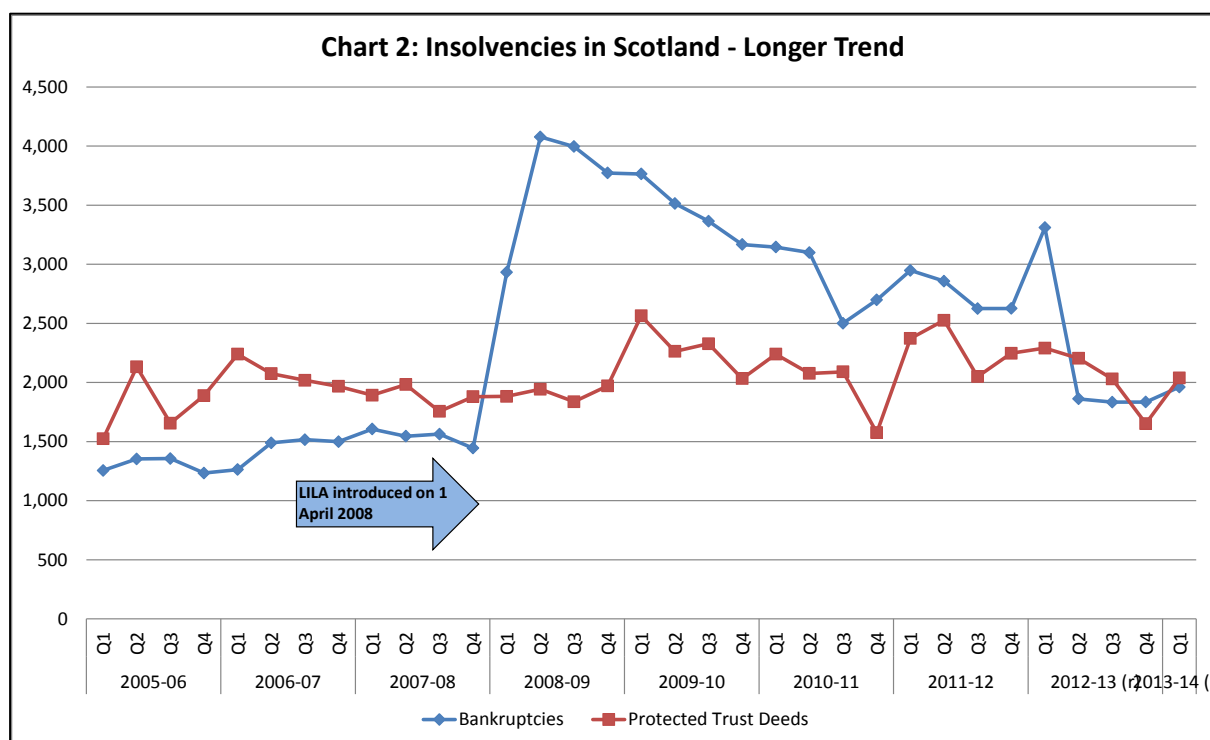


Chart 2 below shows the longer trend with regards to personal insolvencies in Scotland, with quarterly data from 2005-06 shown. This illustrates the significant increase in bankruptcies awarded in the second quarter of 2008-09 following the introduction of the Low Income Low Asset (LILA) product which widened access to bankruptcy, and the general downward trend since then.

**Chart 2: Insolvencies in Scotland – Longer Trend**



## Debtor Applications

The Accountant in Bankruptcy received 1,693 debtor applications for bankruptcy in the first quarter of 2013-14. This is a 4.4 per cent increase on the previous quarter and 43.5 per cent lower than the corresponding quarter of the previous year. At the end of the first quarter, 111 applications were still being processed. During the quarter, 35 applications were rejected as the criteria for bankruptcy had not been demonstrated and 8 were returned due to application errors.

## Case Administration

In Scotland, a trustee is appointed to administer each bankruptcy. A nominated insolvency practitioner may be appointed as trustee or the Accountant in Bankruptcy may be appointed. For the first quarter of 2013-14, the Accountant in Bankruptcy was appointed trustee in 1,345 cases awarded, representing 68.6 per cent of bankruptcies for the quarter. This is a similar proportion to recent quarters.

## Company Liquidations and Receiverships

Receiverships and liquidations are of those companies which the Court of Session has jurisdiction to wind up, and are recorded in the Register of Insolvencies (RoI).

Accountant in Bankruptcy received 184 notices of Scottish registered companies becoming insolvent or entering receivership in the first quarter of 2013-14. This is a 28.7 per cent increase on the last quarter. However this also represents a 56.2 per cent decrease on the same quarter of the previous year. The total figure includes 1 receivership, 103 compulsory liquidations, and 80 creditors' voluntary liquidations.

There were also 75 members voluntary liquidations. Further information is shown in table 3 below.

**Table 3: Company Liquidations and Receiverships**

Financial Year Quarter	2012-13				2013-14	Percentage change 2013-14 Q1 on:	
	Q1	Q2	Q3	Q4	Q1	2012-13 Q4	2012-13 Q1
Receiverships	10	6	8	7	1	-85.7%	-90.0%
Compulsory Liquidations	348	197	94	75	103	37.3%	-70.4%
Creditors' Voluntary Liquidations	62	71	83	61	80	31.1%	29.0%
<b>Total Corporate Insolvencies</b>	<b>420</b>	<b>274</b>	<b>185</b>	<b>143</b>	<b>184</b>	<b>28.7%</b>	<b>-56.2%</b>
Members' Voluntary Liquidations	58	46	84	62	75	21.0%	29.3%

Note, the RoI does not contain information on corporate administrations as they are a reserved matter which means they are not included in the corporate insolvency statistics produced by AiB. However the Insolvency Service do report these statistics on a quarterly basis and further information can be found at <http://www.bis.gov.uk/insolvency/About-us/our-performance-statistics/insolvency-statistics> (Table 5 contains information on Scotland).

**Chart 3: Corporate Insolvencies in Scotland**

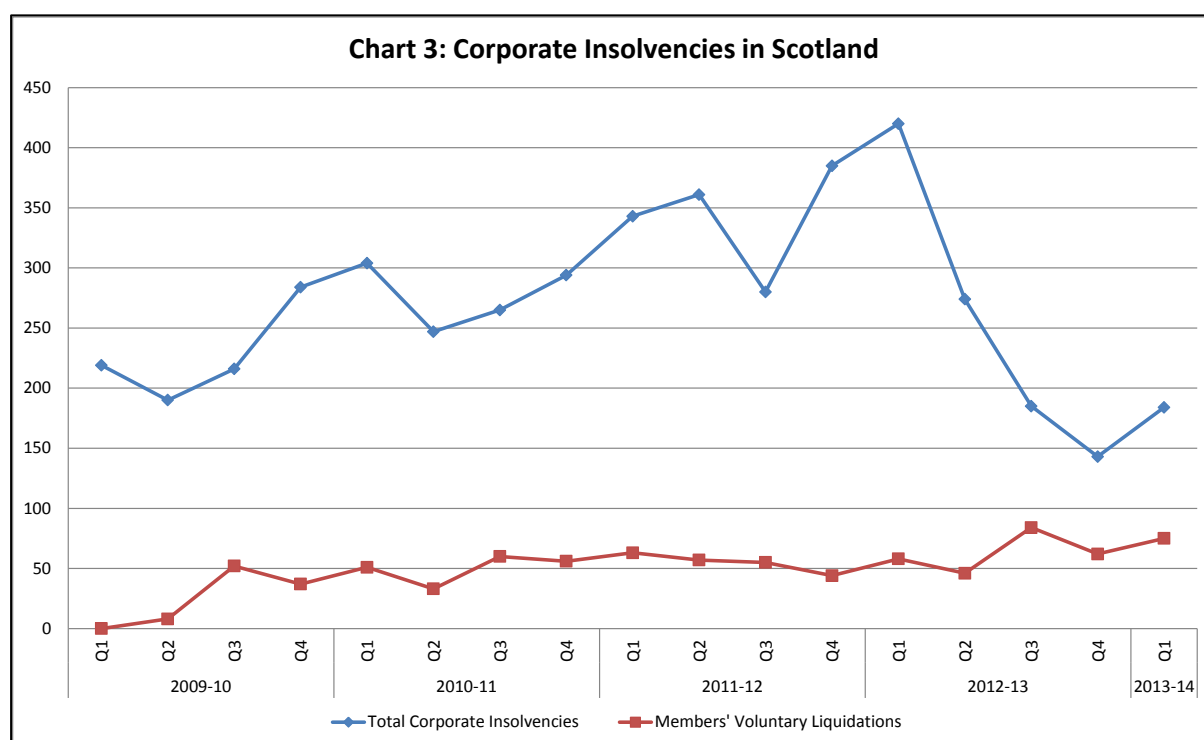


Chart 3 above shows the quarterly volume of Scottish corporate insolvencies recorded on the RoI since 2009-10. This series, which includes receiverships, compulsory liquidations and creditors' voluntary liquidations, shows a general upward trend between 2009-10 and the first quarter of 2012-13 followed by a sharp decrease for the remainder of that year.

This chart also shows the total number of members' voluntary liquidations recorded each quarter and this series has been relatively stable during this period.

## Debt Arrangement Scheme

During the first quarter of 2013-14 there were 1,200 debt repayment programmes (DPP) approved. This is a 22.8 per cent increase on the previous quarter and a 18.8 decrease on the same quarter in the previous year. Further information is in table 4 below.

**Table 4: Debt Payment Programmes by Quarter**

Financial Year Quarter	2012-13				2013-14	Percentage change 2013-14 Q1 on:	
	Q1	Q2	Q3	Q4	Q1	2012-13 Q4	2012-13 Q1
Debt Payment Programmes under the Debt Arrangement Scheme	1,478	1,110	1,067	977	1,200	22.8%	-18.8%

**Chart 4: DAS DPPs Approved**

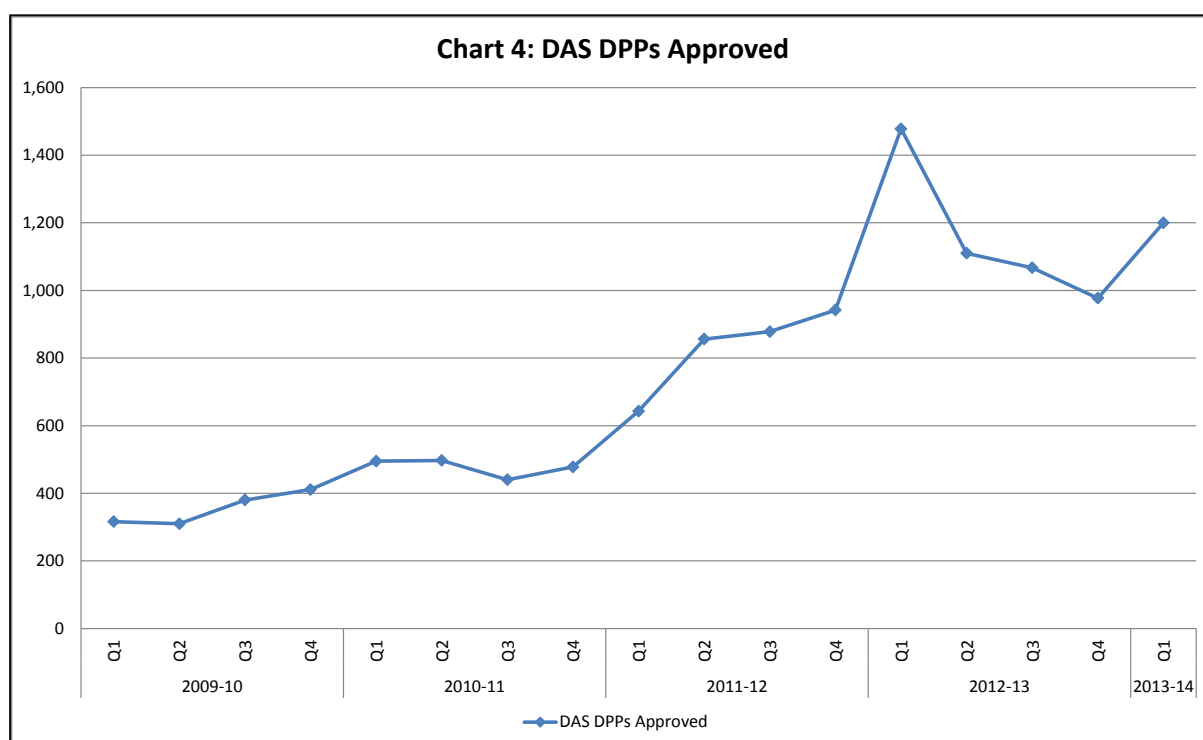


Chart 4 above shows the quarterly total number of approved DPPs under DAS since the first quarter of 2009-10 and illustrates the continual increase in volume of DPPs approved, particularly from 2011-12 onwards. The number of approved DPPs in a quarter has increased almost four-fold between the first quarter in 2009-10 and the corresponding quarter in 2013-14.

If a debtor's circumstances change and they can no longer afford the agreed payments, or if they want to increase the level of payment, they can apply for a variation to their DPP.

In the first quarter of 2013-14, a total of 611 applications to vary a DPP were received and 603 of these were approved. The number of approved applications is 6.1 per cent lower than the previous quarter and 32.8 per cent higher than the total approved in the same quarter of the previous year. Further details are in table 5 below.

**Table 5: Applications to Vary a Debt Payment Programme by Quarter**

<i>Financial Year</i>	2012-13				2013-14	Percentage change 2013-14 Q1 on:	
<i>Quarter</i>	Q1	Q2	Q3	Q4	Q1	2012-13 Q4	2012-13 Q1
Applications to vary a Debt Payment Programme							
Total Approved	454	589	587	642	603	-6.1%	32.8%
Total Rejected	6	4	7	2	8	300.0%	33.3%
<b>Total</b>	<b>460</b>	<b>593</b>	<b>594</b>	<b>644</b>	<b>611</b>	<b>-5.1%</b>	<b>32.8%</b>
% Approved	98.7%	99.3%	98.8%	99.7%	98.7%		

A DPP is automatically revoked if the debtor applies and is awarded bankruptcy or signs a trust deed which becomes protected. There are also a number of grounds where the debtor, a money adviser acting on behalf of the debtor or a creditor in the DPP can apply to revoke a DPP, including where a debtor has failed to satisfy the conditions of the DPP or if two payments have been missed and a third is due.

A total of 643 applications to revoke a DPP were received in the first quarter of 2013-14 and 438 of these were approved. This is 68.1 per cent of the total which is a higher approval rate than previous quarters. The number of approved applications is a 31.5 per cent increase on the previous quarter and almost double the volume from the corresponding quarter in 2012-13. Table 6 below provides further information.

**Table 6: Applications to Revoke a Debt Payment Programme by Quarter**

<i>Financial Year</i>	2012-13				2013-14	Percentage change 2013-14 Q1 on:	
<i>Quarter</i>	Q1	Q2	Q3	Q4	Q1	2012-13 Q4	2012-13 Q1
Applications to revoke a Debt Payment Programme							
Total Approved	226	376	287	333	438	31.5%	93.8%
Total Rejected	130	183	276	240	205	-14.6%	57.7%
<b>Total</b>	<b>356</b>	<b>559</b>	<b>563</b>	<b>573</b>	<b>643</b>	<b>12.2%</b>	<b>80.6%</b>
% Approved	63.5%	67.3%	51.0%	58.1%	68.1%		

A total of £7.0 million was repaid through DAS in the first quarter of 2013-14. This compares with £6.4 million last quarter and £5.0 million in the corresponding quarter of the previous year. A total of £23.2 million was repaid through DAS in the year 2012-13. Further details are in table 7 below.

**Table 7: Amount Repaid Through DAS by Quarter**

<i>Financial Year</i> <i>Quarter</i>	2012-13				2013-14	Percentage change 2013-14 Q1 on:	
	Q1	Q2	Q3	Q4	Q1	2012-13 Q4	2012-13 Q1
Amount Repaid under the Debt Arrangement Scheme	£5.0 m	£5.6 m	£6.2 m	£6.4 m	£7.0 m	8.9%	39.9%

**Note:** The published amounts have been rounded however the percentage changes have been calculated using the unrounded figures.



## Background Notes

Accountant in Bankruptcy supervises all personal insolvencies in Scotland and administers those bankruptcies where appointed. Insolvent individuals in Scotland are subject to bankruptcy (sequestration) or enter protected trust deeds (PTDs) under the Bankruptcy (Scotland) Act 1985. The 1985 Act was amended by the Bankruptcy (Scotland) Act 1993 and on 1 April 2008, part 1 of the Bankruptcy and Diligence etc. (Scotland) Act 2007 came into force making significant changes to some aspects of bankruptcy in Scotland. Changes included the introduction of LILA, a route into bankruptcy for people with low income and low assets. The changes also took a number of processes out of the Scottish Court system, reducing costs and freeing up court time.

PTDs are voluntary arrangements, where the debtor passes his estate to an insolvency practitioner who arranges to repay part of the debt to creditors on the debtor's behalf. This is similar to Individual Voluntary Agreements (IVAs) in England and Wales, although there are important differences in the way they are set up and administered.

The Debt Arrangement Scheme (DAS) is administered by Accountant in Bankruptcy. Debt payment programmes approved under DAS allow individuals to repay their debts in full over an extended period of time whilst providing protection from enforcement by their creditors and safeguarding their home as long as mortgage payments are maintained. The legislation relating to DAS is contained in the Debt Arrangement and Attachment (Scotland) Act 2002 and subsequent regulations.

Accountant in Bankruptcy is also responsible for receiving, extracting and recording information from certain forms relating to company liquidations and receiverships. The legislation appropriate to liquidations and receiverships is contained in the Insolvency Act 1986 and the Insolvency (Scotland) Rules 1986.

Details of bankruptcies, PTDs, liquidations and receiverships are found on the register of insolvencies, which is maintained by Accountant in Bankruptcy and can be found at <http://roi.aib.gov.uk/roi/>

Further information on DAS, including a register of debt payment programmes, is available at <http://www.dasscotland.gov.uk>

Further information regarding insolvency in Scotland, including legislation, can be found on the Accountant in Bankruptcy's website at [www.aib.gov.uk](http://www.aib.gov.uk)