

Corporate insolvencies remain at a high



Government figures show that more companies in England and Wales suffered insolvency last year than any time since 2009. This highlights how significant the coronavirus support packages, including bounce back loans, were in helping many businesses stay afloat.

Many businesses, particularly in the retail, leisure and hospitality industries, will have hoped to capitalise on a busy festive period in 2022, but inflation meant consumer spending dropped. As a result we saw corporate insolvency levels rise in December 2022 to a rate 32% higher than the previous year. In comparison to December 2019 – pre pandemic – this was 76% higher.

What has driven such a rise in insolvencies?

There has been an increase in creditors' voluntary liquidations, which was 22% higher in 2022 than the year before. There was a notable increase in compulsory liquidations too – over 3.5 times more than the number of petitions seen in December 2021 – demonstrating an increase in creditor pressure on struggling businesses.

The Insolvency Service reports this is partly as a result of an increase in petitions presented by HMRC as it clamps down on historic non-payment of company debts. Restrictions on winding up petitions during the pandemic meant that there were historically low levels of compulsory liquidations during that period. This accounts for some of the large numbers we are now seeing. Administrations and CVAs were also up in December 2022 when compared to December 2021, with an increase of 56% and 43% respectively.



A rise in director disqualifications

The Insolvency Service obtained, or had significant involvement in obtaining, 802 director disqualifications in 2021/22. Of these, 666 were undertakings and 136 were obtained by court order. The number of disqualifications in 2021/22 was 18% lower than in 2020/21 (981), following seven years during which the number of director disqualifications remained stable.

The lower number of director disqualifications in the past two years is linked to historically low numbers of company insolvencies between April 2020 and June 2021. The increase in insolvency numbers since July 2021 has not yet resulted in an increase in director disqualification outcomes due to the time gap between an insolvency and the completion of investigations and subsequent proceedings.

What can we expect in 2023?

If we are comparing month on month, January 2023 is looking brighter with 15% lower insolvencies than December. However, when compared to January 2022 this is still an increase of 6.6%. This increase continues to be driven by more creditors' voluntary liquidations as well as compulsory liquidations.

While figures are seemingly heading in the right direction, the YoY comparison continues to be a concern, particularly as last year was the highest number of insolvencies in over 13 years.

It is also likely we will see a higher number of director disqualifications, following increased scrutiny over the misuse of coronavirus support packages. Some recent successful enforcements have included:

- two fake PPE companies shut down after they fraudulently secured £180,000 from Covid-19 financial assistance schemes
- a nursing agency boss has been disqualified for 11 years for securing £45,000 Bounce Back Loan despite company not being eligible
- a bankrupt caterer from West Bromwich received 11 years of additional restrictions to protect creditors after he abused £70,000 worth of loans, including a Bounce Back Loan
- a director of Manchester pizza takeaway who fraudulently claimed £20,000 Bounce Back Loan was jailed for 2 years.

How we can help

Please seek advice early. Whether it is in relation to your duties as a director, concerns you may have with your company's financial affairs or contact from the Insolvency Service alerting you to the possibility of disqualification proceedings. Our legal team are experts in insolvency. We have spent many years advising directors of companies in financial distress, as well as defending them in all manner of proceedings including disqualification. For help and advice, please [get in touch](#).



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