

Your quarterly snapshot of the UK insolvency market

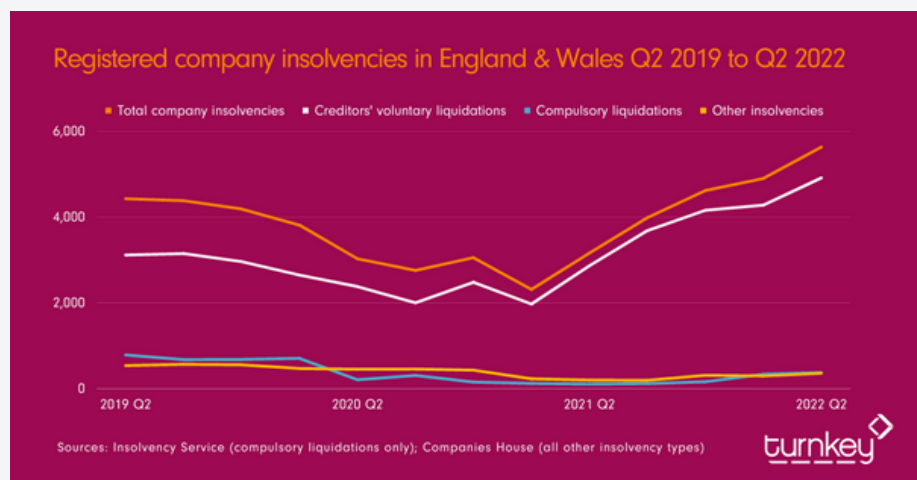
At Turnkey, we work very closely with Insolvency Practitioners, Regulators and Banks to keep our clients up-to-date with the latest developments in the Restructuring Industry. We thought it would be helpful to release a succinct summary of how the insolvency statistics are moving each quarter, with the information provided by the Insolvency Service.

England & Wales

In Q1, corporate insolvencies were already rising at a steady pace, reflecting the multiple difficulties that companies have been facing, such as the hangover from the pandemic, rising fuel and energy costs and the impact of the increase in inflationary pressure. These factors have been making the business climate even more challenging and Q1 reported a seasonally adjusted number of company insolvencies at a total of **4,896**. Increases in Compulsory Liquidations and CVL's combining to result in a **6%** increase in company insolvencies.

Q2 2022

With the COVID measures, such as the restrictions preventing commercial landlords issuing winding-up petitions, coming to an end and inflation now reaching levels not seen since the 1980's, it may not be a surprise to hear that in the second quarter of 2022, the rise in company insolvencies continued.





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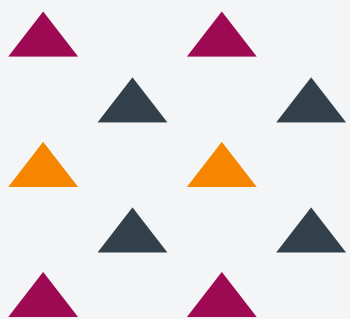
In Q2 2022, the number of company insolvencies in England and Wales increased to **5,629** following seasonal adjustment, a **13%** increase on Q1 and **81%** higher than for the same period last year. This quarterly level of insolvencies is the highest seen since Q3 of 2009. The wave of insolvencies that some were predicting in the early stages of the pandemic have been held off with the support measures that were in place, but the stats coming through in 2022 suggest that when the measures have eased the sheer weight of economic factors in play has resulted in increasing levels of insolvency activity.

Yet again, the vast majority of appointments in Q2 were CVLs, with **4,908** being reported. This takes the quarterly tally of CVLs to their highest level since the series began in 1960 and highlights once more the high volume of CVLs in recent history.



Compulsory liquidations were also on the rise in Q2, up **9%** from Q1 2022 and **261%** higher than Q2 2021, but did not surpass pre-pandemic levels. However, temporary measures imposed by the Government to support businesses, including restrictions on the use of statutory demands and a debt threshold of **£10,000** for a winding-up petition, came to an end on 31 March. Further, the restriction on commercial landlords from issuing winding-up petitions was lifted, rent is often a significant cost for a company, and it is likely that some tenants will simply not be able to meet landlords' expectations. The impact of these factors could result in the number of creditor driven compulsory liquidations rising as the year progresses.

At **3,665**, the construction industry saw the highest number of insolvencies in the 12 months to Q2 2022, followed by wholesale and retail trade and repair of vehicles at **2,544**, and finally, accommodation and food service activities with **2,206** insolvencies. These industries will likely continue to suffer due to the energy, labour and inflation pressures that the UK is facing with no clear end in sight.





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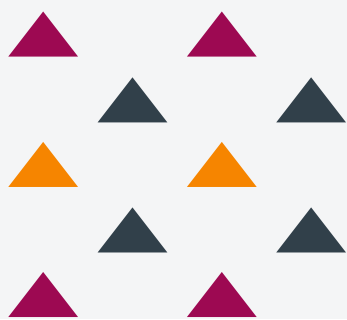
Scotland

Scotland has faced a similar corporate climate to the rest of the UK, but had experienced a **20%** drop in the total number of company insolvencies to **210** in Q1 2022. However, it is worth noting that Q1's figures were still **131%** higher than in Q1 2021.

The downward trajectory has not continued in Q2 2022 with **261** company insolvencies being reported. This is a **24%** increase on the last quarter and **58%** higher than the same quarter in 2021.



Since Q2 2020, CVLs have been the main driver of company insolvencies in Scotland. This is evident again this quarter with CVLs (**208**) outnumbering compulsory liquidations (**44**) by nearly **5** to **1**. Like in England and Wales, the easing of support measures such as the reduction in the debt threshold and landlords' restrictions being lifted may well see the number of creditor driven compulsory liquidations rising as the year progresses. It remains to be seen if the overall number of company insolvencies in Scotland will continue to rise in Q3 2022.



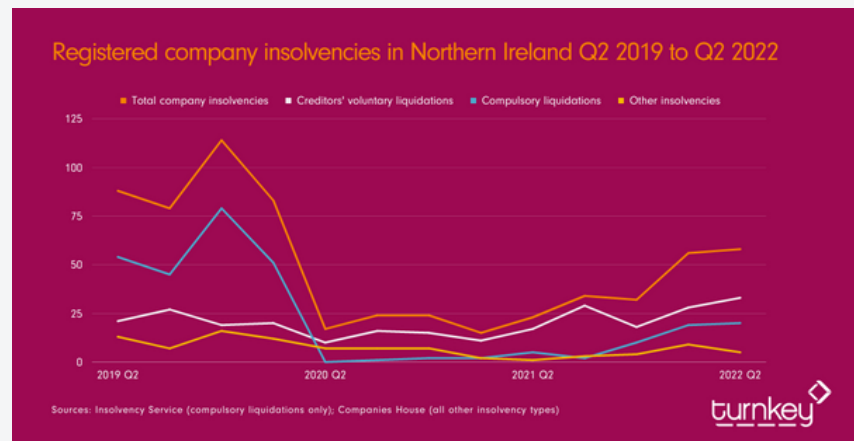


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Northern Ireland

There were 56 company insolvencies in Northern Ireland in Q1 2022, this was a 273% increase on the same quarter in 2021. The results for Q2 2022 were broadly similar with a slight increase to 58 company insolvencies being reported. This is 152% higher than the same quarter in 2021. So vast differences in percentage terms being experienced in the first two quarters of this year compared to the previous.



Summary

Overall, it is evident that the UK is seeing increasing levels of company insolvencies both in comparison to Q1 2022 and the previous year. The summer period traditionally brings fewer appointments, but it will be interesting to see what the figures say in Q3 2022.

We will release a summary of the movements across the UK in our next KeyCurves publication in November.

