

COMPANY INSOLVENCY STATS DOWN BUT ALARM BELLS SHOULD BE RINGING

Today's reported fall in the numbers of UK company failures at the end of last year masks the potential woes facing the many smaller firms that dominate the local economy, warns a Black Country corporate insolvency and business recovery expert.

The Government's Insolvency service statistics for the last three months of 2010 revealed an 11.3 per cent fall in company liquidations and an average 24 per cent fall in other insolvency procedures including administrations, when compared with the same period in 2009.

John Travers, of Stourbridge firm John D Travers & Co, warns that when taken at face value the figures are misleading as the calculation compares the number of failures with the same period in 2009, a period when failures peaked in the immediate aftermath of recession.

"Comfortingly, the overall totals of business that fail are still a minute proportion of the 2.3 million active business stock, around .07 per cent.

"But, the numbers going into formal insolvency procedures are still very high when compared with the averages of the past decade.

"It is in the Government's interest to keep business confidence high, but I believe we are seeing just the tip of the financial ruin iceberg, and many owners and managers of smaller firms struggling on a day-to-day basis now will cease to keep afloat without an urgent shift in direction and management processes."

Government's Insolvency Service reporting on the last three months of 2010 reveals 3,955 compulsory liquidations and creditors' voluntary liquidations in total in England and Wales, a decrease of 0.2% on the previous quarter.

In addition, there were 1,114 other corporate insolvencies, comprising 302 receiverships, 642 administrations and 170 company voluntary arrangements, a mere 0.2 per cent less than in Quarter 3.

Taking the year as a whole, there were 16,045 compulsory liquidations and creditors' voluntary liquidations in total in 2010 - a decrease of 15.9% on 2009.

This was made up of 4,792 compulsory liquidations (which are down 15.1 per cent on 2009), and 11,253 creditors' voluntary liquidations (which are down 16.2 per cent on 2009).

In addition, there were 4,909 other corporate insolvencies, comprising 1,309 receiverships, 2,835 administrations and 765 company voluntary arrangements. In total, these represented a decrease of 22.8 per cent on 2009.

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