

UK: Over 30,000 firms in danger of failing by end of 2010

Analysts predict that over 30,000 companies could go into liquidation before the end of next year, after official figures showed that company failures have reached their highest ever level.

By Jonathan Liew

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About one in 120 companies went into liquidation in the 12 months to June
Photo: AFP

There were 5,055 company failures in England and Wales in the second quarter of 2009 on a seasonally-adjusted basis, the Insolvency Service said, which equates to an increase of 2.9pc compared with the previous quarter, and a 39.1pc year-on-year rise.

An additional 1,027 companies went into administration in the period, a rise of 9.5pc year-on-year, and the number of companies going into receivership almost doubled from 177 to 345.

In all, around one in 120 active companies went into liquidation in the twelve months to June.

The consensus amongst analysts was that the outlook was likely to worsen in the short-term, even if the economy recovers.

Andrew MacCallum, managing director of Alvarez & Marsal, said: "More than 5,000 companies may have gone into liquidation in the last quarter, but we can expect to see that figure exceeded in every quarter until at least the end of 2010.

"Credit is still tight and many businesses are loaded with debt that they cannot service.

Liz Bingham of Ernst & Young said: "In the last recession the insolvency peak lagged the economic trough by over a year.

"Even though the number of corporate insolvencies has declined slightly compared to the previous quarter, we fear that the worst is still to come."

Phil McCabe of the Forum for Private Business blamed the lack of finance available to small businesses as the most important factor in the rise in insolvencies.

"At the moment, we are seeing apparently viable businesses being labelled as 'high risk' by some banks," he said.

The news comes on the same day that figures showed a record number of individuals were declared insolvent in the last quarter, and two days after Lloyds Banking Group announced losses of £19bn from bad corporate loans.

<http://www.telegraph.co.uk/finance/financetopics/recession/5990424/Over-30000-firms-in-danger-of-failing-by-end-of-2010.html>