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Cost Of Insolvencies Rise By 31% During 2018, The Highest Level In 5 Years, Driven By The High Street Crisis

Insolvent companies, across all sectors of the British economy, that couldn't pay their debts have cost Taxpayers £3.07 billion in payments to former members of staff during the last decade new research has revealed.

Last year, during 2018, The Insolvency Service an agency of The Department for Business, Energy and Industrial Strategy paid out a total of £298.07 million to former members of staff as a result of their employer entering into either administration, liquidation, a CVA or another form of corporate insolvency according to analysis by real estate adviser, Altus Group.

A total of £196.36 million was paid out in redundancy pay whilst £59.85 million was for money

that would have been earned working a notice period. The balance went on holiday pay and outstanding payments like unpaid wages, overtime and commission according to data released to Altus Group under the Freedom of Information Act.

The amount paid was up by almost a third on the previous year, £70.63 million higher than the £227.44 million paid during 2017, the highest amount paid out of the National Insurance Fund since 2013, driven by the high street crisis.

17,439 companies in England and Wales collapsed last year with the number of retail insolvencies rising by 9.5% whilst insolvencies at food and beverage establishments rose by 17.9%.

Poundworld, Toys R Us and Maplin all went bust and disappeared from British High Streets last year whilst other household names, including a number of restaurant chains, were forced into restructuring deals with their landlords, closing hundreds of stores.

High streets the length and breadth of the country have been battling a perfect storm of rising costs from business rates, rents and minimum wage rules at a time of falling sales amid uncertainty over Brexit resulting in subdued consumer confidence.

The Ministry of Housing Communities and Local Government have confirmed that they expect Councils in England to collect £25 billion in business rates in April for 2019/20 up £206 million with the standard tax rate exceeding 50% for the first time in April.

Robert Hayton, Head of U.K. Business Rates at Altus Group, “Whilst business rates are rarely the sole driver for insolvencies, they certainly are a contributory factor and Government needs to fully understand the impact of the actual level of this tax on businesses not just for those on the high street but across all sectors. Could lowering the level of business rates actually reduce insolvencies negating these associated costs and the distress caused?”

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