# UK construction insolvencies double pre-pandemic levels amid soaring costs and payment delays



The UK construction industry is grappling with a profound crisis of insolvency that threatens not only the stability of the sector but also the nation's critical infrastructure projects. In the first quarter of 2025 alone, an alarming 840 construction firms declared insolvency, a staggering 24 percent increase from the previous year and more than double the rate prior to the onset of the pandemic. These high-profile collapses, including major players like ISG Ltd and Buckingham Group, underscore the profound challenges facing the sector.

This downturn is particularly perplexing given the backdrop of sustained demand for construction work, driven by governmental infrastructure initiatives and an ongoing wave of private developments. However, the underlying financial weaknesses of many firms have been severely exposed. Factors such as rising material costs, increased taxes, and strained cash flow capabilities have cumulatively destabilised the market, leading to a situation where companies can no longer absorb the shocks of economic volatility.

Data indicates that construction now accounts for over 20 percent of all business insolvencies in the UK, a trend amplified by ongoing inflationary pressures. While the overall economy saw a 9 percent uptick in business failures in March 2025, construction firms faced an even sharper increase due to price volatility and financial fragility. Previous years saw an 18 percent rise in sector insolvencies from 2023 to 2024, signalling a troubling trajectory for the industry. Indicators like trade credit insurance claims and late payment filings suggest that pressure is not easing; rather, it is escalating.

Several critical issues are at play. The construction sector operates on thin margins and often relies heavily on subcontracting arrangements, leaving firms vulnerable to cost increases and debt accumulation. Payments delays have emerged as a significant flashpoint, placing smaller subcontractors at severe risk when cash flows are disrupted. In an environment where many firms operate under fixed-price contracts, the rising costs of materials and labour – notably due to shortages exacerbated by Brexit and the pandemic – have made financial survival increasingly untenable.

The challenges for smaller subcontractors are particularly acute. These firms typically complete substantial portions of work before receiving payment, making them particularly vulnerable to the collapse of larger contractors. With a single unpaid invoice capable of jeopardising their operations, the risk of insolvency is omnipresent. Moreover, as larger contractors fail, these smaller entities find themselves facing the harsh reality of bad debts, which disrupts project timelines and increases costs for clients.

Public-sector projects, already hindered by stringent procurement rules and budget constraints, are uniquely susceptible to the fallout from such collapses. When contractors enter administration, governments and local councils face not only financial losses but also reputational damage, complicating future procurement efforts. The ripple effect extends further into the supply chain, prompting suppliers to reassess credit terms and demand upfront payments, thereby exacerbating cash flow challenges for contractors reliant on deferred payments.

The recent failures of ISG Ltd and Buckingham Group highlight the structural weaknesses lurking within the industry. Despite significant order books, both firms were unable to withstand rising costs and the tightening availability of credit. A changing risk environment became evident as credit insurers began retracting cover in the lead-up to their administrations, signalling an overarching loss of confidence in the sector. Buckingham Group, a notable name in infrastructure and sports venue construction, reported substantial losses linked to project delays and unpaid client invoices, leaving a multitude of subcontractors in precarious financial circumstances.

The consequences of these collapses continue to reverberate. Delays in public projects, rising costs, and supply chain disruptions permeate the industry, pressing stakeholders to consider reforms. A growing consensus suggests that urgent changes are needed in contract structuring, payment terms, and risk allocation strategies to mitigate future risks.

While the current insolvency wave is daunting, it has ignited important discussions around the evolution of the construction industry. As stakeholders grapple with the realities of a changing economic landscape, a shift towards more resilient financial practices, enhanced contract management, and policy reforms appears essential for securing a sustainable future for the sector. The path forward will require collaboration and innovation to ensure that the construction industry remains a cornerstone of the UK economy.

Reference Map:

1. Paragraphs 1, 2, 3, 4
2. Paragraphs 5, 6
3. Paragraphs 7, 8, 9
4. Paragraphs 10, 11
5. Paragraphs 12, 13, 14

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## Bibliography

1. <https://ccemagazine.com/news/surge-in-construction-firm-collapses-threatens-uk-infrastructure-projects/> - Please view link - unable to able to access data