

Form WO

Analysis of Net Write-offs (Write-offs net of recoveries)

The Form WO return should be completed quarterly by all institutions requested by the Bank of England.

The WO form aims to capture changes in the value of assets over the quarter that do not result from market valuation changes. Hence the following changes should be included:

- (i) Changes in the value of loans and advances (item 29 on Form BT) resulting from a reassessment of the creditworthiness of a debtor by the reporting institution. Hence complete write-offs of loans should be included, as should "partial write-offs" made for a similar reason: for example, if a reporting institution has made a loan of £100m and then decides to value that loan at £60m, thereby writing off £40m from the asset, the £40m write-off should be included. Write-ons of loans should also be included (see below);
- (ii) Complete write-offs of any assets which were classified under items 23 (Market loans) or 26 (Bills, commercial paper and other short-term paper) on the Form BT. Such assets are written off much less frequently than item 29 loans, but their write-offs should be included here if such an event occurs.
- (iii) Disposal of any assets at a premium or discount to book value, excluding any effects of movements in market value (in this case the reported figure should be the level of the premium or discount, and not the sale price).

Any change listed above that decreases the balance sheet value of an asset should be reported as a positive figure, and any change that increases it as a negative figure. Thus a write-off would be recorded as a positive figure, and a write-on as a negative.

There are two distinct types of write-on for these purposes, *both* of which should be treated as a negative figure and hence subtracted from the total write-offs in each period. The first case is where a previously written-off loan has not yet been repaid, but the creditworthiness of the customer has been reassessed and the balance sheet value of the loan has been increased: this is precisely the opposite of a write-off. The second case concerns recoveries of loans, as a result of a repayment of a previously written off loan which is credited directly to the reporting institution's cash account. Such recoveries should also be considered write-ons and hence deducted from the total write-offs for the quarter. The rationale for this treatment is that form WO aims to capture precisely the total value of loans made by the reporting institution but not repaid by customers (although allowing for timing differences in the various stages of the process taking place).

It is important to include not only any changes of the value of assets held throughout the quarter but also those of assets acquired or disposed of during the quarter, if a partial or total write-off of the asset has occurred. This includes assets which have been acquired, revalued and disposed of within a single quarter: such changes still need to be reported here.

The following changes should not be included:

- (i) Any changes in the value of assets which fall under items 23 and 26 on Form BT which

are not complete write-offs: thus ignore any effects of market price changes on CDs and commercial paper, and any changes in the value of short-term instruments resulting from amortisation of the discount on issue;

(ii) Any write-offs or changes in the value of investments (item 32 on Form BT);

(iii) Provisions for bad debts: assets against which provisions have been made should continue to be reported on all forms gross of any provisions; and

(iv) Changes in the value of foreign currency assets (or liabilities) arising solely from exchange rate changes.

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Write-offs made in the reporting quarter for Financial corporations, All non-financial corporations other than public corporations and Other non-residents (items 1G, 1H and 3 on Form WO) should be split according to which month of the quarter the write off is recorded in. For example, a write-off of a loan made in February will be reported within 'Month 2' of the Q1 WO return. The reported month should also correspond to the month in which the movement for the write-off is seen across other reporting forms (for example, in item 29D on Form BT).

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Write-offs made on loans to UK resident companies under item 1H on Form WO (see below) are classified further according to the main activity of the company. The classification system used is set out in the Classification of Accounts Guide, and is based upon the Standard Industrial Classification 2007 (or SIC2007). On the Form, the SIC Classification or the SIC sub-section classification is noted in brackets after each item.

Sector definitions can be found in the Classification of Accounts Guide:

<https://www.bankofengland.co.uk/statistics/data-collection>