

Debt Relief Order Factsheet

Can I apply for a Debt Relief Order?

To be eligible to apply for a Debt Relief Order or a DRO, you must be currently resident in England, Wales or Northern Ireland or, at any time in the last three years, have been resident or carrying out business in England, Wales or Northern Ireland. Your debts in total must not exceed £20,000. You must also have no assets. What that means in practice is that your total gross assets must not be worth more than £1,000 apart from a vehicle necessary for travelling to your work or for your domestic needs and which may have a value of up to £1,000. Certain assets such as furniture and clothing do not count. Finally your surplus income must not exceed £50 per month after paying for your essential personal and household needs.

What are the fees for a Debt Relief Order?

There is a fee of £90 to be paid before you apply for a DRO and it can be paid in instalments. Before proceeding, you should try to get debt advice first and if a DRO is considered suitable, you will be referred to an approved intermediary, someone who has been approved by a competent authority chosen by the government. That person will check that your situation fulfills the criteria, help you to complete the relevant forms and submit them to a government official called the official receiver, who issues the DRO if appropriate.

How long does a Debt Relief Order last for?

The DRO lasts for one year and at the end of that time your debts will be written off, with the exception of student loans, fines and certain debts arising from family proceedings, for which you will continue to remain liable. None of your creditors who are listed in the DRO application can take any further action against you

without the permission of the court. When the year has elapsed you can make a fresh start.

Are there any downsides to a Debt Relief Order?

While a DRO may be attractive for those who fit the criteria, there are some restrictions and downsides. You cannot obtain a DRO if you have an existing bankruptcy order or are subject to bankruptcy restrictions, if you are in an IVA or if you have obtained a DRO in the last six years. You will not be able to obtain a DRO if you own a house, even if there is no value or equity in the house. It is an offence to get credit of £500 or more without disclosing that you are subject to a DRO. Being in a DRO may effect your employment but it does depend on the nature of your work. There may be sanctions in relation to your work, especially if you work in a professional capacity or in a position of trust. You cannot act as the director of a company or be involved in its management without the agreement of the court.

If you do not co-operate with the official receiver during the one year term of your DRO, it could be revoked i.e. withdrawn and you will lose the protection from your creditors that the DRO bestowed on you. And if you act irresponsibly, recklessly or dishonestly, a debt restrictions order may be made against you which can last for between two and fifteen years. The official receiver can apply to the court for such an order and what it means is that the normal restrictions which applied to your DRO, as outlined above, will continue to apply to you for a further term of up to fifteen years.

We're here to help - providing a free debt advice service.

www.nationaldebtrelief.co.uk

freephone 0800 888 660