

BANKRUPTCY FACTSHEET

WHAT IS BANKRUPTCY?

Bankruptcy is a **formal Insolvency solution**. It is often viewed as a last resort solution, but can be the best option if you know you cannot repay your debts. Bankruptcy is a way of legally declaring your inability to pay your creditors (the people you owe money to). Your creditors cannot chase you for the outstanding debt.

If you feel your debts are completely unmanageable, Bankruptcy could be your best option. Before going bankrupt it is important that you understand all of the debt solutions available to you. Bankruptcy can have a serious impact on your future and even your job so it is important to get the correct advice and information.

HOW DOES BANKRUPTCY WORK?

There are two ways to go Bankrupt in the UK.

1. You can petition for your own bankruptcy which is known as a 'debtors petition'.
2. A creditor who you owe more than £5,000 to can petition for your bankruptcy. This is known as a 'creditors petition'.

Your assets (with certain exceptions) are sold off to help pay off your outstanding debts, however you can usually keep your personal belongings, the contents of your home and any tools of trade (which may include a vehicle) unless they have a high value.

If you have a surplus income after meeting essential household and personal expenses, you will have to make payments out of your income for up to 3 years.

Your assets and income are dealt with by a licensed and regulated Insolvency Practitioner or by a government official called the Official Receiver.

Bankruptcy usually lasts for 1 year and once you have been freed (discharged) from your bankruptcy, you are released from your debts (with certain exceptions). All of your unsecured debts will usually be written off in Bankruptcy, however there are some debts which will survive your bankruptcy and you will have an obligation to continue paying. These include:

- magistrates court fines
- payments ordered by a court by way of a confiscation order
- maintenance and child support payments
- student loans
- secured loans and other secured debts, such as debts secured with a charging order
- debts you owe because of the personal injury or death of another person
- social fund loans
- some benefits and tax credits overpayments.

ADVANTAGES OF BANKRUPTCY

- Bankruptcy could write off all your debt (exceptions listed below) and leave you debt free within 12 months.
- Creditor harassment stops with immediate effect as you no longer have to deal with them.
- If you are living in rented accommodation you will be allowed to stay there (providing you maintain payments).
- If you require your car to travel to and from place of work then this will be deemed acceptable (usually up to the value of approx £1,000).
- It allows you to make a fresh start.

Debts that will not be written off by Bankruptcy:

- Student Loans
- Secured Debts (Mortgage / Hire Purchase)
- Court Fines i.e. Child Support Agency payment, Maintenance orders and other fines made through the family courts.
- Any debts that are connected with fraud.
- Any debts connected with (or arising from) personal injury claims.
- State benefit overpayments

DISADVANTAGES OF BANKRUPTCY

- Your Bankruptcy is entered on a public register and is advertised.
 - If you apply for your own Bankruptcy you will have to pay costs/fees (outlined below).
 - Some debts cannot be written off such as student loans, court fines, overpayment of benefits and child support.
 - You are not allowed to obtain credit in excess of £650 without first disclosing your bankruptcy.
 - Any business you have will almost certainly be closed down.
 - Your employment may be affected.
 - Certain professionals are barred from practising if they are made bankrupt.
 - You cannot hold position of company director.
 - A record of the bankruptcy will remain on your credit file for six years.
 - Any surplus income in excess of £20 is likely to be requested in an Income Payments Order which would have to be paid to the Official Receiver each month for 3 years.
 - You may have a *Bankruptcy Restrictions Order made against you for 2-15 years if you acted irresponsibly, recklessly or dishonestly.
- * An order that will place restrictions similar to those in force while a person is bankrupt, which the Official Receiver may apply for.

HOW MUCH DOES BANKRUPTCY COST?

If your debts are serious enough that you are considering the prospect of going bankrupt, you need to be aware that there are charges for declaring yourself bankrupt.

These being a £130 application/court fee and £550 to help meet the costs of the Official Receiver. This could mean total costs of £680 which you are legally bound to meet yourself. If you are on means-tested benefits, then you will be exempt from the court fee.

In Northern Ireland the court fee is £144 and the bankruptcy fee is £525. There is also a £7 solicitors fee. These fees total up to £676 which you are legally bound to meet yourself.

Note: These fees are correct at time of publishing - 15/04/2020

IS BANKRUPTCY RIGHT FOR ME?

Bankruptcy should be considered as a last resort debt solution. It is important that you speak to someone who is qualified and authorised to advise you on all options. There may be alternatives to Bankruptcy that are more suitable.

At National Debt Relief we will assess your situation and advise on all suitable debt solutions available to you. It will be your choice in deciding if Bankruptcy is the best option.

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I would unreservedly recommend National Debt Relief to anybody in a similar position to the one I found myself in. I had accumulated around 50k of unsecured debt, credit cards, loans and simply got to a point where my wages no longer covered the minimum payments. I hit absolute rock bottom mentally and was contemplating the worst but only outcome I could think of.

I actually thought it might be some form of scam to begin with but plucked up the courage to call. The young lady Megan that I spoke to for approx 45mins was simply fantastic. Non accusatory, professional, understanding and from that point on once I decided that an IVA was the best solution, this was dealt with by McCambridge Duffy. They again were simply brilliant. Everything was seamless, conducted via email, all documents signed electronically.

Any queries that I emailed were returned by Sean the next day over the phone and clearly explained. I am now starting a 5 year journey with affordable monthly payments and feel as if a huge black cloud has been lifted. Simply astounding process and they have probably saved my life. I am so grateful for all their help.

Lee | TrustPilot



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nationaldebtrelief

Company Registration Number : NI051195 | Data Protection Registration No : ZA274007

National Debt Relief is authorised and regulated by the Financial Conduct Authority. Financial Conduct Authority Number : 671114

All our IVAs are processed and managed by McCambridge Duffy Insolvency Practitioners, our sister company. McCambridge Duffy have been established since 1932 and have been helping people deal with their debts for decades. They have 5 full time Insolvency Practitioners, more than any other IVA firm.

A fee is only payable where further services are requested. All fees will be explained in detail and discussed prior to commencement of any debt repayment plan. Repaying debt over a longer period may increase the total amount to be repaid. Creditors must deal with us for all aspects relating to your debt, but may still contact you with promotions.

Phonecalls: Calls from a landline are normally free. Please consult your provider if you are unsure. Calls from a mobile may be subject to charges. National Debt Relief Limited, Templemore Business Park, Derry, Derry BT48 0LD, 0800 888 666 0