BANKRUPTCY FACTSHEET

WHAT IS BANKRUPTCY?

Bankruptcy is a formal Insolvency solution for individuals who cannot afford to repay their 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’.

If you want to make yourself bankrupt, you make an online application to the Insolvency Service. The cost of the application is approximately £680, which can be paid in instalments, but must be paid in full before submitting. If you can’t afford the fee, you may be able to apply for a grant or help from a charity.

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

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.

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, 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.

BANKRUPTCY ADVANTAGES

- Most of your debts will be written off, usually within 12 months, giving you a fresh start. Some exclusions apply (see disadvantages).
- Creditor contact stops. You'll no longer have to deal with your creditors directly, and they cannot take further action against you unless the debt is secured on your home or property.
- If you rent your home, you can usually stay there as long as you keep up with your payments.
- You can keep everyday essential household items, provided they aren't of excessive value.
- If you need a vehicle to get to and from work, you may be able to keep it, subject to current value limits.

We are happy to provide you with debt advice only. We only charge a fee if you opt for one of our debt solutions. Fees will depend on which debt solution we provide and what your personal circumstances are. All fees will be discussed prior to commencement of any service or debt repayment plan. See previous page to read our fees and key info. Please note: From time to time we may refer you to other services providers or charities such as the CAB.

Money Helper

Free and impartial debt advice, guidance and information is available from MoneyHelper.

BANKRUPTCY DISADVANTAGES

- Your bankruptcy is publicly registered and advertised.
- If you're a homeowner, your property may be at risk if there is equity available to repay your creditors.
- It costs approximately £680 to petition for your own bankruptcy. The fee can be paid in instalments but must be paid in full before you can submit your application.
- Some debts cannot be written off, including student loans, court fines, overpayment of benefits and child support.
- Your employment may be affected - check with your HR department before applying.
- Certain professions bar bankrupts from practising.
- You cannot act as a company director, or create, manage or promote a new company, without the court's permission.
- You cannot obtain credit of more than £500 without first disclosing your bankruptcy.
- Any surplus income above around £20 per month is likely to be requested through an Income Payments Order, payable to the Official Receiver for 3 years.
- A record of your bankruptcy will remain on your credit file for 6 years.
- If you're found to have acted irresponsibly, recklessly or dishonestly, the Official Receiver may apply for a Bankruptcy Restrictions Order (BRO). This extends the same restrictions that normally apply during your bankruptcy, for a longer period, from 2 to 15 years.

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 £151 and the bankruptcy fee is £525. These fees total up to £676 which you are legally bound to meet yourself. There is also a £7 solicitors fee.

Note: These fees are correct at time of publishing - 30/04/2025

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.

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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