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WHAT ARE MY OPTIONS?

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ABSTRACT DISCLAIMER

The purpose of this document is to give you a summary of the different ways in which you can deal with debts in England & Wales and Northern Ireland. In this document, we provide an explanation of each of the options, including a list of advantages and disadvantages for each.

This document is not intended to provide comprehensive advice on each available option and should not be solely relied upon. We provide this information as part of our general advice process and it's important to consider the options we have already discussed while reading this document.

For personalised advice relating to your specific case, or if you have any further questions, please do not hesitate to speak with a member of our team. Contact us using any of the methods below.

CONTACT US - GENERAL QUERIES	CONTACT US - EXISTING CLIENTS
Phone: 0800 888 666 0 **Phone:** 028 7137 6848	**Phone:** 028 7137 6822
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Web: www.nationaldebtrelief.co.uk	**Web:** www.nationaldebtrelief.co.uk
Advice line opening hours: Mon - Thurs: 8am - 8pm Fri: 8am - 7pm If you contact us outside of these hours, please leave a message and we will get back to you as soon as possible.	**Existing clients opening hours:** Mon - Thurs: 8am - 5:30pm Fri: 8am - 5pm If you contact us outside of these hours, please leave a message and we will get back to you as soon as possible. Please note that during busy periods, it may take up to 2 working days to respond to emails or messages. If your enquiry is urgent, it will be quicker to contact us by phone call.

DEBT SOLUTIONS MENU

Click on the buttons below or scroll through the document to explore the different debt options that are available. Please note, that eligibility for some of these options will depend on your situation. Appropriate debt advice will be given to explain what is suitable or not and why.

Bankruptcy	Debt Relief Order (DRO)	Individual Voluntary Arrangement (IVA)	Debt Management Plan (DMP)
Self-managed Plan	Debt Consolidation	Refinancing (Secured loan / Remortgage)	County Court Administration Order (CCAO)

OTHER SUPPORT

Click on the button below or scroll through this document to read about further support for your financial situation.

Breathing Space Scheme (England & Wales only)

BANKRUPTCY

What is Bankruptcy and how does it work?

Bankruptcy is a legally binding debt solution for individuals who cannot afford to repay their debts.

A bankruptcy is overseen by a Trustee, who is either a government official called an Official Receiver or a licenced Insolvency Practitioner. Their job is to assess if you have any assets (things that you own), that can be sold and shared among your creditors. Bankruptcy usually lasts for 12 months, after which you can make a fresh start, free from the debts that have been written off in the bankruptcy. Some debts such as student loans, child support and/or maintenance payments and magistrate court fines will not be written off in the bankruptcy.

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 installments, but must be paid in full before the application can be submitted. If you cannot afford the fee, you may be able to apply for a grant or help from a charity.

If you owe a creditor or creditors more than £5,000, they can make an application to court for a bankruptcy order to be made against you.

You may have to make a monthly payment to your bankruptcy if you have money available from your income after your essential household bills have been paid. Also if you have equity available in your property this will have to be addressed.

TYPES OF DEBTS IN A BANKRUPTCY	
DEBTS THAT CAN BE INCLUDED	**DEBTS THAT CAN'T BE INCLUDED**
Loans Overdrafts Credit cards Utility arrears Council tax arrears (including the current year) Catalogue debts Store cards Payday loans Some debts owed to HMRC for tax and national insurance arrears or tax credits overpayments Debts to family and friends Debts for professional services (e.g., solicitors, accountants, vets, etc.)	Mortgages and secured loans Student loans Court fines Hire purchase agreements Child support arrears Social fund loans **NOTE:** *You will remain liable for some of these debts even after completing your Bankruptcy*

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ADVANTAGES OF BANKRUPTCY	DISADVANTAGES OF BANKRUPTCY
You can make a fresh start once your bankruptcy ends which is usually after 12 months. Creditors cannot take further action against you unless the debts are secured on your home or property. After your bankruptcy finishes, most of your debts will be written off. Some exclusions do apply as listed above. You will not have to deal with your creditors anymore. You will be allowed to keep everyday essential household items needed for everyday use providing they are not of excessive value.	It costs approximately £680 to petition for your own bankruptcy. The fee can be paid in installments but must be paid in full before you can submit your application. It might affect your employment, so you need to check with your HR department before submitting your application. Your bankruptcy is publicly registered and advertised. If you are a homeowner, your property may be at risk if there is equity available to repay your creditors. You cannot continue to be a director of a company, create, manage, or promote a new company without the permission of the court.

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DEBT RELIEF ORDER (DRO)

What is a Debt Relief Order and how does it work?

A Debt Relief Order (DRO) is a formal debt solution where you declare your inability to repay your debts. In a DRO debts are written off.

To apply for a DRO, you need to seek debt advice first, so that you can determine if it's a suitable option for your situation. After this has been confirmed, you will be referred to an approved intermediary (a government approved authority), who will assist you in completing the necessary online form. This form will then be submitted to the Official Receiver, a government official responsible for making the DRO order if it's appropriate.

The eligibility criteria for a DRO is as follows:

- Your debts must not exceed £50,000
- Your assets must not exceed £2,000 (some exemptions apply such as clothing, furniture and a vehicle less than £4,000 in value)
- Your income left over after all essential expenses have been considered, should not exceed £75/pm.

Once a DRO is granted, it will last for 1 year. On completion, your debts will be written off, with some exceptions.

TYPES OF DEBTS IN A DRO	
DEBTS THAT CAN BE INCLUDED	**DEBTS THAT CAN'T BE INCLUDED**
Loans	Mortgages and secured loans
Overdrafts	Student loans
Credit cards	Court fines
Utility arrears	Hire purchase agreements
Council tax arrears (including the current year)	Child support arrears
Catalogue debts	Social fund loans
Store cards	**NOTE:** *You will remain liable for some of these debts even after completing your DRO*
Payday loans	
Some debts owed to HMRC for tax and national insurance arrears or tax credits overpayments	
Debts to family and friends	
Debts for professional services (e.g., solicitors, accountants, vets, etc.)	

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ADVANTAGES OF A DRO	DISADVANTAGES OF A DRO
It is free to apply for a DRO. You can make a fresh start once your DRO ends which is after 12 months. Most of your debts will be written off however, some exclusions do apply as listed above. Creditors cannot take further action against you unless they have permission from the court. You will not have to deal with your creditors anymore. You can keep your car if its value is less than £4,000 Your assets (things that you own) can be worth up to £2,000 in total as well.	Your DRO is publicly registered and advertised. You cannot apply for a DRO if you are a homeowner. You cannot apply for a DRO if you have an existing bankruptcy order, IVA, or if you've had a DRO in the last six years. It might affect your employment, so you need to check with your HR department before submitting your application. You cannot continue to be a director of a company, create, manage, or promote a new company without the permission of the court.

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INDIVIDUAL VOLUNTARY ARRANGEMENT (IVA)

What is an Individual Voluntary Arrangement and how does it work?

An Individual Voluntary Arrangement (IVA) is a formal debt solution and legally binding agreement between you and your creditors, where you make affordable payments towards your debts. You may consider applying for an IVA if:

- You have additional income left over each month after covering all essential expenses, or
- You own assets that could be used to repay your creditors, or
- You have access to a lump sum (e.g. from a relative).

IVA payments typically last for a period of 60 months (5 years). If you're a homeowner with more than £10,000 equity in your property, you may be required to make additional payments for 12 months. Therefore, the duration of your IVA could be 72 months instead of 60 months.

If your IVA is approved, you are protected from any legal actions that creditors they may take. Creditors also usually agree to write off a portion of what you owe them, under the terms of the IVA. The approval of an IVA requires enough creditors to vote in favour of the proposal.

You need the assistance of a licensed and regulated Insolvency Practitioner (IP) to create, negotiate, administer and oversee the IVA on your behalf, making sure that payments are made and that your IVA remains affordable. The IP will charge fees for their services, which is usually deducted from your monthly IVA payments (or from your lump sum). The fee amounts must be approved by your creditors. They usually consist of a Nominee fee, estimated at £1,500, and a Supervisor fee, estimated at around 15% of the money you are proposing to pay into the IVA. These are guideline amounts only, and actual fees depend on the agreement that is reached with the creditors. Your Insolvency Practitioner should provide you with details of all fees they plan to charge and how they will be paid before you commit to an IVA.

TYPES OF DEBTS IN AN IVA	
DEBTS THAT CAN BE INCLUDED	**DEBTS THAT CAN'T BE INCLUDED**
Loans	Mortgages and secured loans
Overdrafts	Student loans
Credit cards	Court fines
Utility arrears	Hire purchase agreements
Council tax arrears (including the current year)	Child support arrears
Catalogue debts	Social fund loans
Store cards	**NOTE:** *You will remain liable for some of these debts even after completing your IVA*
Payday loans	
Some debts owed to HMRC for tax and national insurance arrears or tax credits overpayments	
Debts to family and friends	
Debts for professional services (e.g., solicitors, accountants, vets, etc.)	

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ADVANTAGES OF AN IVA	DISADVANTAGES OF AN IVA
If your IVA is approved, creditors who voted against your proposal are still bound by it. Creditors cannot take further action against you unless the debts are secured on your home or property. Once your IVA is approved, no further interest and charges can be added to your debts. You will not have to deal with your creditors anymore. You can make a fresh start once your IVA ends with most of your debts being written off however, some exclusions do apply as listed above.	Your IVA is publicly registered. If you fail to make payments your IVA could fail, and you may be faced with bankruptcy. The approval of your IVA is solely in the hands of the creditors you owe the money to. If you receive a windfall, you will be required to pay back your debts in full, where possible, including any fees and costs of the IVA.

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DEBT MANAGEMENT PLAN (DMP)

What is a Debt Management Plan and how does it work?

A Debt Management Plan (DMP) is an informal debt solution between you and your creditors, where you repay your debts in a way that is affordable for you. You choose a Debt Management Company to arrange the DMP on your behalf. They will negotiate with your creditors and manage and distribute your payments to them. Your creditors will want details of your income, expenses and assets, so they can determine that the payment being offered through the Debt Management Company is reasonable. The Debt Management Company will also try to get interest and charges frozen on any of the debts. Creditors don't have to agree to this, but we find that most creditors are agreeable, especially after you have made several payments through a company that is regulated by the Financial Conduct Authority (FCA).

It's important to choose a licensed and regulated individual or company to manage your plan. Some companies don't charge you directly but receive payment from the creditors based on the payments you make. Others may charge fees for preparing, negotiating, and administering your plan, deducting their fee from your monthly payments to creditors. Before signing up for a DMP, the company should provide you with information about their fees and payment methods. The monthly administration fee for a DMP can range anywhere from £25 to £100 depending on the company.

The duration of a DMP is determined by the total amount of debt you have and how much you can afford to pay each week or month. Your Debt Management Company should estimate how long the plan will last. They must also review the plan regularly and provide updates to your creditors on your income and expenses, allowing them to assess if your payments should change or if you should pursue other options.

TYPES OF DEBTS IN A DMP	
DEBTS THAT CAN BE INCLUDED	**DEBTS THAT CAN'T BE INCLUDED**
Loans	Mortgages and secured loans
Overdrafts	Student loans
Credit cards	Court fines
Utility arrears	Hire purchase agreements
Council tax arrears (including the current year)	Child support arrears
Catalogue debts	Social fund loans
Store cards	**NOTE:** *You will remain liable for some of these debts even after completing your DMP*
Payday loans	
Some debts owed to HMRC for tax and national insurance arrears or tax credits overpayments	
Debts to family and friends	
Debts for professional services (e.g., solicitors, accountants, vets, etc.)	

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ADVANTAGES OF A DMP	DISADVANTAGES OF A DMP
A DMP offers a fair and transparent way to distribute affordable payments, and this type of plan is widely understood by creditors. Because a regulated and licensed company negotiates with creditors on your behalf, this increases the chances of your DMP being accepted and having interest and charges frozen, compared to if you were negotiating alone. You may have the flexibility to adjust your payments if your circumstances change in any way. Because a DMP is flexible and informal, you can stop the plan at any time or continue it until your debts are repaid in full. You make a single payment each week or month to the Debt Management Company, so they can handle all payments to your creditors. Some Debt Management Companies don't charge a fee.	The Debt Management Company cannot force creditors to accept your proposal or freeze interest and charges. Creditors who refuse to participate in the plan are not bound by it, but must accept any payments made. You remain responsible for paying your debts until they are fully settled. Creditors could still take legal action against you, if they choose. Repaying debt over a longer period may increase the total amount to be repaid. A DMP can last for several years, but some creditors may only agree to freeze interest for a limited period of time during the plan. Your ability to obtain credit will be affected in the short term and might be affected in the medium to long term.

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SELF-MANAGED PLAN

What is a Self-managed plan and how does it work?

A Self-managed plan is a similar solution to a Debt Management Plan, but you negotiate directly with creditors yourself instead of using a Debt Management Company. This involves contacting them to discuss a plan for repayment. This can be done in two ways, outlined below:

1. **Making payments from your regular household income each week or month:**
You need to work out how much you can afford to repay after considering your necessary expenses like mortgage or rent, utilities, heating, and basic living costs. You should offer to distribute any extra income among all your creditors based on the amounts you owe, so that each creditor receives a fair share of what you can afford. You should also request that your creditors freeze any interest or additional fees, but this is never guaranteed. They will likely expect you to provide updates on your income and expenses so they can assess if payment amounts need to change.

2. **Offer a lump sum payment (such as from inheritance or money from relatives):**
If you receive a lump sum, you can use it to make a payment toward your debts. Your creditors may agree to accept the lump sum as full settlement for what you owe, effectively writing off the remaining balance. However, if you have extra income after covering your regular expenses, they may expect you to make additional payments from that as well.

Your creditors may be willing to write off a portion of your debt. If they agree to do so, they should put any agreement in writing.

If you're temporarily unable to make payments due to illness or loss of a employment for example, creditors may agree to accept a payment break or accept token payments such as £1 per month, for a limited time.

ADVANTAGES OF SELF-MANAGEMENT	DISADVANTAGES OF SELF-MANAGEMENT
It is a fair and transparent way to distribute payments, which creditors understand. You can ask to reduce your payments if your situation worsens or unexpected essential expenses or issues arise. You don't need a third-party agency to negotiate on your behalf. You can handle it yourself or seek assistance from an advice agency to create a personal budget and make offers to your creditors. Creditors may consider writing off the remaining balance if you have made genuine efforts to repay and have maintained regular payments.	Creditors may refuse your plan, but they cannot reject any payments you make. Creditors may refuse to freeze interest or additional fees, but it's worth requesting a reconsideration if this happens. If payments are too low, this might not cover the interest or charges, causing your debts to increase. Repaying debt over a longer period may increase the total amount to be repaid. Creditors may require you to involve an advice agency to review your situation before accepting your proposal. If they do this, you can complain to the Financial Conduct Authority. You are responsible for paying your debts in full. Creditors can still take legal action against you. You are responsible for managing your own plan and keeping creditors informed of any changes in your circumstances.

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DEBT CONSOLIDATION

What is Debt Consolidation and how does it work?

To reorganise or pay off your debts, you could apply for a loan from a lender. These loans are commonly known as "Consolidation Loans." Essentially, with this type of solution, you replace multiple debts with just one.

It's important to seek independent advice to determine if a consolidation loan is the best option for you. Take the time to compare offers from different lenders, both traditional and online. Keep in mind that if you have a poor credit rating, you may not qualify for the most favourable loan terms.

A consolidation loan can be helpful only if:

- It is used to pay off some or all of your existing debts.
- The monthly repayments on the new loan are not higher than what you're already paying towards your current total debts.
- You can afford the loan repayments for the duration of the loan.

Otherwise, the new loan will only increase your debt burden and worsen your financial situation. It's crucial to carefully consider the repayment period, the interest rates compared to your current rates, and any additional charges or penalties, such as late payment fees. There may be fees associated with arranging the loan. Always make sure you have complete written details of all fees.

ADVANTAGES OF DEBT CONSOLIDATION	DISADVANTAGES OF DEBT CONSOLIDATION
You combine multiple debts into one for easier management. You only have one monthly payment instead of multiple monthly payments on multiple debts. Your monthly payments may be lower or, at the very least, not higher than before. It could help free up some of your monthly budget. It could lead to reduced interest costs. Regular and consistent repayments could improve your credit rating.	There may be fees involved in obtaining a loan. If you have a poor credit rating, you may struggle to secure a loan or be offered unfavourable terms, such as a high interest rate. Interest rates could fluctuate over the loan period, making it difficult to determine the total cost of the loan. Check if the interest rate is fixed or variable. Consolidation loans could have longer repayment periods compared to your original debts. Even if the interest rate seems reasonable, the extended repayment time could increase the overall cost of the loan, resulting in you paying more. If you don't pay off all your existing debts with the loan, there is a risk of accumulating more debt than before. This type of solution might not be suitable if you have low-interest debts or severe financial difficulties.

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REFINANCING (SECURED LOAN / REMORTGAGE)

What is Refinancing and how does it work?

If you have any assets such as a property, you could consider refinancing to pay off existing debts, with a secured loan or by remortgaging. This type of borrowing allows you to use your asset as security.

Consolidating or simplifying your debts by clearing them with a secured loan or remortgage, could result in lower monthly payments overall, making it easier to manage your finances and work towards becoming debt free.

If you own a home, the lender could place a charge on it. This means a creditor can claim a share of the proceeds, if you fail to repay the debt and sell the property. It is essential to be cautious, as failing to repay a secured loan or remortgage could put your home or asset at risk.

ADVANTAGES OF REFINANCING	DISADVANTAGES OF REFINANCING
Interest rates are usually lower when compared to unsecured debts, such as credit cards. It might be possible to gain access to a larger sum of money to clear your debts, when compared to traditional unsecured borrowing. You can combine multiple debts into one for easier management. It could help free up your monthly budget. Regular and consistent repayments could improve your credit rating. It could lead to reduced interest costs.	If the loan is secured against your home or other assets, you could risk losing it (through repossession) if you fail to keep up with the payments on the loan or remortgage. You could have longer repayment periods with a secured loan / remortgage, resulting in higher interest charges. Even if the interest rate seems reasonable, the extended repayment time could increase the overall cost of the loan, resulting in you paying more. Additional costs are likely, such as application fees and valuation fees. Interest rates could fluctuate over the loan period, making it difficult to determine the total cost of the loan. Check if the interest rate is fixed or variable. This type of borrowing might not be suitable for people with low-interest debts or people that have severe financial problems.

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COUNTY COURT ADMINISTRATION ORDER (CCAO)

What is a County Court Administration Order and how does it work?

You can request a County Court Administration Order (CCAO) from the court if you meet the following criteria:

- You owe £5,000 or less to at least two creditors.
- One of your creditors has obtained a court judgment against you, that you cannot pay in full.

Under the Administration Order, you are required to make regular monthly payments from your income to the court. The court then distributes these payments among your creditors based on the amounts you owe them. If you fail to keep up with the payments, the court may issue an Attachment of Earnings order. This order is sent to your employer, instructing them to deduct money from your wages and send it to the court, for distribution among your creditors.

ADVANTAGES OF A CCAO	DISADVANTAGES OF A CCAO
Creditors listed on the Administration Order application cannot take further action against you without the court's permission. The court handles communication with creditors and distributes payments on your behalf. There is no upfront fee, as the court deducts 10p from every £1 you repay. Interest and other charges are halted. You can apply to make payments for a limited time, such as three years, by using a Composition Order. If your financial situation worsens, you can request to make reduced payments from the court.	Creditors can put objections to the court and request to be excluded from the order. If you fail to maintain the payments, the order can be revoked, and creditors can resume their pursuit of you. If the court issues an attachment of earnings order, your employer will become aware of your financial difficulties.

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BREATHING SPACE SCHEME

What is the Breathing Space Scheme and how does it work?

The Breathing Space Scheme is currently only available to residents of England and Wales.

The Breathing Space Scheme or Debt Respite Scheme was initiated by the government in May 2021, with a view to easing pressure from creditors for up to 60 days, while you deal with your situation. The free scheme offers protections such as pausing enforcement action, stopping contact from creditors, and freezing interest and charges. The scheme is available to anyone that is experiencing difficulty with debt, engaging in debt advice and in need of protection from creditors. The scheme does not mean that you can take a payment break from your debts. You are still required to make your contracted payments to creditors if you can afford to.

During the 60 day grace period, you will either need to regain financial stability or put a plan in place to deal with your debts. Your debt advisor will be able to determine if you are eligible for this service and can make an application on your behalf, should you require it. You can only avail of a breathing space once within a 12 month period, excluding a Mental Health Breathing Space.

A Mental Health Crisis Breathing Space or MHCBS is available for people who are receiving mental health crisis treatment. This type of Breathing Space will extend the timeframe for as long as your mental health crisis lasts, plus an additional 30 days. You will need an Approved Mental Health Professional to provide evidence for this type of Breathing Space and you do not have to engage in debt advice. You can avail of this type of Breathing Space any time you are going through crisis treatment.

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