

Options for tackling your debt problems

The court decides:

- how much of your debt you have to repay, e.g. all or just part of it
- how much your monthly repayments will be
- how long the arrangement lasts

The arrangement is known as a ‘composition order’ if you can’t pay all your debts.

Costs

The costs for an Administration Order are deducted directly from the amount the court orders you to repay. This amounts to 10% of your debt.

Eligibility

You must:

- owe less than £5,000, including any interest and charges
- owe money to at least two creditors
- prove you can afford your repayments, eg. give details of your income

- have a County or High Court Judgment against you, which you can’t pay in full

Your responsibilities

You must keep up repayments or the court can:

- take money from your wages – known as an ‘Attachment of Earnings Order’
- cancel the arrangement

Public records

Your Administration Order is added to the Register of Judgments, Orders and Fines.

- it’s usually removed six years after the date the order was made
- your entry is marked as ‘satisfied’ if you repay your debts in full
- you can also ask the court for a ‘certificate of satisfaction’. To do this, write to the court and send a cheque for £15 (made payable to Her Majesty’s Courts and Tribunal Service)

Please note that, from time to time fees and costs may change, so do ask your Money Mentor for the current fees.

For more information about any of the above options please visit: www.gov.uk/options-for-paying-off-your-debts

Centre contact details:

cma  connect

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Community Money Advice Ltd

c/o Illuminate, 18 Wyle Cop, Shrewsbury, Shropshire SY1 1XB
Tel: 01743 341929 www.communitymoneyadvice.com

Community Money Advice is a company limited by guarantee. Regd in England No: 5123444.
Regd Office: Barnabas Centre, Longden Coleham, Shrewsbury SY3 7DN. Charity No: 1111436 and in Scotland No: SC040728

design and production: tim@thefayre.co.uk

1 Overview

If you owe people money, there are a variety of ways you can deal with it. Your options will depend on the amount of money and assets you have, and whether you’re currently in bankruptcy or not. This leaflet is designed to give you some information about some of the options the CMA Hub adviser might suggest as an option to help you resolve your debt issues.

What you can do if you’re not currently bankrupt

There are a variety of options that might be suggested to help you manage your debts:

- a debt management plan (DMP) which is an agreement with your creditors either set up & managed by yourself with the support of your Connect Centre Money Mentor or via an authorised provider .
- a Debt Relief Order or Bankruptcy Order if you can’t pay your debts due to not having enough money or any assets you can sell.
- an Individual Voluntary Arrangement (IVA) which is managed by an Insolvency Practitioner
- offer in full and final settlement if you have lump sum available.
- an Administration Order when you’ve had either a county court judgment (CCJ) or a High Court judgment (HCJ) against you and total debts of less than £5,000.

2 Debt Management Plans

A DMP is an agreement between you and your creditors to repay your debts at a rate you can afford. You make regular payments either direct to your creditors or make a single monthly payment to an authorised debt management company.

Get a DMP

- Set up a plan with the help of your Money Mentor or via an Financial Conduct Authority (FCA) authorised debt management company (DMC)
- The advice centre or DMC works out your monthly payments. You’ll have to give details about your financial situation, e.g. your assets, debts, income and creditors

- The advice centre or DMC contacts your creditors and asks them to agree to more affordable repayments (they don’t have to)

Costs

There are no costs associated with setting up a DMP through the CMA Connect process. However, it will be your responsibility to make monthly payments to your creditors. If you choose to use a DMC be aware, some may charge for setting up a DMP and we would always recommend you use a free service.

Eligibility

Some DMCs will only set up a DMP to pay ‘unsecured’ debts, e.g. debts that haven’t been guaranteed against your property.

Your plan can be cancelled if you don’t keep up your repayments.

3 Debt Relief Orders

Debt Relief Orders (DROs) are one way to deal with your debts if you owe less than £20,000, have little spare income, don't own your home and have few or no assets.

If you get one:

- your creditors can't recover any money you owe without the court's permission
- you're usually freed ("discharged") from your debts after 12 months

Get a Debt Relief Order

You get a DRO from the Official Receiver (an officer of the Insolvency Service). Your Money Mentor will be able to refer you to a CMA Approved Intermediary who will be able to help you complete an application.

Costs

The Official Receiver's fee is £90. Your Money Mentor will tell you how and when to pay it.

Eligibility

You're generally eligible if you meet all of these criteria:

- you owe less than £20,000
- you have less than £50 a month spare income
- you have less than £1,000 worth of assets
- you've lived or worked in England and Wales within the last three years
- you haven't had for a DRO within the last six years

Your responsibilities

- do not borrow more than £500 without telling the lender about your DRO
- do not act as the director of a company
- do not create, manage or promote a limited company without the court's permission
- do not manage your own business without telling those you do business with about your DRO

The restrictions usually last 12 months. They can be extended if careless or dishonest behaviour caused your debt problem. For example, you were untruthful when trying to get credit.

The Official Receiver will tell you if they may be extended. To extend them, you'll be asked to agree to a Debt Relief Restrictions Undertaking. The court can issue a Debt Relief Restrictions Order if you don't agree.

4 Apply for Bankruptcy

All bankruptcy applications are now made online and are for those that don't qualify for a DRO. Your Money Mentor will be able to help you apply.

Costs

The cost of bankruptcy is £680, which can be paid in one go by cash/card or by instalments using a card. An application cannot be made until the full amount has been paid.

An adjudicator will look at your application and a decision will be made within 6 weeks or less. Providing the adjudicator is happy you meet the criteria, they will make a bankruptcy order and appoint an Official Receiver to administer your bankruptcy.

Eligibility

You must:

- not meet the criteria for any other form of insolvency
 - prove you cannot afford your repayments, e.g. give details of your income
- There is a suggested minimum amount owed of more than £750, including any interest and charges.

Your responsibilities

- provide information about your financial affairs to the Official Receiver.
- collect and hand to the Official Receiver, all your account books, records, bank statements, insurance policies and other papers relating to your assets and debts

- you may have to attend an interview at the Official Receiver's office at a later date
- tell your trustee in bankruptcy about any assets and increases in income you receive during your bankruptcy
- you may be asked to stop using your bank and/or building society accounts,
- you will be asked to stop using your credit cards and similar credit accounts straight away
- not get credit of £500 or more from any person without first telling them that you are an undischarged bankrupt
- not make payments direct to your creditors for money that you owed before the bankruptcy order was made

5 Individual Voluntary Arrangements

An Individual Voluntary Arrangement (IVA) is an agreement with your creditors to pay all or part of your debts. You agree to make regular payments to an Insolvency Practitioner (IP), who will divide this money between your creditors. You will need to have a reasonable amount of disposable income and/or assets that can be realised to take into an IVA.

Get an Individual Voluntary Arrangement

Use an Insolvency Practitioner to get an IVA. Your Money Mentor can give you guidance on where to find a licensed insolvency practitioner.

Your insolvency practitioner works out what you can afford to repay and how long the IVA lasts. You'll have to give details about your financial situation, eg your assets, debts, income and creditors. Your Insolvency Practitioner will contact your creditors. The IVA will start if the creditors holding 75% of the total value of your debts agree to it. It will apply to all included creditors, including any who disagreed to it.

Costs

There are usually two fees:

- a set-up fee
 - a handling fee each time you make a payment which usually is taken directly from any contributions made
- Make sure you understand the costs before asking an insolvency practitioner to act for you.

Your responsibilities

Your IVA can be cancelled if you don't keep up your repayments.

Public records

Your IVA will be added to the Individual Insolvency Register. It's removed three months after the IVA ends, however it will stay on your credit file for six years.

6 Offers in full and final settlement

If you have a lump sum available that would cover part of your debts you can ask your creditors if they would accept a part payment and write off the rest. Alternatively they may allow you to make monthly payments for a set period after which any amount outstanding is then written off.

7 Administration Orders

An Administration Order is a way to deal with your debts if you have a County Court or High Court Judgment against you that you can't pay in full and your total debts must be less than £5,000.

You make one monthly payment to your local court. The court will then divide this money between your creditors.

Get an Administration Order

Fill in an application for an Administration Order (N92), and return it to your local court.