

Bankruptcy

Bankruptcy is a viable solution for anyone who is unable to pay their unsecured finances each month. Anyone entering bankruptcy will have less in assets than the total amount of their unsecured debts. As bankruptcy is a form of insolvency, any assets of value that you own will normally be sold in order to pay back your debts. After you have been declared bankrupt and all assets have been accounted for, your lenders will wipe off your remaining debts. There are restrictions placed on you usually for 12 months however, after this period, you will be discharged from your bankruptcy.

Your lenders can petition for your bankruptcy but this is uncommon, normally used as a last resort and only if one of your lenders is owed over £5,000.

Qualifying Criteria

- You must owe at least £5,000 to one creditor in order for them to petition for your bankruptcy.
- There is no limit to the amount that you must owe to start the petition yourself.
- You must have a valid email address to be able to apply online.
- You must be able to afford the fees for bankruptcy (see Costs below).
- Your debts should outweigh your assets.

Advantages

- Your lenders will no longer contact you about paying the debts.
- You can start to rebuild your credit file once you have been discharged.

Disadvantages/Risks

- Your credit rating will be affected negatively and the bankruptcy will be on your credit file for six years from the date the bankruptcy was agreed.
- You are unable to obtain credit over £500 without telling the creditor that you are bankrupt.
- Your employment may be affected – you need to check this with your employer.
- You are unable to become a Director of a limited company.
- You risk your assets being seized.
- All bankruptcies are logged on the public Insolvency Register and will remain on there for the entire course and for three months after discharge.
- Any disposable income should be paid into the bankruptcy for up to three years under an Income Payment Arrangement (IPA); this is available if you have a DI of more than £20 per month.
- Any and all windfalls must be declared and are likely to be included within the bankruptcy.
- All credit facilities will be removed including bank accounts.
- Should the Official Receiver feel that the conduct prior to the Bankruptcy has been dishonest or fraudulent then you could receive a Bankruptcy Restriction Order for anything from 2 years up to 15 years depending on the offence.

Debts that can be included in Bankruptcy:

- Unsecured finances
- Unsecured debts that have a CCJ or Attachment of Earnings Order (AEO)
- Utility arrears from previous properties/suppliers
- Arrears from service providers (TV, mobile contracts)
- Shortfalls owing from any secured debts
- Council tax arrears from a previous year
- Personal debts
- Joint and guarantor debts – the third party will still be pursued for these debts
- HM Revenue & Customs (HMRC), VAT, PAYE, Self Assessment, National Insurance debts

Debts that cannot be included in Bankruptcy:

- Fines (magistrates/courts/criminal)
- Any child maintenance arrears
- Student loans
- Secured debts
- Social fund loans
- Fraudulent debts
- Credit accrued after bankruptcy agreed
- TV Licence
- Court ordered payments including compensation costs for personal injury family proceedings from divorce

Costs

There is a cost to declaring yourself bankrupt; the total payable is £680. This is made up of a Bankruptcy deposit of £550 and an application fee of £130; there is no longer a fee waiver available for the application fee. If you reside in Northern Ireland, there is a total cost is £647, split between a Bankruptcy deposit of £525, a court fee of £115, and a solicitor's fee of £7; if you live in Northern Ireland, and you're on low income or in receipt of benefits, the court fee may be waived.

Bankruptcy fees can be paid in instalments however an application will not be formally made until all fees have been paid. The instalments must be a minimum of £5 per month.

If you have any questions relating to the above solution or you would like any further information please call us on 0151 252 0111.

Alternatively, to apply for the above solution, you can email debt.advisor@123ds.co.uk or complete an application form online at www.123ds.co.uk.

Bankruptcy is only available for people who live in England, Wales and Northern Ireland.