

Debt Relief Order

A Debt Relief Order (DRO) is an insolvency arrangement that you can apply for if you cannot afford to pay your unsecured debts. It is granted by an Official Receiver at the Insolvency Service and is cheaper than declaring yourself bankrupt.

A DRO usually lasts for a year and during that time, none of your lenders will be able to take further action against you to get their money back. After the year, you will be discharged from the debts listed within the Order.

You can only apply for a DRO with the help of an Approved Intermediary.

Qualifying Criteria

- Less than £20,000 of unsecured debts in total (or £15,000 in Northern Ireland).
- A disposable income of less than £50 after all living costs have been accounted for.
- Your assets or savings must not exceed £1000.
- If you have a car, this must be worth less than £1000.
- Have lived within England or Wales within the last 3 year.
- Not been through a Debt Relief Order within the last 6 years or have any ongoing insolvency procedures.

Advantages

- Your debts will be written off at the end of the DRO term, with certain exceptions (see disadvantages).
- Creditors within the DRO would need the court's permission to take further action against you which is not likely.
- You can make a fresh start after one year.
- The fee of £90 can be paid in instalments to make it more affordable for you.
- You can keep your assets if they do not exceed the above amount and your vehicle if it does not exceed the above amount.

Disadvantages/Risks

- A DRO would be visible on the Insolvency Register for the length of the Order (one year), plus three further months after it finishes.
- You cannot have a DRO if you have an existing Bankruptcy Order, IVA or are subject to bankruptcy restrictions.
- You cannot have a DRO if you have had one within the last six years.
- You cannot have a DRO if you own a property, even if it has no equity.
- You will remain liable to pay certain debts (student loans/fines etc.).
- Your employment may be affected; you should check this with your employer.
- A DRO remains visible on a credit record for 6 years making it more difficult to borrow money for this period.
- If you have a change of circumstances within the DRO, it can be revoked and you will need to resume normal repayments to your creditors. The DRO will still be visible on your credit file for the 6 years.
- You can't act as a company director or be involved in its management unless the court agrees.
- You will be committing an offence if you get credit of over £500 without disclosing that you are within a DRO.
- If the terms of the DRO are not adhered to, it can last for up to 15 years in the form of a Debt Relief Restrictions Order (DRRO).

Debts that can be included in a DRO:

- Unsecured debts
- Any arrears with rent, utility bills, telephone bills, council tax and income tax
- HP or conditional sale agreement arrears
- Overpayment of benefits
- Business debts and personal debts to a friend or family

Debts that cannot be included in a DRO:

- Fines (court/criminal/magistrates)
- Social Fund Loans
- Child maintenance/child support debts
- Student Loans
- Court Orders
- Payments Order by court for family proceedings, such as divorce cases
- TV Licence

Costs

There is a £90 fee however this can be paid in instalments if needed.

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.

A Debt Relief Order is only available to residents living in England, Wales and Northern Ireland.