

FACTSHEET

Bankruptcy

Bankruptcy is one option of dealing with debts that you cannot afford to pay. It will free you from overwhelming debts so you can make a fresh, debt free start.

If you apply for your own bankruptcy, you will need to pay a total fee of £680, this will cover a one off adjudicator fee of £130 and a deposit of £550, you will only get this back if your application is rejected.

You can pay the fee online when you apply. If you cannot afford to pay the full fee all at once, you can pay in installments of at least £5. However, you must pay the full fee before you can complete the application. If someone has agreed to make the payment for you, they can pay online when you apply.

You can apply for bankruptcy for any amount of debt however if you owe less than £5,000, you may be able to apply for an administration order. If you owe less than £50,000, you may be able to apply for a debt relief order. These options may be more suitable.

All your debts must be included in the bankruptcy application. Bankruptcy applications are no longer listed in local newspapers so no one will know about your situation. Bailiffs will not be instructed to visit your home. Debts that won't be cleared by bankruptcy include student loans, magistrate court fines for criminal offences, and maintenance orders. Most other debts would be included.

Usually, you will be discharged from bankruptcy after 12 months, although in certain cases they may last for two to three years. If after paying your essential bills you are left with no or very little extra money, you may not have to pay any money to the official receiver. However, if you have enough income left, you may have to make a monthly contribution to your debts until you are discharged from bankruptcy.

If you live in rented accommodation and have rent arrears, you must include the arrears in the application and continue to pay towards any suspended eviction court orders. You will not be evicted for becoming bankrupt, but you must ensure that you don't accrue further rent arrears as you would be at risk of losing your home in the usual way.

If you own a car of low value which is required for work or other needs e.g. disability, then you may be allowed to keep it. Cars of higher value may be sold to raise money to pay towards your debts. The official receiver may give you some of that money back to replace the car with a cheaper model.

While you remain bankrupt you will not be allowed to obtain credit of £500 or more without informing the creditor of your bankrupt status. If you already have a bank/building society account you may be allowed to keep it, but if you owe money to a bank you may need to open another account with a different bank/building society before making your application.

Some professions won't allow employees to be bankrupt, e.g. armed forces, police force, and some bank/financial industry workers etc.

You must ensure you obtain good advice to ensure that bankruptcy is a good option for you. It isn't for everyone, but for some it is a good opportunity to clear your debts and obtain a fresh start. Midland Heart has a more detailed information sheet on bankruptcy which you can request a copy of by speaking to the Money Advice team.

Some companies charge to provide bankruptcy advice or assistance. We do not recommend you use their services as there are many providers of free advice and assistance.

Some debt advice firms may suggest an Individual Voluntary Arrangement (IVA) instead of bankruptcy. However, as they may stand to earn substantial commission and fees from this option you should think very carefully if an IVA is really the best option for you. If you live in rented accommodation and are in a profession that allows employees who are bankrupt then an IVA probably isn't your best option and could cost you significantly more than applying for bankruptcy.