

DEBT RELIEF ORDER

The Debt Relief Order is a new method of dealing with your debts:

- **Cheaper than bankruptcy**
- **Designed for people with few or no assets**
- **Suitable for people with little available income and relatively low levels of debt**



A Debt Relief Order is very similar to bankruptcy. However there are significant differences between these two options. For example, in order to apply for both remedies you have to show that you are unable to pay your debts but to qualify for a Debt Relief Order there are several other conditions that also have to be met.

Currently these conditions are:

- You must have no more than £20,000 of qualifying debts
- You must have no more than £50 per month available income left after paying all your essential bills
- You must not have assets worth more than £1000.
- If you have a car, it must be worth £1,000 or less, unless it is specially adapted because of a physical disability.

Certain debts are excluded by the rules. These include:

- Magistrates court fines
- Student loans
- Child support/maintenance arrears
- Obligations under a criminal confiscation order.
- Social Fund loans

Once a Debt Relief Order is approved by the Insolvency Service your creditors cannot take legal action to recover the debts. However, if you have rent arrears on a current tenancy you will need to make an arrangement to pay your arrears with your landlord. If you do not pay your rent on time, they can continue action for possession of the property which could lead to an eviction.

You must have permanent residency in England or Wales, or in the last three years you must have lived in England or Wales as your normal residence, or have a home here, or have carried on business in England and Wales.

People who are already involved in another formal insolvency procedure at the time of their application will not be able to get a Debt Relief Order.

Your available income must be £50 per month or less and will be calculated as follows:

Total amount of income from all sources, which can include:
earnings (including any earnings from self employment)
benefits (including any disability benefits and child benefit)
pensions
contributions from other household members
any rental income
LESS

A reasonable amount to cover the domestic needs of you and your family.

In order to be eligible you must not:

- Be an un-discharged bankrupt
- Be party to an Individual Voluntary Arrangement (IVA) or an Interim Order for Bankruptcy.
- Have a pending debtor's bankruptcy petition – unless the court has referred them for a Debt Relief Order
- Have a pending creditor's petition – unless the creditor who is taking action against you has agreed to the Debt Relief Order application
- Have had a Debt Relief Order in the last 6 years.

If you have a current Administration Order and want to apply for a Debt Relief Order instead, you can do so. Once a Debt Relief Order is made the court will revoke the Administration Order.

Applications for a Debt Relief Order are made to the Insolvency Service, through an approved intermediary who will be an authorised debt adviser. The current charge for setting up a Debt Relief Order is £90. The terms of the Debt Relief Order remain in force for one year after it has been granted.

If you are considering a Debt Relief Order contact the Debt Advice Line on 0121 303 2087 to discuss your options.

**The information provided in this factsheet is for guidance only.
Before you take any action it is important to seek advice**

Local Authority tenants can obtain Debt Advice from Birmingham City Councils Debt Team on **0121 303 2087** or by visiting the Council's website:
www.birmingham.gov.uk/debtadviceteam.