

DEBT ADVICE TEAM FACTSHEET

DEBT ADVICE LINE
0121 303 2087



BANKRUPTCY

Bankruptcy is a method used for handling your debts when you cannot afford to pay your creditors. If you have assets they will have to be sold to clear your debts, so it may not be the most appropriate action for someone who owns their own home or has valuable assets. Once you are made bankrupt your debts will be written off after twelve months. You can apply to go bankrupt yourself, alternatively any creditor to whom you owe more than £750 can apply to make you bankrupt.

How Do I Become Bankrupt?

There is a charge to petition your own bankruptcy. Check with the court or ask your money advisor for the current rates. Dependent on your circumstances you may be able to apply for a remission or exemption from the court fee. If you decide to declare yourself bankrupt, you will need to complete a bankruptcy petition (form 6.27) and a statement of affairs (form 6.28). These can be obtained from the Insolvency Service directly on **0845 602 9848** or from their website at **www.insolvency.gov.uk/forms/forms.htm**

On the form you will need to list all your creditors, details of all bank accounts, details of assets and their resale value. Anything listed may be sold if you are declared bankrupt. Failing to declare items on the form is a criminal offence. You will also be required to give details of your personal circumstances, your income and the reasons why you have been unable to pay your creditors.

When the forms have been completed, you will need to contact the court to arrange an appointment. When you attend your

appointment you need to take two copies of your form as well as the original form, plus the bankruptcy fee and court fee.

The Court Process

When you attend court your form will be checked to ensure all the relevant information is present and that the form has been completed accurately. Once the court is satisfied with your form you will be asked to swear on affidavit, which means that you are declaring that you have told the truth regarding all the information you have provided.

Your form is then passed to a District Judge to make a decision about your application. You may be invited to speak to the judge to confirm your situation and to satisfy the judge that you understand the implications of becoming bankrupt. The judge may decline your application if they feel there is a better way to resolve your financial problems or that you do not fully understand the implications. If the application is accepted, the judge will date stamp your bankruptcy papers and you will be provided with a copy as proof.

Official Receiver

After the hearing you will need to speak to the Official Receiver. Their job is to examine your financial affairs. An interview will be arranged with you (this can often be a telephone interview) to discuss your petition and they will then inform your creditors of your financial situation.

The Official Receiver will decide the best way to settle your debts and if there are any assets available will arrange with you to sell these so that your creditors can receive some payment. Your bank accounts may be frozen and handled by the Official Receiver – you should ensure you have enough day-to-day cash available to you before you petition your bankruptcy. If your bank agrees you may be allowed to keep a basic bank account provided you do not owe that bank any money.

The Official Receiver will look at your income and expenditure and decide whether you should contribute a specific amount towards your debts for a specified length of time. This is called an Income Payment Order. This may be ordered if you have excess available income once your reasonable day to day living expenses have been taken into account.

Length of Bankruptcy

Your bankruptcy period may end after a year, or sooner if the Receiver decides this. The Receiver will notify you when your bankruptcy period has come to an end. Debts that have not been paid at the end of this period are written off.

Following the end of your bankruptcy you could face another court order called a Bankruptcy Restriction Order. These are issued in cases where you failed to cooperate with the Official Receiver or where you had taken on further debts despite knowing you would be unable to repay them. These orders could heavily restrict your financial affairs and can last for up to 15 years.

Before making a decision to declare yourself bankrupt it is essential that you read and understand the Guide to Bankruptcy published by the Insolvency Service who provides thorough guidance on bankruptcy.

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

Debt Advice can be obtained from Birmingham City Council on **0121 303 2087** or ask at your local Neighbourhood Office (please call **0121 303 1111** for your nearest office). You can also visit the Council's website at: www.birmingham.gov.uk/debtadviceteam

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Is Bankruptcy Right For Me?

Advantages	Disadvantages
You will no longer face the pressure of personally having to deal with your creditors as this will be the responsibility of the Receiver.	There is a cost to go bankrupt . You will find it difficult to obtain credit whilst you are bankrupt.
You are allowed a reasonable amount of money with which to live, and to retain certain items such as household goods.	If you own your own home this can be sold to pay your debts. You could also lose your car and any other valuable possessions. You cannot continue to work in some professions if you have been declared bankrupt.
When the bankruptcy has finished, you have the opportunity to make a fresh start financially.	If you own a business it is likely that the Official Receiver will close this down. Your bankruptcy cannot be kept private – a list of people declared bankrupt is published on the internet, and your bankruptcy will also be printed in your local newspaper. Some debts cannot be written off after bankruptcy, such as court fees and student loans.
Before making a decision to declare yourself bankrupt it is essential that you read and understand the Guide to Bankruptcy published by the Insolvency Service who provide thorough guidance on bankruptcy.	
If you are unsure if bankruptcy is the best option for you, please contact the Debt Advice Line on 0121 303 2087 to discuss your options.	

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