

## GUIDE TO BANKRUPTCY

Bankruptcy is one of the options you can choose if you have a serious debt related issue. There are two ways in which you can receive bankruptcy, one is through an application to receive a court order and the other is where a creditor may apply to have you declared bankrupt.

At the point of declaring bankruptcy, you are coordinated with an Official Receiver who affiliates themselves with all your affairs including managing your money and property as well as communicating with the creditors on your behalf.

A substitute to bankruptcy when faced with a debt issue is that of a 'Debt Relief Order'. An application for this method can only occur if the criteria of debts and revenue are less than a crucial amount.

### Bankruptcy Advantages:

- The communication with the creditors is done through your Official Receiver relieving stress.
- You are entitled to keep some funds and possessions to live on.
- You prevent the creditors from taking any further action to try and retrieve their funds.
- The money that is in dispute in most cases can be written off.
- Once your period of bankruptcy comes to an end, all ties with the creditors and courts are ended.

### Bankruptcy Disadvantages:

- Initial fee of £705 just to file bankruptcy.
- In the case of a homeowner, the property may be put on the market.
- In the case of luxury items under your ownership, they may also be sold.
- Employers differ on whether they allow employees who are declared bankrupt to continue working.
- Bankruptcy is not confidential and can be seen online or possibly in a local newspaper.
- In the case of business ownership, your Official Receiver has the authority to conclude the business, release the workforce and relinquish the assets.
- During your bankruptcy period, application for increased credit is not an option.
- Bankruptcy can complicate your immigration status.
- Bankruptcy does not conclude all debts; student loans and court fines are the exception.



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### **The Bankruptcy Restriction Order:**

This order can occur after your bankruptcy period has ended. It can be branded in the case of you have received debts knowing you could not pay them off or for poor cooperation with your Official Receiver.

### **Steps to Bankruptcy:**

The application for bankruptcy:

In most cases the local county court in your area is your first place to visit. The local county court will be able to tell you exactly which court you should be applying to. You must also ensure you have the available funds both for the initial fee (£180) and the deposit (£525). The deposit you will not receive back but the fee is frequently altered on individual cases and on occasion is not needed at all. The court should be able to present you with an EX160 form, which explains this further.

Filling in the forms:

Two forms, the bankruptcy petition (form 6.27) and statement of affairs (form 6.28) are needed and can be printed off from the Insolvency service website at [www.bis.gov.uk/insolvency](http://www.bis.gov.uk/insolvency). Within these forms, details must be portrayed on each bank account and building society accounts you possess. Furthermore, all creditors, whether the debt is in dispute or not, must be documented. In addition it is necessary for assets and items with a resale value to be shown and anything portrayed here will be subjected to a potential sale.

Take the forms and payments to court:

Be sure to take duplicate copies of the forms. At court you will have to swear an affidavit to swear you have been truthful within the documents.

Criminal Offence:

It is a criminal offense subject to a fine or imprisonment to submit false statements, to hide or release property before you are declared bankrupt or not to make your Official Receiver aware about all the relevant assets.

Hearing:

Following the affidavit, the hearing could occur immediately or the court will allocate a time. If the case is within the county court, you must attend the hearing.

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### **What follows the Bankruptcy hearing?**

Following the hearing, once the court has accepted your application they will declare a bankruptcy order. In the majority of cases this will lead to your monetary accounts being frozen instantly. This is where the Official Receiver takes control of your affairs.

You will have a chance to then have a meeting with the Official Receiver. Subsequently he will then inform the relevant creditors of the bankruptcy and file a report on your behalf including a summary of the financial situation.

To begin with, assets will be sold to relieve some of the debts. The costing of the fees charged by the Official Receiver for taking on your case will be covered by the first available funds.

### **What is the time period of Bankruptcy?**

There is no official time period and the Official Receiver will notify you when the bankruptcy is over. In most cases this tends to be after one year. The majority of debts that may not have been paid will be written off.

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