



Debt Crisis: the facts about your options



who can help you
and how

Up to your neck in debt

Are you struggling to keep up the payments on your credit cards? Are you receiving final demands? Are you scared to open any more letters from your bank? Have you had letters from debt collectors? Have you been warned that bailiffs will come around to collect your possessions? If you answered “yes” to any of these questions, you need to take advice. Don’t wait. Help is available.

This leaflet serves as a guide to your options and some of the places you can go for advice. However, it is no substitute for individual professional advice.

Dealing with insolvency

If you cannot pay your debts when you should, you may be insolvent and should take advice. A licensed insolvency practitioner will discuss your finances with you in detail and help you decide which of the legal options is better for you. Licensed insolvency practitioners are highly trained and regulated professionals and are usually qualified accountants or lawyers. They usually provide their initial advice free of charge, but you might want to ask them about their fees before embarking on a consultation with them. They will give you the pros and cons of bankruptcy and voluntary arrangements.

Bankruptcy

By filing for bankruptcy you are protected from your creditors and released from your debts (with some exceptions such as court fines and matrimonial debts). Bankruptcy puts your financial affairs strictly under the control of a Trustee (a civil servant called an Official Receiver or a licensed insolvency practitioner) and you may be required to make regular payments out of your income for up to three years.

If you choose to go bankrupt your assets may be sold off to pay your creditors. Your home may be at risk and your credit rating will be affected. Some employers will not employ a bankrupt. Advice from a licensed insolvency practitioner will help you to decide whether bankruptcy is right for you. The government insolvency service has a useful web site for bankruptcy information: www.insolvency.gov.uk

Individual Voluntary Arrangement

An Individual Voluntary Arrangement (IVA) is a legal process that gives you protection from creditors. It is an alternative to bankruptcy. Typically an IVA lasts for between 1-5 years during which time interest on your debts is frozen and repayments are made to your creditors from your assets or from contributions made out of your earnings. The agreement is legally binding on your creditors and you, and once the payments are complete, any remaining debt is written off. A free guide to IVAs “Is a Voluntary Arrangement Right for Me?” is available from R3 (www.r3.org.uk).

Find a practitioner

To locate your nearest licensed insolvency practitioner please go to:
www.r3.org.uk



Informal debt arrangements

If you know you are not insolvent, but are struggling with debts, there are a number of other options available. You should be aware that these options are not legally binding and do not therefore provide guaranteed long-term protection from your creditors. However, depending on the size of your

debt, they may help you to make your day to day finances more manageable. Sometimes informal arrangements last for many years. However, any repayment plan lasting more than 5 years would be unusual and you might want to seek a second opinion if your adviser recommends a plan lasting longer than this. In any case, it is very important that you work out how much money you would pay back in total, including interest, and compare this to other options available.

There are a number of different sources of advice and assistance:

Free advice centres

Organisations such as the Citizens Advice Bureaux (www.citizensadvice.org.uk), The Consumer Credit Counselling Service (www.cccs.co.uk), and National Debtline (www.nationaldebtline.co.uk) are free services that can help you to look at rearranging your debts. They could help you to negotiate more manageable payments directly with your creditors. They can often also advise you on wider budgeting issues such as your entitlement to tax credits and other benefits. Advisers are not regulated by a professional body in the same way that licensed insolvency practitioners are, but they are subject to self regulation and must have a consumer credit licence from the Office of Fair Trading. You can also find your nearest independent advice centres by going to the AdviceUK website (www.adviceuk.org.uk).

Commercial advisers

Specialist money lending companies can set up a debt management agreement for you. They will organise your surplus monthly income into payments to your creditors including, usually, a payment for interest on some or all of your outstanding debt. Debt management companies and their advisers are not regulated, but they must have a consumer credit licence. The Office of Fair Trading has issued guidance setting out the standards that debt management companies should comply with, and you can order a free copy of the guidance from the **OFT on tel: 0870 60 60 321 quoting ref "OFT 366"**. Commercial debt management companies charge for their service.

Students

A special panel of regulated advisers is available to help students and graduates with their debt worries online at www.doctorjob.com/debt.

The service is free.

Finding your nearest expert

This leaflet has been produced by R3, the Association of Business Recovery Professionals, which is the professional association for licensed insolvency practitioners. Licensed insolvency practitioners are regulated, which means that if you later have a complaint about the way they handled your situation, you can take it up with their professional body. Most licensed insolvency practitioners are members of R3 so you can find your nearest practitioner by going to the R3 web site (www.r3.org.uk). You can also look in **Yellow Pages** under "**Insolvency Practitioners**". Look for the R3 logo.

This leaflet serves as a guide to the options and places you can go for advice on personal debt issues. It is intended only to relate to England and Wales. It is not a statement of the law or a substitute for specific professional or legal advice. We have made every effort to ensure that the guide is accurate, but R3 cannot accept any responsibility for the consequences of any action taken in reliance on its contents.



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