

Bankruptcy is a way of legally declaring your inability to pay your creditors. In Bankruptcy you usually stop paying your creditors. Your creditors cannot chase you for the outstanding debt.

If you feel your debts are completely unmanageable Bankruptcy could be your best option. Before going bankrupt it is important that you understand all the options available to you. Bankruptcy can have a serious impact on your future and your business so it is important to get the right advice and information.

## Ways to go Bankrupt

There are two ways to go Bankrupt in the UK.

1. **You can petition for your own bankruptcy which is known as a 'debtors petition'.**
2. **A creditor who you owe more than £5,000 to, can petition for your bankruptcy. This is known as a 'creditors petition'.**

Bankruptcy is an option that often has to be considered when an individual cannot pay their debts as they fall due. When your debts seem totally out of control, so much so that you will never pay them off, bankruptcy can take away all the stress of making debt payments.

Although bankruptcy has a perceived stigma and is publicly advertised, it should always be considered when dealing with insolvency matters. It can provide a real fresh start for debts that will never be repaid.

## Avoiding Bankruptcy

Sometimes when people find themselves facing serious debt problems bankruptcy may seem like the only way out. This is not always the case.

People with assets / a business (or any other special circumstances) may wish to avoid going bankrupt. There are other options available but you should explore all these options carefully before making any decisions.

You may be able to propose an IVA or Debt Management Plan, which might help you to avoid going bankrupt.

**To find out if we can help you with bankruptcy or get some free advice on your options, call 0800 043 0215**

## **Advantages of Bankruptcy**

- Bankruptcy could write off all your debt (exceptions listed below) and leave you debt free within 12 months.
- Creditor harassment stops as you no longer have to deal with them.
- If you are living in rented accommodation you will be allowed to stay there (providing you maintain payments).
- If you require your car to travel to and from place of work then this will be deemed acceptable (usually up to the value of approx £1,000).
- It allows you to make a fresh start.

## **Disadvantages of Bankruptcy**

- Assets may be sold in order to address any equitable value (where applicable).
- Some debts can't be written off such as student loans, court fines, overpayment of benefits and child support.
- You are not allowed to obtain credit in excess £650 with first disclosing your bankruptcy.
- You cannot hold position of company director.
- You cannot trade in any business under any other name.
- A record of the bankruptcy will remain on your credit file for six years.
- Any surplus income in excess of £20 is likely to be requested in an Income Payments Order which would have to be paid to the Official Receiver each month for 3 years.