



## Debt Relief Orders

Debt Relief Orders (DROs) came into force on 6 April 2009 and are aimed at people with no assets and low income with no other access to debt relief and no prospect of the situation improving.

### What are the requirements?

It is anticipated that the following will apply:

- The debtor is unable to pay his/her debts
- The debtor's total unsecured liabilities must not exceed £15,000
- The debtor's total gross assets must not exceed £300
- The debtor's disposable income, following deduction of normal household expenses, must not exceed £50 per month
- The debtor must be domiciled in England and Wales, or in the last 3 years have been resident or carrying on business in England and Wales
- The debtor must not have been subject to a DRO within the last 6 years
- The debtor must not be involved in another formal insolvency procedure at the time of an application, such as:
  - An undischarged bankrupt
  - A current Individual Voluntary Arrangement
  - A current Bankruptcy Restrictions Order or Undertaking
  - A current Debt Relief Restrictions Order or Undertaking
  - An interim order
  - A current pending debtor's bankruptcy petition in relation to the debtor
  - A current pending creditor's bankruptcy petition against the debtor.

### What are the effects?

- The debtor will be protected from enforcement action by creditors included in the application (except from the creditors whose debts are included in the DRO but who have successfully obtained leave from the Court to pursue their debts)

- The debtor will be free from those debts at the end of the period (normally 12 months from the Order)
- The debtor will be obliged to provide information to and co-operate with the Official Receiver
- The debtor will be expected to make arrangements to repay their creditors should their financial circumstances improve.

As with other forms of personal insolvency, a DRO debtor's credit rating will be affected.

### **What restrictions will be placed upon a person who has a DRO?**

- The debtor must not obtain credit of £500 or more, either alone or jointly with another person, without disclosing that they are subject to a DRO or the lender
- The debtor may not carry on a business in a name that is different from the name under which they were granted a DRO, without telling all those with whom the debtor does business the name under which they were granted a DRO
- The debtor may not be involved with the promotion, management or formation of a limited company, and may not act as a company director, without the court's permission
- The debtor will only be able to obtain a DRO once every six years.

### **How can a debtor apply for a DRO?**

An application for a DRO must be made through an approved intermediary and will involve a payment of a fee, which is likely to be less than £100.

**For more information on the new Code or advice on any other debt related issue please contact Peter Hastings or Denise Cushine.**

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