

Bankruptcy

How it works

You can apply for your own bankruptcy or a creditor can make you bankrupt. Your financial affairs will be dealt with by the official receiver.

Valuable assets are usually sold to raise money to pay your creditors. Your bankruptcy usually lasts one year, but you may have to make payments for three years.

At the end of your bankruptcy most debts are written off. Bankruptcy may be a good option, particularly where you rent your home and have no assets.

* Bankruptcy will affect everyone differently depending on circumstances. Speak to an adviser to check it is the correct option for you.

Advantages

- It relieves stress and anxiety.
- It allows you to make a fresh start after a year.
- Your debts are written off if you have no assets.
- Most creditors cannot take further action against you unless the debts are secured on your home. There are some exceptions to this.
- You may need to make monthly payments for a maximum of three years.
- You may be able to avoid selling your home if your partner or a relative can buy out your share of its value.

Priority Debt

- Bankruptcy will affect your credit rating.
- If you have equity you could lose your home.
- Secured creditors can still take action against you.
- You have to find a fee and deposit totalling £680.
- Your assets may be sold by the official receiver.
- Not all your debts are written off. (Speak to your adviser to see if any of your debts are affected)
- Your employment may be affected. Check your contract.
- If you run your own business, you may find it difficult to continue to trade.
- Details of your bankruptcy will be held in the public Individual Insolvency Register and published in the London Gazette.
- You may have a 'bankruptcy restrictions order' made against you for dishonesty or 'unfit conduct'.
- In some cases the official receiver can take criminal action against you: for example, if you have committed fraud.