

Bankruptcy

If you have a debt problem, you might have a number of options for sorting it out. One of these might be bankruptcy.

Bankruptcy is a court order that you can apply for if you are in debt. Once you have been made bankrupt, you don't have to deal with the people you owe money to (your **creditors**). An official called **the Official Receiver** takes control of your money and property, and deals with your creditors.

Remember, bankruptcy might not be your only option and it might not be the best one for you.

Remember also that someone you owe money to could make you bankrupt even if you don't want this.

If you are faced with bankruptcy, you'll need expert advice (see Further help at the end of this fact sheet).

What are the advantages of going bankrupt

Some advantages of going bankrupt are:

- Pressure is taken off you because you don't have to deal with your creditors
- You are allowed to keep certain things, like household goods and a reasonable amount to live on
- When the bankruptcy order is over, you can make a fresh start. In many cases, this can be after only one year
- Creditors have to stop most types of court action to get their money back following a bankruptcy order (but in some cases the bailiffs may still be able to take your belongings away)
- The money you owe can usually be written off.

What are the disadvantages of going bankrupt

Some of the disadvantages of going bankrupt are:

- It will cost you up to £495 to go bankrupt (sometimes more, for example if you use a solicitor)
- Whilst you are bankrupt, you can't apply for more credit
- If you own your own home, it might have to be sold (but you may be able to apply to your local authority for re-housing)

- Some of your possessions might have to be sold, for example, you will usually lose your car and any luxury items you own
- Some professions don't let people who have been made bankrupt carry on working
- If you own a business, it is more than likely that the Official Receiver will close down your business, dismiss your employees and sell off the assets
- Going bankrupt can affect your immigration status
- You cannot keep your bankruptcy private. A list of bankrupt people is published on the internet and your case could also be published in your local newspaper
- Even when you are no longer bankrupt, you could have another order, called a **bankruptcy restriction order** made against you. These orders can be made, for example, where you did not co-operate with the Official Receiver, or you took on debts knowing that you had no hope of paying them back. They can last for 15 years, and will make your financial affairs very restricted.
- Even when you are no longer bankrupt, there are some debts such as court fines and student loans that will never be written off.

How to go bankrupt

If you decide to go bankrupt, you will need to apply to court. **Before you do this, try to make sure you have enough cash for day-to-day expenses** as once a bankruptcy order is made, your accounts will be frozen.

To apply to court for bankruptcy you will need to take the following steps:

- Find out which court to go to. This will usually be the county court in the area where you have lived for the last six months (although it can sometimes be where you work). In London, it is the High Court. Any local county court or the High Court will tell you which is the right court for you.
- Make sure you have enough money for the **deposit** (£345). You won't get this back. There may also be a fee of £150, although depending on your circumstances, the court may reduce this amount, or say that you don't have to pay it at all. Ask the court for form EX160 which tells you more about this.
- Get hold of a **bankruptcy petition** (form 6.27) and **statement of affairs** (form 6.28). Copies are available from your local court, or from the Insolvency Service website. Or you can fill in the forms online. The Insolvency Service website address is : www.insolvency.gov.uk/forms/forms.htm. You can phone their helpline if you have questions about online petitions, telephone 0845 602 9848

- Fill in the forms. You must list all your creditors, even if the debt is disputed. You must also give details of all your bank account and building society accounts. You will be asked to list other assets and items with a resale value, for example, antiques. Any valuables you list in this section of the form risk being sold
- Take the forms with two copies, the fee and the deposit to court, and **swear an affidavit**. This means that you swear to the court you have told the truth in the forms

Remember, if you make **false statements**, or don't tell the Official Receiver about all your property, this is a **criminal offence** and you could be **fined** or sent to **prison**. It is also a **criminal offence to conceal property** or documentary evidence, or to get rid of property before you go bankrupt.

Once you have sworn your forms, the court may either fix a time for the hearing, or hear your case straight away. If your case is in the county court, you will have to attend the hearing.

What happens when a bankruptcy order is made

At the bankruptcy hearing, the court will decide either to reject your application, or to make a bankruptcy order. The court will reject your application if, for example, they think there is a better solution to your debt problem.

Once the bankruptcy order is made, all your bank and building society accounts will usually be frozen immediately. Your money will come under the control of the Official Receiver.

The Official Receiver will arrange an interview with you. After your interview, the Official Receiver will tell your creditors about the bankruptcy, and send them a report with a summary of your financial situation. Your assets will be sold to pay off some or all of your debts. The costs of the bankruptcy are paid first from the money that is available. The costs include fees that the Official Receiver charges for dealing with your case.

When does bankruptcy end

Your bankruptcy will normally end after one year. It could be less than a year if you have co-operated fully with the Official Receiver. The Official Receiver will tell you when the bankruptcy is over. Most debts that haven't been paid will be written off.

Further help

The Insolvency Service

Enquiry line: 0845 602 9848

Website: www.insolvency.gov.uk

A range of information about bankruptcy is available from the website or to order. Information is also available in languages other than English.

Citizens Advice Bureau

Citizens Advice Bureaux give free, confidential, impartial and independent advice to help you solve problems. To find your nearest CAB, including those that give advice by e-mail, click on [nearest CAB](#), or look under C in your phone book.

Other fact sheets on Adviceguide which might help

- Help with debt fact sheet
- Credit
- Dealing with people you owe money to
- Budget sheet
- Income tax arrears
- Sample debt letters

This fact sheet is produced by [Citizens Advice](#), an operating name of The National Association of Citizens Advice Bureaux. It is intended to provide general information only and should not be taken as a full statement of the law. The information applies to England and Wales only.

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