

Citizens Advice Hampshire - Intro to Debt 2 – Handout 2 Debt Solutions Table - 2021

	Direct with Creditors	Debt Management Plan	Bankruptcy	DRO	IVA	Administration Order
Type	Informal	Informal	Court Based - legally binding	Court based - legally binding	Legally binding out-of court	Legally Binding, court based.
Debt Amount	Any	Any	Any (Min £5000 for creditor to force bankruptcy)	Max £20,000	No limits, but creditors won't usually agree unless its more than £10,000	Maximum £5000
Available Income	There must be something with which to negotiate. If not, then "Token" offers.	usually at least £50 per month	Any, but should be "unable to repay debts"	Maximum £50 per month	No limits, but must be sufficient to make payments	No limits.
Other conditions	None	Can only include non-priority debts	If debtor has any funds, they may be asked to pay towards the debt for up to 3 years.	No other DRO in last 6 years, no other formal insolvency procedure pending	Creditors representing at least 75% of the debt must agree	Must have at least one unpaid CCJ or HCJ, and TWO or more debts
Costs	None	often, but not always carries a fee added to monthly payments - check at outset	£680	£90	set by industry standard, usually approx £5000	10% of amount owed added to each monthly payment
Procedure	Negotiate Direct by phone/in writing	Debt Management Company negotiates with creditors on client's behalf.	Application to court made online.	DRO Intermediary applies on your behalf.	Consult IP who liaises with creditors direct.	Apply to county court on form N92

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Assets	Must be declared, and creditors will expect that these will be used where appropriate.	Must be declared, and creditors will expect that these will be used where appropriate.	May be used to repay debts. Homeowners are likely to lose their home.	No assets above £1000. May own a car, value not exceeding £1000.	No limits. Homeowners are expected to re-mortgage, but should be able to keep their home	Debtors not usually required to sell or re-mortgage, so home is safe. However, some courts refuse to grant AOs to homeowners.
Time period	Ongoing until all debts are re-paid. Subject to 6-monthly reviews	Ongoing until all debts are re-paid. Subject to 6-monthly reviews	Normally ends after 1 year. Bankruptcy Restriction Order may last up to 15 years.	Normally ends after 1 year. Debt Relief Restriction Order may last up to 15 years.	Usually 5 years.	Usually less than 3 years
Debts written off?	No	No	Yes (except excluded debts)	Yes (except excluded debts)	Yes at the end of term (although some debts are excluded)	Any outstanding at the end of the agreement are written off.
Significant Impacts	Client must liaise directly with creditors - can be stressful	Creditors should only contact client through DMP	Public Register, Barred professions. Official Receiver controls your finances until discharged. Credit Rating affected for 6 years. If you own a business, it may be closed.	Public Register. Official Receiver controls your finances until discharged. Credit Rating affected for 6 years.	Creditors usually expect a lump sum payment (can come from re-mortgaging). If it fails, creditors are likely to seek bankruptcy.	Usual to deal with rent/mortgage arrears separately to avoid eviction.