

BANKRUPTCY

What is bankruptcy?

If you have a debt problem, one of your options for sorting it out might be bankruptcy. You can apply for bankruptcy if you can't pay back your debts.

As well as applying for bankruptcy yourself, someone else you owe money to (a creditor) can apply to make you bankrupt, even if you don't want them to. For a creditor to make you bankrupt, you must owe at least £5,000.

Remember, bankruptcy might not be your only option and it might not be the best one for you. One of your other options might be a debt relief order. You could be able to apply for a debt relief order if you have debts, income and property below a certain amount. This is a cheaper alternative to bankruptcy.

Advantages of going bankrupt

When the bankruptcy order is over you can make a fresh start - in many cases this can be after a year. Other advantages of going bankrupt include:

- the pressure is taken off you because you don't have to deal with your creditors
- you're allowed to keep certain things, like household goods and a reasonable amount to live on
- creditors have to stop most types of court action to get their money back following a bankruptcy order
- the money you owe can usually be written off

Disadvantages of going bankrupt

To apply to go bankrupt you'll need to pay a **£680** fee. Other disadvantages of going bankrupt include:

- if your income is high enough, you'll be asked to make payments towards your debts for 3 years
- it will be more difficult to take out credit while you're bankrupt and your credit rating will be affected for 6 years
- if you own your 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, your car and any luxury items you own
- if you are, or are about to be, the right age to get your pension savings, these might be taken
- some professions don't let people who have been made bankrupt carry on working
- if you own a business it might be closed down and the assets sold off
- going bankrupt can affect your immigration status

Does LionHeart help to pay bankruptcy fees?

In some cases LionHeart can provide financial assistance in paying fees associated with a bankruptcy application. However, this is determined on a case by case basis.

What happens after I have been declared bankrupt?

When you have been declared bankrupt, your assets will be used to pay off your debt, and the rest will be written off by your creditors. While this gives you a fresh start, your name will be placed in the Individual Solvency Register, and there will be restrictions placed on you for the first 12 months.

Can I use bankruptcy to clear my business debts?

Bankruptcy is only available to individuals not limited companies. If your limited company can't pay its creditors, then it can be made insolvent and could face compulsory liquidation.

How will bankruptcy affect my RICS membership?

The RICS will investigate each member based on their individual circumstances and whilst bankruptcy can lead to loss of membership it is not automatic. It is worth noting that we are aware of members who have gone through an investigation process due to insolvency and who have initially been found to be in breach of the rules and have had their membership removed but then have pursued an appeal and have been able to present their circumstances in person to an appeal panel and have had their membership reinstated.

We are unable to say in what circumstances an individual would be successful or not but the RICS will be taking into account to what extent the individual was to blame or to what extent they were a victim of circumstances.

You can find out more about how bankruptcy might affect your RICS membership by calling LionHeart on 0845 6039057.

We will explore your circumstances with you and offer you a package of support that suits you. Find out more about how LionHeart can support you at www.lionheart.org.uk/support