



Bankruptcy Fact Sheet

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- ① Bankruptcy is the legal process where a person is released from their debts in exchange for the things they own ("assets") being used in part payment.
- ① The process is the same for both traders and consumer credit debtors.
- ① A person can file for their own bankruptcy or they can be made bankrupt by someone they owe money to. The effect is the same.
- ① Companies cannot be made bankrupt but there is a similar process for them called liquidation.
- ① The Official Receiver, a Civil Servant, deals with the first 12 weeks of every bankruptcy.
- ① A "Trustee in Bankruptcy" from private practice, who must be a Licensed Insolvency Practitioner, may be appointed if there are assets to sell (e.g. the person owns their own home).
- ① Bankruptcy can result in a person losing their home, but need not do if professional advice is sought.
- ① The Trustee can legitimately sell assets to other family members. This is the most common way of saving the family home.
- ① The bankrupt may have to pay a monthly income contribution for 3 years, if they have surplus income. People on low incomes will not generally be required to make a monthly contribution.
- ① The bankrupt can generally keep their pension, a vehicle and tools used for work and their ordinary household goods. The Trustee cannot seize these.
- ① Bankruptcy will normally last for 12 months. However, the Trustee's job will continue for as long as it takes him to sell the assets or collect the income contributions.
- ① People who are bankrupt are not generally allowed to be a director of a limited company or to borrow more than £500 whilst in bankruptcy without telling the lender about their bankruptcy.
- ① Many professionals cannot continue to practice whilst they are bankrupt and some contracts of employment provide for dismissal in the event of bankruptcy. Bankruptcy is often not the best option for such people.
- ① You can have a bank account whilst bankrupt, but it will be harder to find a bank that wants your custom.
- ① You can carry on trading as a sole trader, but you have to use the same name so that people can tell you are a bankrupt if they choose to do a search on you.
- ① Trading can be difficult whilst in bankruptcy especially if trade credit is required.
- ① You can still have an IVA if you are made bankrupt and there is also a new process available via the Official Receiver called a "fast-track IVA".
- ① **Going bankrupt may be the best option where a person has little to lose by it, BUT professional advice should always be taken first as to what the likely effects of bankruptcy will be in each individual case.**