



PDQ Process and Investigations Limited

Indigo Suite, St. John's House, Greenfield Walk, Huyton, Liverpool, Merseyside L36 0XP

Tel: **0843 290 9200** • Fax: **0843 290 9201**

E-mail: [admin@pdqprocess.co.uk](mailto:admin@pdqprocess.co.uk) • Website: [www.pdqprocess.co.uk](http://www.pdqprocess.co.uk)

January 2015

### Changes Announced by Insolvency Service

Accompanying this bulletin is a press release detailing significant changes to the procedure around Bankruptcy and debt Relief Orders.

In particular we note that a creditor petition level is to be increased to £5000 from £750.

There are changes in the levels of assets permitted under debt Relief orders.

#### What does that mean to debt recovery professionals and process servers?

- **A potential surge in the issue of Statutory Demands and Bankruptcy Petitions before October 2015 for debts valued under £5000?**

We fully expect creditors to take the opportunity to pursue those debts valued over £750 but under £5000 right now while they still can and arising from that will be a higher volume of demands to be served. We have the resources to deal with this.

- **A switch from Insolvency Proceedings in cases under £5000 to County Court Proceedings?**

Looking ahead, more and more County Court debt recovery is likely to emerge. The rules of service of orders to attend court for questioning (N39) and its close cousin, a suspended committal order (N79A) differ from the process for statutory demands which can be sub served . This is going to create additional layers and cost to the debt recovery process for debts within that band of values.

- **A trend towards writing off debts under £5000?**

Creditors may be inclined to write off debts that fall in that bracket under £5000 on the basis that they perceive County Court action to be comparatively impotent or less cost effective. To enable creditors to readily access the County Court system, fees will need to be more competitive than ever.

- **Greater focus on debtors' assets?**

Pre sue reports are increasingly important to avoid the mistake of 'throwing good money after bad'. Similarly, it may be prudent to establish facts in order to challenge DROs?



**What can we do to help?**

- We are pleased to offer discounts on fees for bulk instructions and as the debt recovery scene begins to change, solicitors may now wish to take advantage of that in order to offer best deals to their own clients.
- We carry out enquiries to prepare pre sue (fit to sue) reports.
- We have a proven, efficient network of process servers around the UK and abroad ready to be deployed on behalf of our clients.

Should you have any questions about the services we offer and / or our fees then please don't hesitate to contact us.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Farrington'.

**John Farrington MABI  
Managing Director  
PDQ Process and Investigations Limited**



## Menu

### Press release

## Improved help for people struggling with problem debt

---

**From:** The Insolvency Service (<https://www.gov.uk/government/organisations/insolvency-service>)

**First published:** 15 January 2015

**Part of:** Borders and immigration (<https://www.gov.uk/government/topics/borders-and-immigration>)

Plans to enable easier access to debt relief for financially vulnerable people have been announced by Business Minister Jo Swinson.



The changes will allow approximately 3,600 more people a year with problem debt to enter into a Debt Relief Order (DRO) – a low cost alternative to bankruptcy for those with very low assets and income and debt which they are unable to pay. The maximum amount of debt that can be covered by these plans will increase from £15,000 to £20,000.

The government is also increasing the minimum level of debt for which someone owed money can force a person into bankruptcy from £750 to £5,000. The limits were last revised in 1986.

The changes come against a background of falling insolvency numbers since 2010.

Business Minister Jo Swinson said:

“ Struggling with unresolvable debt can cause immense stress for families. These changes will ensure that our debt relief schemes are updated so that they still meet their original goal of providing access to those who need them. They also ensure that bankruptcy, which has the most significant consequences, is reserved for those with sizeable debts.”

“ As always, it is important for people struggling with their debts to seek early advice from National Debtline (0808 808 4000) or other advisors. The changes announced today give them a better chance of escaping from the spiral of indebtedness so they can rebuild their lives.”

The Insolvency Service sought views from industry, debt charities and other interested parties on the operation of DROs and bankruptcy debt threshold last year.

Evidence showed that DROs help some of the poorest and most vulnerable people in society make a new start and improve their mental well being. The new changes will allow more people to get resolution when faced with debts they cannot pay.

The changes will not disadvantage those owed money because eligibility for a DRO will continue to be restricted to those with very low realisable assets and therefore no realistic ability to repay their debts.

Respondents also thought that the debt that can trigger bankruptcy through the courts were disproportionate, as people can be put through the most serious of debt recovery action for a debt as small as £750. There are also other ways for those owed money to recover their debts such as action in the small claims court or attachment to salaries.

Changes announced today include:

- Bankruptcy creditor petition level to be increased to £5,000 from £750
- DRO limits raised to £20,000 enabling some 3,600 more people with low level debt to use DROs instead of the more expensive and onerous bankruptcy process
- DRO asset limits raised to £1,000, plus a vehicle (worth not more than £1,000)
- The maximum surplus income a person can have to qualify for a DRO will remain at £50 per month
- A light touch monitoring of the intermediaries to maintain consistency.

The changes come as a survey of DRO users showed 96% would have been unable to deal with their debts without DROs, and 79% said the process had a positive impact on their mental health.

Joanna Elson OBE, chief executive of the Money Advice Trust, the charity that runs National Debtline said:

“ We are pleased that these new changes will enable us to help more people who are struggling with problem debt. Increases in the debt and asset thresholds for Debt Relief Orders are a welcome step in the right direction, and we are particularly pleased to see more protection from bankruptcy for people with smaller debts.”

“ This announcement also gives us a good opportunity to raise the profile of Debt Relief Orders and to encourage more people who are struggling to cope with debt to seek the free advice they need.”

“ At the Money Advice Trust we hope that this will come to be seen as a good first step towards the wider review of debt solutions that we have been calling for. We have to ensure that a viable debt solution is made available to every single person struggling to repay what they owe, and that no-one is allowed to fall through the cracks of a system that has evolved organically over several decades.”

Gillian Guy, Chief Executive of Citizens Advice said:

“ Today’s changes will help people who are in serious, unmanageable debt to find a way out. Raising the bankruptcy debt threshold and the debt relief order limit will increase options for people who would previously have had no choice but to declare themselves bankrupt.”

“ Citizens Advice has called for both of these changes in order to protect people who might otherwise have been forced into losing their home, car, business or job over debts worth as little as £750. Under the new rules, creditors cannot begin bankruptcy proceedings until the amounts owed are much higher. More people will be able to make a fresh start by getting a DRO instead of having to file for bankruptcy, which is often more expensive way of dealing with debt.”

Matt Barlow CEO of debt charity Christians Against Poverty said:

“ Currently, more than a third of our clients, many of whom are vulnerable, are too poor to go bankrupt. They have too much debt to access a debt relief order and they have too little money to afford bankruptcy fees. They are stuck - literally too poor to go bankrupt, which struck us as a real injustice.”

“ The limit of £15,000 of debt was set in 2009 so we’re delighted the Insolvency Service have brought this bang up-to-date and we’re pleased to hear it will be reviewed again in 2017. We had campaigned for the limit to rise to £30,000 which would have seen more than half of our clients able to afford this debt solution. However, the line had to be drawn somewhere and £20,000 is a good start.”

Giles Frampton, president of R3, the insolvency trade body, said:

“ We are really pleased the Government has listened to the concerns of the insolvency profession and others about Debt Relief Orders and bankruptcy.”

“ Insolvency solutions can often be a suitable way for heavily indebted individuals to deal with their debts but it is important that people are in the type of debt solution most appropriate for their situation. The changes will make it much easier for indebted individuals to deal with their debts effectively.”

“ The rise in the creditor bankruptcy petition threshold is welcome, although £5,000 is far higher than expected. It is right that the petition be increased: £750 was an entirely inappropriate level and the protection it offered debtors had been steadily eroded by inflation over the last three decades.”

“ The rise in the petition threshold will require creditors to look at other options for the pursuit of low value debts. While a bankruptcy petition is not always the most proportionate tool for this, it’s very important that the insolvency regime maintains a balance between protecting the interests of both debtors and creditors. How the new threshold works in practice should be monitored closely.”

The changes will be subject to Parliamentary scrutiny before coming into force in October 2015.

## Notes to editors

1. There have been 140,861 DROs since 2009.
2. In 2013/2014 26,876 orders were made and 310 were revoked for a variety of reasons including exceeding asset limits.
3. The Call for Evidence and the analysis of responses can be found at:  
<https://www.gov.uk/government/consultations/insolvency-proceedings-review-of-debt-relief-orders-and-the-bankruptcy-petition-limit> (<https://www.gov.uk/government/consultations/insolvency-proceedings-review-of-debt-relief-orders-and-the-bankruptcy-petition-limit>)
4. Debt relief orders (DROs) came into force on 6 April 2009 and apply in England and Wales only.
5. The aim of DROs was to provide debt relief to those excluded from existing procedures – those with low levels of debt with no ability to pay off those debts due to low income and asset levels and without the means to enter bankruptcy. It was also designed to support the financial rehabilitation of debtors as its low cost provided debtors with an incentive to address their debt issues earlier. By having strict entry conditions DROs aimed to maintain the right of creditors to collect against their debts where debtors were able to pay.
6. DROs are an administrative rather than a court based procedure and only debts included (scheduled) in the DRO are subject to the protection from creditors during the course of the DRO and the debts are discharged after the DRO ends which is normally after 12 months.

## Share this page

- Share on Facebook (<https://www.facebook.com/sharer/sharer.php?u=https%3A%2F%2Fwww.gov.uk%2Fgovernment%2Fnews%2Fimproved-help-for-people-struggling-with-problem-debt>)
- Share on Twitter (<https://twitter.com/share?url=https%3A%2F%2Fwww.gov.uk%2Fgovernment%2Fnews%2Fimproved-help-for-people-struggling-with-problem-debt&text=Improved%20help%20for%20people%20struggling%20with%20problem%20debt>)