

# Factsheet

## Debt relief orders

### What's a Debt Relief Order (DRO)?

A Debt Relief Order is a type of insolvency which helps people who:

- Owe fairly small amounts of money
- Have little or no disposable income or assets to repay what they owe
- Can't afford to make themselves bankrupt
- Need help to bring their finances under control



### Who's eligible to apply for a DRO?

You're only eligible for a DRO if you meet all of the following conditions:

- You're a resident in England or Wales;
- You're unable to pay your debts;
- You owe no more than £50,000 of eligible debts
- You have no more than £4,000 in gross assets but, if you have a car or other vehicle, it must be worth less than £4,000
- Your disposable income must not be more than £75 a month, after deducting tax, national insurance contributions and normal household expenses;
- You must not have had a DRO in the last 6 years;
- You must not be involved in any other formal insolvency procedure at the time you apply for a DRO.

### Can all my debts be included?

Not all debts can be included in a DRO. You'll still be liable for:

- Court fines, confiscation orders and any payments due under a Child Support maintenance assessment;
- Student loan obligations;
- Secured debts, as a DRO does not affect the rights of secured creditors to deal with their security;
- Any liability to pay damages for personal injury;
- Repayment of any benefit overpayments incurred as a result of fraud;
- Social Fund loans.

### How much does it cost?

From 06 April 2024, you don't need to pay for a DRO – there's no application fee.



## What happens after my DRO has been approved?

Creditors listed in the DRO can't take any action to recover or enforce their debts against you for a period of time, usually 12 months – this is known as the moratorium period.

If there's no change in your circumstances during the moratorium period, the listed debts will be written off and your creditors can no longer demand payment. This usually happens at the end of 12 months.

If your circumstances change enough in those 12 months for you to make payments to your creditors, the Official Receiver may decide to terminate your DRO.



## Are there any restrictions while I am subject to a DRO?

- If you wish to obtain credit of £500 or more, you must first tell the lender that you're subject to a DRO;
- You can't continue to run a business in a name which is different from the name your DRO was granted to, unless you first tell everyone you do business with of the change;
- You may not be involved in the promotion, management or formation of a limited company, nor act as a company director, without the Court's permission;
- You will not be eligible to apply for a DRO again for 6 years.
- If the Official Receiver decides that you've been dishonest before or during your DRO, or that you're otherwise to blame for your position, they may apply to the Court for an order that you continue to be subject to the restrictions of a DRO for up to 15 years.

## What if I incur more debts after being granted a DRO?

DRO's deal with your debts at the date your DRO was approved and are intended to give you a fresh start and the opportunity to manage your finances more carefully in future.

**If you incur new debts, this could result in:**

- A bankruptcy order;
- Prosecution if, when you incurred debts, you didn't disclose that you were subject to a DRO.



## Can I get help applying for a DRO?

Our Money Advisers are trained DRO intermediaries and are here to give you advice and support and can help you to apply for a Debt Relief Order if it is suitable for you.

If you'd like any more information, you can get in touch with us on **0345 60 20 540**.



If you have any other questions, you can contact our **Money Advice Team** by calling into our Hub on **0345 60 20 540** and we'll be able to refer you.