

DEBT RELIEF ORDER (DRO)

A Debt Relief Order is a strategy you can use to address your debts. It is a type of insolvency.

Qualifying conditions are:

- Your debts do not total more than £15,000
- Your available income after allowing for normal living expenses is under £50.00 per month
- You do not have any assets worth more than £300.00
- This includes a non-state pension fund from which you are not yet receiving income
- One vehicle worth less than £1,000 is ignored

The effect of a DRO is to put a moratorium (a 'hold') on qualifying debts for 12 months. You do not need to make any payments and your creditors cannot take any action against you. At the end of the moratorium period these debts will be written off.

Notice of a DRO is recorded on your credit reference file, where it would remain for 6 years and during this time will affect your ability to obtain mainstream credit. The DRO will also be registered on the Insolvency Register until 3 months after the end of the moratorium period.

During the moratorium period you cannot obtain credit for over £500 without disclosing your DRO. Any debts that are not listed in your application or that you incur after your DRO is made are not covered. The Insolvency Service will carry out checks for each application.

During the moratorium period you must inform the Insolvency Service of any changes in your circumstances. If these changes make a difference to your qualifying conditions, the DRO may be revoked (cancelled).

The application for a DRO must be made through an 'approved intermediary', usually a debt adviser.

The cost of applying for a DRO is £90.00. This can be paid in instalments over up to 6 months but the application will not be processed before full payment has been made.

Depending on the policies of individual banks, you may not be able to continue using your normal bank account but it is possible to obtain basic banking facilities.

Recovery of benefits overpayments through a deduction from your ongoing benefit award should cease once the moratorium finishes. This only applies if the overpayment was not due to fraud.

Only the amount of debt included in the application will be covered by the DRO. You must ensure that the amounts outstanding are correct or creditors can pursue you separately for the difference.

This factsheet is only an overview. Do not rely on it as a complete statement of the law.

If you have any queries please contact us on 0117 954 3990 for further advice and information.