

## Administration Orders – Pros and Cons

An AO is a repayment plan arranged by the Courts in England, Wales and Northern Ireland, for individuals with less than £5,000 of total debt and one or more court judgments.

### Pros

- You only need to make one affordable repayment each month to the court and they will share this (minus their fee of 10%) among your creditors.
- Your repayment amount is calculated to ensure you are left with enough money to cover your household bills each month.
- If your financial circumstances change for the worse, you can apply for your payment amount to be reduced.
- You will have control over your assets in an Administration Order.
- You apply by filling form N92, which will be available from your local county court. This form and guidance notes are also available online at [www.justice.gov.uk](http://www.justice.gov.uk).
- Once you enter into an AO, you are legally protected from your creditors trying to recover debts. Until such time if you currently have any recovery or legal action this may not be suspended or withdrawn. If legal action starts to recover debts prior to the commencement of the order this may result in further cost to you.
- You can make a request to court to leave debts outside of the AO, for example, mortgage arrears and rent arrears.

### Things to consider

- There is a monthly fee of 10% taken from your monthly payment prior to money being distributed to your creditors
- Your AO will last until all of your debts have been repaid in full. Should your circumstances change, your case may be reviewed. This may include changing your payments.
- Your repayments into an AO will be lower than your contractual repayments. This means that the period over which you will repay your debts will be extended.
- The court may decide to take your monthly payments through an 'attachment of earnings' (Enforcement of Judgements Office in Northern Ireland), which comes straight out of your wages. Your employer would therefore be aware of your AO.
- You can only have an AO if you have one or more Court Judgments and owe less than £5000 in total to your debts.
- The AO may not be approved by your creditors. If this is the case you will need to consider alternative solutions.
- An AO may impact your employment; we always recommend checking your employment contract. Until your AO has been discharged, you will not be permitted to hold certain public offices. You will also not be able to continue as the director of a limited company. If you have concerns regarding the specifics of your employment contract please seek independent advice on this matter.
- If you are self employed the adverse affect on your credit rating of an Administration Order may consequently impact on your business.
- Administration orders will adversely affect your credit rating.
- Missed payments could result in failure of your AO, meaning your creditors can contact you again and your credit rating will be further affected.
- Your creditors will share the amount that you are paying with credit reference agencies. If you are paying less than the required monthly payment, then you will find it harder to get further credit.
- Only debts included in the AO will receive money when you make a payment via the order. Any debts outside of the order will need to be paid separately.
- If your debts are guaranteed by another person, the creditor may contact that person for additional payments. Please ask any person guaranteeing your debts to seek independent advice if they need to discuss this matter.
- If your debts are jointly held with another person, your creditor may contact that person for additional payments. Please ask any person jointly responsible for your debts to seek independent advice if they need to discuss this matter.
- There are risks of failing to continue to pay priority bills which could result in loss of access to essential goods or services or repossession of, or eviction from, your home. A list of these bills and potential consequences of non payment is given below:

<b>Priority Bill Type</b>	<b>What if you don't pay?</b>
Mortgage or secured loan	Lose your home
Rent	Lose your home
Council Tax	Visit from Bailiff, money taken from wages, imprisonment, bankruptcy, debt secured against your home (homeowners only), money taken from benefits
Child maintenance	Visit from Bailiff, money taken from wages, imprisonment, money taken from benefits
TV licence	Fine
Magistrate's Court fine	Visit from Bailiff, money taken from wages, imprisonment, money taken from benefits
Tax, VAT or National Insurance	Visit from Bailiff, money taken from wages, bankruptcy, Court judgment
County Court judgment	Visit from Bailiff, money taken from wages, debt secured against your home (homeowners only)
Gas or electricity	Disconnection, Court judgment, money taken from benefits
Water	Court judgment, money taken from benefits
Hire purchase or logbook loan	Lose your goods, Court judgment
Telephone	Disconnection, Court judgment

- There are potential consequences of not continuing to make repayments under credit agreements or consumer hire agreements. This could include Court judgements, a visit from bailiffs, money taken from your wages or benefits, debt secured against your home (homeowners only) or a creditor petitioning for your bankruptcy (if you owe more than £5,000 to a single creditor).
- You should not ignore correspondence or other contact from lenders, and those acting on behalf of lenders, as this may result in the consequences listed above or lead to you incurring further costs