

## Debt Relief Order – Pros + Cons

A DRO is a legal procedure administered without court involvement by the Insolvency Service. An application for a DRO must be made through an approved DRO intermediary. If you would like any more information on a DRO we recommend you visit <https://www.gov.uk/government/organisations/insolvency-service>

### Pros

- The fee to enter into a DRO is relatively low at £90 and can be paid in monthly installments. However, your DRO cannot begin until the £90 has been paid.
- You will be discharged from all of the debts included in the DRO after a 12 month period.
- You will not be required to make any payment into the DRO beyond the initial £90 fee.
- You do not need to go to court to apply for a DRO.
- Creditor contact relating to debts included in the DRO will stop once the order has been made. Until such time if you currently have any recovery or legal action this may not be suspended or withdrawn.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.
- Outstanding personal tax liabilities can be included in a DRO.

### Things to consider

- You must have a total asset value less than £1,000 (£300 in Northern Ireland) in order to qualify for a DRO.
- If you own a car it must be valued at less than £1,000 in order to qualify for a DRO.
- A DRO may impact your employment; we always recommend checking your employment contract. Until you have 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 without permission from the court. 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 a DRO (See below 'Impact on credit rating' point) may consequently impact on your business.
- A DRO is a matter of public record - details of your DRO are listed on the Insolvency Service website, which the public can access.
- The DRO will negatively affect your credit rating for 6 years from the date that the order is made.
- You will have limited access to credit until your DRO has completed, which could mean that you pay higher rates of interest until your credit rating is restored.
- DROs do not cover mortgages and other secured debts, magistrate court fines, debts payable after personal injury claims and debts to a student loans company.
- Only debts included in the DRO will be discharged at the end of the 12 month period. Any other debts will remain outstanding.
- An improvement in financial circumstances during the DRO term (i.e. you no longer meet the strict entry criteria for a DRO) could result in the DRO being revoked, meaning alternative arrangements to repay debts would need to be made.
- If you have had a DRO in the last six years, are in an IVA, are going through bankruptcy proceedings or have bankruptcy restrictions, you cannot have a DRO.
- 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, County Court judgment (CCJ)
County Court judgment	Visit from Bailiff, money taken from wages, debt secured against your home (homeowners only)

Gas or electricity	Disconnection, County Court judgment (CCJ), money taken from benefits
Water	County Court judgment (CCJ), money taken from benefits
Hire purchase or logbook loan	Lose your goods, County Court judgment (CCJ)
Telephone	Disconnection, County Court judgment (CCJ)

- There are potential consequences of not continuing to make repayments under credit agreements or consumer hire agreements. This could include County Court judgements (CCJ), 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.