

DEBT RELIEF ORDERS

All the facts and how to apply



If you are struggling with debt you may be able to apply for a Debt Relief Order (DRO) to help manage the situation.

If you are living in Scotland where DROs do not apply, please contact our [Money Advice and Guidance Service](#) for information on options for dealing with your debts.

WHAT IS A DEBT RELIEF ORDER?

A DRO is a formal insolvency solution for individuals and allows you to 'write off' debts that are included in the application. A DRO lasts for approximately 12 months and details are held on the Insolvency Register for a total of 15 months. As this is a formal measure, your credit rating will be affected by an application.

Don't forget, you can also apply for breathing space through the Debt Respite Scheme, which gives you time to get advice on your debts and solutions. This will protect you from most types of enforcement and stop creditors from adding interest and charges for 60 days whilst you work out the next steps with your adviser.

How does it work?

A DRO creates a 'moratorium' which prevents creditors from taking any action against the applicant whilst the DRO is in place. The moratorium lasts for 12 months and all debts that are included in the application are written off when the DRO ends and the applicant is discharged.

You can only apply for a DRO through an 'approved intermediary' who is a specialist adviser trained to help you through the process of applying and submitting your application. Your adviser will be able to give you advice on whether you qualify for a DRO and look at whether there are any other suitable options for your situation.

The application is sent to the Official Receiver's office via an online system which is submitted by your adviser and is dealt with by the Debt Relief Order Unit, who will either approve or reject your application. If your application is approved, you will be subject to some restrictions for the period the DRO is in place.

Who Qualifies for a DRO?

There are some rules you will need to meet to qualify:

- Be an individual (you cannot apply jointly with another person)
- Live in England, Wales or Northern Ireland (or have lived or run a business in England, Wales or NI in the last three years)
- Have total debts of £50,000 or less at the time of your application
- Have assets of £2,000 or less (including some pensions)
- Not have a car or motorbike worth £4,000 (£2,000 in NI) or more
- Have disposable income of less than £75 per month
- Not have had a DRO in the last six years
- Not currently be in an IVA or already bankrupt
- Not be a homeowner

The main restrictions are:

- You must not take out credit of £500 or more without telling the lender you have a DRO.
- You cannot be involved with the promotion, management or formation of a limited company, or act as a company director without getting permission from the court.
- You cannot run a business in a different name without telling everyone you do business with the name you used for your DRO.
- You may not hold certain public offices.
- You cannot apply for a DRO again for six years.

HOW TO APPLY?

Applying for a DRO can only be done through an approved intermediary. Most of the larger agencies giving money advice will have advisers that are approved to offer this service. You will need to provide your adviser with information about yourself, your debts and assets.

They will need to complete some additional checks including credit reference checks and some basic valuation of assets. There is a fee of £90 for submitting an application which will need to be paid in full before the DRO will be approved.

Debts that can be included in your DRO

You cannot make an application if you have debts of over £50,000 but most debts can be included. You may need further advice on some debts like HP agreements and rent arrears as there are rules to consider before applying. If you do not include a debt in your DRO it will not be covered by any of the protections and will not be written off at the end.

Which debts are included?

Qualifying Debts

- Rent arrears
- Gas and electricity arrears
- Telephone arrears (if essential)
- Council tax
- HP and Conditional Sale arrears
- Water arrears
- Credit and store cards
- Overdrafts and bank loans
- Personal debts
- Parking fines
- Mortgage shortfalls
- Benefit overpayments (excluding fraud)

Excluded Debts

- Magistrates' court fines
- Maintenance / CSA / CMS payment and arrears
- Student loans
- Budgeting and crisis loans
- Money owed under a criminal confiscation order
- Debts resulting from personal injury claims

HOW WILL A DRO AFFECT ME?

If your DRO application is approved you will be subject to some restrictions:

- You may have a Debt Relief Restriction Undertaking/Order imposed on you which can increase the time you must abide by restrictions from between 2-15 years.
- Your bank account may be frozen.
- The DRO will be recorded on your credit file.
- The DRO will be recorded on the Individual Insolvency Register for the duration of the order plus a further 3 months.
- Your job could be affected.
- Your tenancy could be affected.

Change of circumstances

You must tell the official receiver if your circumstances change after you have applied for a DRO, and give them the information about your finances if they ask for it.

If you receive a lump sum or get a pay increase you should inform them as they are able to revoke an order and even take criminal/civil action against you if you do not.

Any changes which mean that you no longer meet the criteria may also mean that your DRO is revoked.

If you would like further information, or would like to consider applying for a Debt Relief Order, you can [apply now](#) and speak to our money advisers, or call our helpline on 0800 056 2424