

No assets

**Assets** 

No

equity

or other

assets

**Equity** 

or other assets

Tenant

or

boarder

Home

owner

Available

income

No

available

income

## **Strategies for Dealing with Debt**

This flow chart illustrates options for dealing with debts based on different client circumstances. It is intended as a basic guide and more detailed references should always be checked and consequences considered.

## Options

- Ask for breathing space. Informal arrangement such as pro-rata offers of payment to creditors.
- DMP through free provider (usually only if can repay debt in reasonable time).
- IVA has no minimum or maximum level of debt, but due to fees only likely to be appropriate if owe more than £10,000 and have two or more creditors.
- Bankruptcy with possible income payments agreement.
- Debt relief order if debts £20,000 or less, total assets of £1,000 or less (plus a vehicle worth less than £1,000) and available income of £50 per month or less.
- Administration order if owe under £5,000 and have a CCJ or HCJ. Consider a composition order.
- Unsecured consolidation loan. Watch out for high interest rates.
- Ask for breathing space. Moratorium or token offers of payment to creditors.
- Bankruptcy (but check if a DRO is more appropriate).
- Debt relief order if debts £20,000 or less, total assets of £1,000 or less (plus a vehicle worth less than £1,000) and available income of £50 per month or less.
- Administration order if owe under £5,000 and have a CCJ or HCJ, based on small token monthly payment with composition order.
- Ask creditors to write off the debt.
- Ask for breathing space. Informal arrangement such as pro-rata offers of payment to creditors.
- DMP through free provider (usually only if can repay in reasonable time).
- IVA has no minimum or maximum level of debt, but due to fees only likely to be appropriate if owe more than £10,000 and have two or more creditors. Beware how assets will be treated.
- Bankruptcy with possible income payments agreement (but may lose assets).
- Administration order if owe under £5,000 and have a CCJ or HCJ. Consider a composition order.
- Sale of assets. Full and final settlement using assets.
- Unsecured consolidation loan. Watch out for high interest rates.
- Ask for breathing space. Moratorium or token offers of payment to creditors.
- Bankruptcy (but may lose assets though not home).
- Administration order if owe under £5,000 and have a CCJ or HCJ, based on small token monthly payment with composition order.
- Sale of assets. Full and final settlement or lump-sum IVA using assets.
- Ask for breathing space. Informal arrangement such as pro-rata offers of payment to creditors.
- DMP through free provider (usually only if can repay in reasonable time).
- IVA has no minimum or maximum level of debt, but due to fees only likely to be appropriate if owe more than £10,000 and have two or more creditors.
- Bankruptcy with possible income payments agreement. Beware as equity might increase over the three years.
- Administration order if owe under £5,000 and have CCJ or HCJ. Consider a composition order.
- Unsecured consolidation loan. Watch out for high interest rates.
- Ask for breathing space. Moratorium or token offers of payment to creditors.
- Bankruptcy with no income payments order. Beware as equity might increase over the three years.
- Administration order if owe under £5,000 and have a CCJ, based on small token monthly payment with composition order.
- Ask for breathing space. Informal arrangement such as pro-rata offers of payment to creditors.
- DMP through free provider (usually only if can repay in reasonable time).
- IVA has no minimum or maximum level of debt, but due to fees only likely to be appropriate if owe
  more than £10,000 and have two or more creditors. Beware equity release clause and inclusion of
  other assets.
- Administration order if owe under £5,000 and have a CCJ or HCJ. Consider a composition order.
- Secured or unsecured consolidation loan. Watch out for high interest rates. Secured loan puts property at greater risk.
- Sale of assets. Full and final settlement using assets.
- Bankruptcy with possible income payments agreement. Assets and home may be sold.
- Ask for breathing space. Moratorium or token offers of payment to creditors.
- Administration order if owe under £5,000 and have a CCJ or HCJ, based on small token monthly payment with composition order.
- Release equity through selling home (including downsizing).
- Sale of assets. Full and final settlement or lump-sum IVA using assets.
- Bankruptcy but assets and home may be sold.

Compiled by Meg van Rooyen, Policy Manager, Money Advice Trust. Updated October 2015.





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