ACCOUNTANT
IN BANKRUPTCY
SCOTLAND'S INSOLVENCY SERVICE

Bankruptcy information document

Key facts about personal bankruptcy in Scotland

About this guide

This booklet explains what bankruptcy is and what it could mean for you.

It provides the information you need to understand if you are thinking about bankruptcy, or if you have been made bankrupt by someone you owe money to (a creditor).

What is bankruptcy?

Bankruptcy is the legal way to deal with debts you cannot pay.

It can:

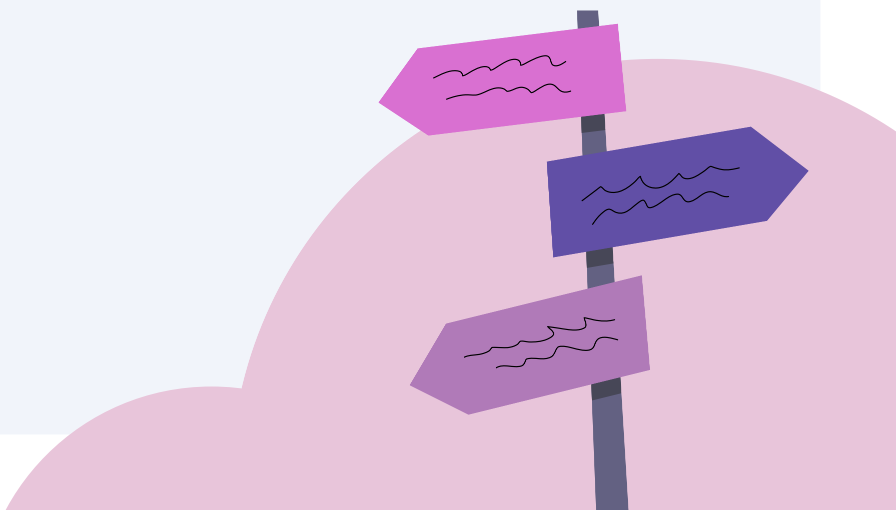
- write off your debts
- stop creditors from chasing you

But it also:

- affects the things you own
- impacts how you manage your money
- places your name on a public register for a set time
- affects your credit rating for several years

Before you decide, it's important to get advice from a professional.

A money adviser or insolvency provider can talk you through your options and help you decide if bankruptcy is the right choice for you.



How do I apply for bankruptcy?

You apply for bankruptcy through an approved money adviser or insolvency practitioner.

In some cases, creditors can ask the court to make you bankrupt.

There are two types of bankruptcy:

1. Minimal Asset Process (MAP)

Suitable if you:

- owe less than £25,000
- have no disposable income
- own things worth less than £2,000 in total, with no item over £1,000

Key points about MAP:

- no application fee
- expected to last six months, with restrictions in place for a further six months

2. Full administration

Suitable if you:

- owe £3,000 or more
- do not qualify for MAP because of your income or value of things you own

Key points about full administration:

- £150 application fee (waived if you receive certain benefits or an assessment shows you cannot afford it)
- expected to last for 12 months
- you may be asked to make regular payments for four years, (unless you receive benefits or an assessment shows you cannot afford to)

To apply for either type, you must live in Scotland or have an established place of business in Scotland.

Your money adviser or insolvency practitioner will guide you through the application process.

Your trustee

When you are made bankrupt, a trustee is appointed to help guide you through the process and manage your bankruptcy.

This will be either Accountant in Bankruptcy (AiB) - a Scottish Government agency, or a private insolvency practitioner.

Your trustee will:

- assess your financial situation
- deal with any assets you own (which may include selling them)
- collect regular payments from your income if you can afford to make them

It's important that you stay in touch with your trustee and be honest with them. If you do not, your bankruptcy could last longer or lead to legal action against you.

Your trustee may require you to complete a short financial education course if they believe it would benefit you.

What happens to my debts?

Most unsecured debts such as council tax arrears, overdue utility bills, credit cards and loans will usually be included in your bankruptcy. These debts will be cancelled when your bankruptcy ends.

Specific debts including student loans, fines and debts incurred through fraud cannot be included. These remain your responsibility to pay.

You must include all debts in your application.

Will my creditors still contact me?

Once you are bankrupt, some creditors may still send general letters and statements.

However, they cannot:

- add extra fees or interest
- demand payment
- harass or threaten you

If anything like this happens, let your trustee know. They can contact creditors directly to make sure this stops.

What happens to the things I own?

Things you own (known as assets) may need to be sold to help pay your debts. This includes (but is not limited to):

- property
- vehicles
- policies

You can normally keep:

- everyday household items
- clothes
- tools needed for work
- low-value vehicles

If something needs to be sold, your trustee will discuss this with you and explain your options.

You must tell your adviser and trustee about everything you own or have owned in the last 5 years. This includes items you have given away or transferred.

If you have something on hire purchase, check the agreement before applying, as bankruptcy may affect it.

If you hide any of this information from your trustee, they may take legal action against you.

Will I have to pay anything each month?

In MAP, there is no monthly payment.

In full administration, you may have to make a regular payment for four years. This is called a Debtor Contribution Order (DCO).

If you miss any payments, money may be taken from your wages or bank account, and your bankruptcy could last longer.

If your income changes, always tell your trustee.

Will bankruptcy affect my job or business?

Most jobs are not affected by bankruptcy. However, some professions, especially in finance, may have rules about bankruptcy.

If you run a business, bankruptcy limits your ability to be involved in a limited company or act as a company director.

Speak to your employer, money adviser or trustee if you are unsure.

What about my bank account?

If you are bankrupt, your bank may switch you to a basic account, remove your overdraft or sometimes even close your account.

If this happens, you can still open a basic account with another bank. Your trustee can help you find an alternative.

Will it affect how I pay my energy bills?

Some providers might change how you pay to avoid getting into more debt. This might include installing a pre-paid meter or asking for payment in advance.

If you are unsure how this might affect you, speak to your provider.

Will my name be on a public register?

Yes, your name and bankruptcy details will be listed on the Register of Insolvencies for the duration of your bankruptcy.

Your details will normally be removed 12 months after your trustee is discharged.

However, If you do not comply with your trustee, your details may remain on the register for longer.

How does bankruptcy affect my credit score?

Bankruptcy has a big impact on your credit score and will stay on your credit file for six years.

During this time, you may find it harder to borrow money or access certain financial products. Loans you are offered will likely have a higher interest rate.

Does bankruptcy affect visas, immigration applications or working abroad?

Bankruptcy may affect visa or immigration applications in the UK and other countries.

Check with a money adviser or the relevant immigration authority before applying for bankruptcy.

Can I borrow money during bankruptcy?

You can, but is generally not advised.

If you want to borrow £2,000 or more while bankrupt, you must tell the lender that you are bankrupt.

If you do not tell them, you are committing a criminal offence.

What if my situation changes during bankruptcy?

If anything in your life changes, it is important to tell your trustee as soon as possible.

Especially if:

- your income changes
- you start or lose a job
- you receive money, such as inheritance or compensation

Your trustee can adjust your payments and use additional money to pay your debts.

What if I feel overwhelmed?

Bankruptcy can be stressful and it's normal to feel anxious or worried. If you feel it's affecting your health, you might find it helpful:

- talking to your trustee
- having a chat with your doctor
- contacting Breathing Space or other mental health support services
- checking mygov.scot for information on understanding mental health

When does my bankruptcy end?

MAP bankruptcy

You will be discharged after 6 months if you meet all the conditions and cooperate with your trustee.

Full Administration bankruptcy

You will be discharged after 12 months if you meet all the conditions and cooperate with your trustee. Contribution payments may continue for another 3 years.

Your trustee will contact you prior to this to explain what happens next.

What happens after my discharge?

After your discharge, your bankruptcy is not finished. You must continue to cooperate with your trustee until they confirm all matters are resolved.

Any money collected during your bankruptcy is used to pay:

- administration costs
- trustee fees
- the people you owe money to (creditors)

Your trustee will let you know when your case is ready to be closed. Depending on how complicated your case is, this may take some time.

Can my bankruptcy end sooner?

Your bankruptcy can end earlier if you:

- can pay all your debts (including trustee's fees and outlays), or
- can show that you should not have been made bankrupt by a creditor

This is called recall.

If you think this might apply to you, your trustee can explain how recall works.

What if I die during bankruptcy?

If you pass away while you are bankrupt, the process will continue. Your estate (the things you owned) will be used to pay:

- trustee fees and outlays
- the people you owe money to (creditors)

Once this is completed, any money left will go to your beneficiaries.

Not happy with how your case is being managed?

If you are worried or have concerns about your bankruptcy, you can:

- talk to your trustee
- make a complaint to Accountant in Bankruptcy.

AiB's complaints handling procedure explains the process and how long you have to raise your concerns.

Further help and support

Money worries can be stressful, but you do not have to deal with them on your own. Free help and advice is available.

Money Advice

Mygov.scot offers a range of resources, including:

- where to find free debt advice
- information on debt and money
- a guide to applying for bankruptcy

Mental health and money

- mental health and money: mygov.scot
- money worries and mental health: NHS

Accountant in Bankruptcy resources

- debt solutions comparison table - compares debt solutions in Scotland
- are you in debt? - information on debt solutions in Scotland