**What is bankruptcy?**

Bankruptcy is a form of insolvency and is normally only suitable if you can’t pay back your debts in a reasonable time. When you go bankrupt almost all of your debts are written off. Deciding to go bankrupt is a big step that involves fees and can impact different areas of your life, such as your job or home.

**Is bankruptcy right for you?**

1. A bankruptcy might mean you have to sell you house. You said you {{home\_will}}

2. The cost of bankruptcy is relatively high(£680). You said {{cost\_will}}

3. Bankruptcy will affect your credit rating. You said {{credit\_will}}

**What are the advantages of bankruptcy?**

• When the bankruptcy order is over you can make a fresh start. Usually this happens after one year.

• You do not have to deal with your creditors. You are allowed to keep certain things known as exempt goods. For example, everyday household items, tools you need to do your job, a car if you need it to get to work and it's not worth more than £2,000.

• You are allowed to keep some of your income. But you will probably have to live on less money than usual.

• If you have to make payments from your income, this can only be for 3 years. You will not have to make payments if your only income is from welfare benefits

• Creditors have to stop most types of court actions to get their money back following a bankruptcy order.

• You won't have to pay back the debts that bankruptcy covers.

**What things you need consider seriously if you apply for bankruptcy?**

• You may lose your home if you have any equity available (by title or beneficial interest).

• You may be asked to sell your car or trade down for a less expensive model.

• Until your bankruptcy is discharged you may find it difficult to obtain, or change, a mortgage.

• Some professional bodies, such as chartered accountants or solicitors, may have rules prohibiting membership and you cannot enlist in the armed forces as an undischarged Bankrupt.

• The court may enforce an ‘income payments order’ for three years if it deems it necessary.

• Your credit rating will be affected.

• The cost of bankruptcy is high, £ 680 pounds.

**What debts are not included in a bankruptcy?**

The following debts will not be cleared by a bankruptcy. You’ll need to keep paying these.

• Child maintenance arrears if the arrangement was set by the CSA or Child Maintenance Service

• Criminal fines, compensation orders and victim surcharges from a magistrates’ court or crown court

• Debts you take out after the date of your bankruptcy order

• Debts taken out fraudulently, for example benefit fraud

• Mortgages and other debts secured against your home if you want to keep the house

• Social Fund loans

• Student loans

• TV License arrears

• Court orders telling you to pay compensation to someone for personal injury

• Payments ordered by a court as part of family proceedings, for example in divorce cases