

Title:

Bankruptcy - Not For The Faint Hearted

Word Count:

407

Summary:

Inability or impairment of ability of individuals or organisations to pay off their creditors is known as bankruptcy. Normally individuals and business establishments initiate the process of bankruptcy but sometimes a group of creditors can ask for a declared state of bankruptcy in order to recover money owed to them.

The law of bankruptcy serves the primary purpose of giving a second chance to the honest debtors by relieving them from most of the debts and to enable the d...

Keywords:

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Article Body:

Inability or impairment of ability of individuals or organisations to pay off their creditors is known as bankruptcy. Normally individuals and business establishments initiate the process of bankruptcy but sometimes a group of creditors can ask for a declared state of bankruptcy in order to recover money owed to them.

The law of bankruptcy serves the primary purpose of giving a second chance to the honest debtors by relieving them from most of the debts and to enable the debtors to repay the portions of the debts with their available financial resources.

To keep the financial ship from sinking, declaring bankruptcy should be treated as an absolute last resort. This emotionally difficult choice can be carried out through a relatively simple process. Information detailing property, income, creditors and debts should be provided to the court and further collection efforts by the creditors is prevented by the issuance of a notice by the court to the creditors.

Child support, alimony, recently accrued back taxes, loans availed by students, large purchases made recently and penalties or fines of government agencies

cannot be evaded by filing bankruptcy.

A negotiation with the creditors to reduce the extent of monthly payments should be explored prior to filing bankruptcy.

Non-exempt assets which can be divided among the creditors are permitted by the laws of bankruptcy. In addition, the bankruptcy declaration permits the debtors to be discharged from most of the financial obligations even if debts are paid in full after the distribution of non-exempt assets. Through a legally binding "Stay" the debtor is protected from extra bankruptcy action by other creditors. The creditors cannot demand payment, garnish wages or continue with lawsuits.

In its strictest legal sense, bankruptcy relates only to partnerships and individuals in the United Kingdom. Even though various different procedures such as administrative receivership, administration or liquidation are followed in the cases of companies and corporations, it is often wrongly referred as bankruptcy in general conversation and by media.

A licensed insolvency practitioner or a civil servant (official receiver) is usually appointed as a Trustee in bankruptcy cases.

After the introduction of Enterprise Act 2002, a bankruptcy in United Kingdom normally can not last longer than 12 months or less if the Official Receiver files a certificate in the court stating that the investigation is complete.

After the liberalisation of the bankruptcy regime by the Government it is expected that bankruptcy cases will increase.

Find more info at <http://www.onlinebankruptcyresource.info>