

*These notes refer to the Debt Relief Act (Northern Ireland)  
2010 (c.16) which received Royal Assent on 15 December 2010*

# Debt Relief Act (Northern Ireland) 2010

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## **EXPLANATORY NOTES**

### **BACKGROUND AND POLICY OBJECTIVES**

3. The procedures under the current law which individuals can use to free themselves from burdensome debts can only be accessed by those with funds or assets which can be sold to raise funds.
4. Individuals unable to pay their debts as they fall due can attempt to set up an individual voluntary arrangement under Chapter 2 of Part 8 of the Insolvency (Northern Ireland) Order 1989 (“the 1989 Order”). This will give them extra time to pay their creditors in full or in part. An arrangement is only feasible if the individual has assets which can be sold to raise money, or income over and above what they need to live on which they can use to pay their creditors by instalment.
5. Individuals who have no prospect of being able to pay their debts can petition the Northern Ireland High Court to be declared bankrupt. A Bankruptcy Order gives protection against action by creditors for a one year period, at the end of which the individual will, subject to certain exceptions, be fully discharged from liability for their debts.
6. Individuals petitioning to be made bankrupt have to pay a £345 deposit to the Department, and if they are in employment, a £115 fee to the Court.
7. Those who can neither fund an individual voluntary arrangement nor afford the cost of petitioning for bankruptcy are left without access to a remedy which they can use to free themselves from a lifetime burdened by debt they have no reasonable prospect of being able to pay.
8. A Debt Relief scheme was brought into operation in England and Wales on 6 April 2009 to assist individuals in this position. This scheme enables individuals who cannot afford to petition for bankruptcy to apply instead to the Official Receiver for a Debt Relief Order provided they meet certain eligibility conditions (in Northern Ireland the Official Receiver is an official of this Department and an officer of the Court). A Debt Relief Order has similar effect to a Bankruptcy Order made by the Court but costs substantially less.
9. The Debt Relief scheme is not simply tantamount to a cheaper form of bankruptcy as it does not involve the distribution of an estate.

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10. The fact that the current remedies for debt in Northern Ireland can be outside a debtor's financial reach means that there is a need for a similar scheme in Northern Ireland.
11. A further matter is that the Department wishes to acquire specific statutory power to enable it to provide information and advice to the public on debt relief and related matters. The Department intends to undertake this function by engaging organisations specialising in provision of debt advice to act on its behalf under contract, or to be able to provide them with financial assistance for the purpose.