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On the 6th April 2009 a new form of insolvency was introduced the Debt Relief Order (DRO). DRO is an alternative to bankruptcy that can provide people with low incomes and few assets with a way to get out of paying their debt in pretty much the same way as a bankruptcy order.

A DRO applies to consumers and sole traders. Therefore a business owner that is a sole trader can also avoid paying their trade debts by applying for a DRO.

DROs are aimed at people with no assets and a low income with no other access to debt relief and no prospect of the situation improving, the Insolvency Service website states.

'If people do have assets or there is a possibility of an improvement in financial circumstances, a DRO is not an appropriate solution and other debt remedies are available'

To qualify an applicant must prove that they: -

- Can't pay their debts.
- Owe £15,000 or less.
- Have less than £50 of disposable income per month.
- Don't own assets of less than £300 (in some circumstances excluding a car).
- Aren't currently involved in another insolvency procedure.
- Haven't been the subject of a debt relief order in the past six years.

While a DRO will help those that deserve it my concern is it will also help those that don't. Looking at the criteria above a fraudster can engineer their situation so as to qualify for a DRO in a deliberate attempt to avoid paying their debts. Indeed at just £90 a DRO is much cheaper than bankruptcy proceedings with the same result because a DRO lasts 12 months and on completion all debts listed in it will be written off. Although it is an offence to give false or misleading information in an application, I'm not convinced there are adequate measures in place to spot fraudsters. Even so it is always a difficult task and the more relief you give to debtors the more scope you give to fraudsters to exploit the system.

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