**Debt Relief Orders (DROs) and Bankruptcy Orders**

This guidance focuses on DROs because that’s what we receive most of the time. There is a brief note about bankruptcy orders at the end, so you know what to do if you receive one, but we seldom come across them. Both types of order remain on a person’s credit record for six years and can have a severe impact on credit ratings.

**Debt Relief Orders**

Debt Relief Orders (DROs) can help someone deal with their debts if they owe less than £30,000, capital of less than £2,000 and do not have much spare income. A DRO freezes qualifying debts for 12 months, after which time they can be written off.

**What to do when you receive notification of a DRO:**

* Check the rent arrears figure in the DRO application’s ‘schedule of creditors’ against the rent arrears on Northgate at date of the DRO approval to see if they match. If they don’t, contact the DRO Unit (DRO.Unit@insolvency.gov.uk), quoting the DRO reference and ask them to change the amount.
* Note the date of DRO approval and set a calendar reminder for 12 months later, when you will need to do the write off.
* Stop the **arrears** element of any direct deductions from benefits.

**What happens to rent arrears during the 12-month period?**

Qualifying debts are suspended, meaning that the tenant doesn’t have to pay anything towards them. The rent debt will notionally exist but will simply sit on the rent account. We cannot take debt enforcement action, but **ongoing** rent charges must be paid.

**Are there any exceptions?**

If a tenant’s circumstances change significantly during the 12-month moratorium period (e.g. a lottery win or inheritance so that they have capital of over £2,000, a well-paid job so that there is more than £74.99pcm available after essential bills and costs are paid) then the DRO will fail. The tenant will take back liability for the frozen debts. If the 12 months pass and a tenant’s circumstances stay the same throughout (or if there are minor/insignificant changes), the DRO will continue and be discharged.

**What happens if we have a possession order?**

If debt enforcement action had already been started and a possession order exists, a landlord can still apply to court for possession due to breach of contract. We have tended not to do this for people in genuine financial need, but every case should be decided on its merits and account should be taken of any other tenancy breaches, such as ASB.

**What happens at the end of the 12-month period?**

The DRO will be discharged, which means that the debts included in the DRO are not legally collectable. We should write off the amount of rent arrears which were outstanding at the date the DRO was approved.

**How to write off a DRO debt**

* Complete a write off application, using category 2 (statute barred debts). The process and form are on the Hub here: <https://ascpractice.camden.gov.uk/housing/money-rents-benefits/rents/write-off-policy/#main>.
* The amount you should propose for write off is the Northgate balance on the date of DRO approval.
* Add the DRO schedule of debtors document to your application.
* Add a rent statement, which includes the date the DRO was approved.
* Combine documents into one pdf and submit to karen.king@camden.gov.uk
* Once the write off has been authorised, advise the tenant.

**Bankruptcy Orders**

All qualifying debts incurred prior to the bankruptcy order should be written off straightaway.

**What to do if you receive notification of a bankruptcy order**

* Check the Northgate arrears balance at the date of the bankruptcy order. This will be the write off amount.
* Complete the write off form, attaching a copy of the bankruptcy order, following the same process as for a DRO.
* Stop the **arrears** element of any direct deductions from benefits.
* Once the write off has been authorised, advise the tenant.