

TRIBUNALS, COURTS AND ENFORCEMENT ACT 2007

EXPLANATORY NOTES

PART 5: DEBT MANAGEMENT AND RELIEF

Summary

447. **Part 5** of the Act makes changes to two statutory debt-management schemes, Administration Orders (Chapter 1) and Enforcement Restriction Orders (Chapter 2).
448. **Part 5**, Chapter 3, also amends the Insolvency Act 1986 to allow for the introduction of a new form of personal insolvency procedure that entails the making, administratively by the official receiver, of a debt relief order (DRO) on the application of an individual debtor who meets specified criteria as regards his assets, income and liabilities. The effect of the order is to stay enforcement of the debts by creditors, the debts being discharged after a period of one year. While the order is in force, the debtor will be subject to similar restrictions and obligations as if he had been adjudged bankrupt.
449. **Chapter 4** of Part 5 of the Act empowers the Lord Chancellor (or his delegate) to approve Debt Management Schemes (“DMSs”) operated by any body of persons. Approved schemes will be able to arrange Debt Repayment Plans (“DRPs”) for individual debtors. Subject to prescribed restrictions, schemes will in effect be able to compel creditor participation and plans will be able to compose (i.e. reduce or partially write off) debts. These schemes could be operated by a variety of service providers. Existing providers of debt management advice and assistance do not have the power of compulsion and composition. In future, they will be able to choose whether to offer an ‘approved scheme’ as part of their service.
450. It is intended that DRPs will sit alongside and complement statutory schemes, such as Administration Orders (“AOs”), DROs and Individual Voluntary Arrangements (“IVAs”). The intention is to provide a range of options giving more choice and flexibility to assist the rehabilitation of over-indebted people. The most appropriate scheme to use will depend on the particular circumstances.