

**EXPLANATORY MEMORANDUM TO  
THE INSOLVENCY PROCEEDINGS (MONETARY LIMITS)  
(AMENDMENT) ORDER 2015**

**2015 No. 26**

**1.** This explanatory memorandum has been prepared by the Insolvency Service and is laid before Parliament by Command of Her Majesty.

**2. Purpose of the instrument**

**2.1.** The Insolvency Proceedings (Monetary Limits) (Amendment) Order 2015 (“the Order”) makes amendments to the Insolvency Proceedings (Monetary Limits) Order 1986 S.I. 1986/1996 (“the Principal Order”). The Order increases the level of debt and the total assets a debtor may have while still being eligible to apply for a debt relief order.

**3. Matters of special interest to the Joint Committee on Statutory Instruments or the Select Committee on Statutory Instruments**

**3.1.** None

**4. Legislative Context**

**4.1.** The Principle Regulations set out the eligibility requirements to be able to apply for a debt relief order. This includes the maximum level of assets and maximum debt that an individual may have. This Order increases those levels.

**5. Territorial Extent and Application**

**5.1.** This instrument applies to England and Wales.

**6. European Convention on Human Rights**

**6.1.** A statement is not required as the Order does not amend primary legislation and is subject to the negative procedure.

**7. Policy background to the instrument**

**7.1.** Debt relief orders were introduced in 2009 via an amendment to the Principal Order to help those with small amounts of debt and limited assets obtain debt relief without the need to petition for bankruptcy. Having been in existence for five years, a review of how the regime has been working was considered appropriate; in particular whether the limits set in 2009 are still suitable and that they continue to serve the target group. Inflation and the increase in personal consumer technological devices such as lap tops and smart phones means that in particular, asset

levels were no longer set at the correct figure. The new limits reflect the cost of living today and corresponding debt

## **8. Consultation Outcome**

- 8.1.** A Call for Evidence lasting nine weeks was launched in August 2014, Creditors, business organisations, debt charities and representative bodies were the main responders along with insolvency professionals and the judiciary. We also undertook a survey of people who had used Debt Relief Orders as to their experiences and how it affected their lives.
- 8.2.** The Call For Evidence posed a number of questions around the eligibility criteria and the ways in which the Debt Relief Order regime worked.
- 8.3.** A total of 50 responses were received from stakeholders and 400 from people who had been through the debt relief. The majority of stakeholders agreed that the limits needed to be increased. Debt advice charities who act as recognised “competent authorities” in supporting debtors in applying for Debt Relief Orders, argued strongly for such changes.
- 8.4.** Overall, the responses suggested that businesses and creditors were supportive of the measures proposed.

## **9. Guidance**

- 9.1.** It is intended to draw the change to the attention of interested bodies before it comes into effect through a press notice and communications to charities and voluntary bodies including competent authorities. There is also Insolvency Service guidance for both those who are looking to apply for a Debt Relief Order and a guide for approved intermediaries. These will both be updated.

## **10. Impact**

- 10.1.** An impact assessment, Equality Impact Assessment, Justice Assessment and Family Test Assessment have been carried out.
- 10.2.** There is expected to be some impact on the courts from fewer debtor bankruptcy petitions as more debtors become eligible for Debt Relief Orders. A Justice Impact test was carried out and has been approved by Her Majesty’s Courts and Tribunals Services.
- 10.3.** There is expected to be a positive impact on families. From the information received, Debt Relief Order users state that after going through the Debt Relief Order process, their family lives were vastly improved because of the reduction of stress following resolution of their debt problems.

- 10.4.** There will be some impact on charities and voluntary bodies including competent authorities. It is expected that there will be an increase in demand for Debt Relief Orders on which competent authorities support debtors. They recognised this in their responses. Those who give advice to debtors regarding debt will need to be aware of the changed limits.

## **11. Regulating small business**

- 11.1.** This instrument does not impose any additional regulation on small business.

## **12. Monitoring and Review**

- 12.1.** The Government will monitor this change and will assess after three years' experience of the new levels whether they continue to be suitable.

## **13. Contact**

- 13.1.** Dean Beale at The Insolvency Service (Tel: 0207 291 6740) or e-mail: [Policy.Unit@insolvency.gsi.gov.uk](mailto:Policy.Unit@insolvency.gsi.gov.uk)) can answer any queries regarding the Regulations.