

1Stop Money

**Bankruptcy Survival
Toolkit**



www.1stopmoney.com · One Stop Services UK Ltd · Freephone: 0800 012 4039
Reg No: 06773807 · Consumer Credit Licence No: 0626784 · Data Protection No: Z1947008
Registered Office: 38 Hendon Lane, London, N3 1TT

Bankruptcy Survival Toolkit

Please take the time to read this booklet – it may help you to understand your current situation and allow you to look to the future in a positive light.

Insolvency

To be 'insolvent' means you are unable to pay your debts when they are due. Insolvency was generally associated with companies that had lost financial control of their business, but we are seeing an increase in personal insolvency, where individuals are petitioning for their own bankruptcy. Credit has been so widely available, offered readily to ordinary individuals with limited or no checks to ascertain whether credit is over extended, or whether they have the means to maintain payments within the expected time frame. The floodgate of credit was thrown wide open with disastrous consequences to the population. However, in the shadow of the global recession most banks are aware of the damage this irresponsible lending has inflicted on the economy, and no longer offer credit so freely.

Bankruptcy

Luckily, old-fashioned and extreme reactions to bankruptcy – such as being disowned and even imprisoned – were eradicated with the 1869 bankruptcy reform, which marked the official end to prison for debtors. We are a far cry from the dark ages and society has progressed a long way from the irrational punishments that used to be imposed on those unfortunate enough to find themselves in debt.

Yet debt is a problem that continues to linger – even more so in today's modern consumerist society. As the economy swings either for or against you, more and more people are using credit to pay back credit. Whilst bankruptcy is often seen as 'the last resort', it is always an option that should be considered. The old fashioned stigma that once surrounded bankruptcy is fading, particularly in the light of the global recession and credit crunch. Being bankrupt doesn't mean you will never be able to obtain credit again. When your bankruptcy term comes to an end (known as discharge), there will always be creditors willing to lend to you - albeit at a slightly higher rate of interest. All you will need is proof of your discharge, funds to meet the payments and evidence to support your request, then you can legally access credit facilities again.

Once you have wiped the slate clean of debts and started afresh, your financial affairs will be managed by a professional for the duration of your bankruptcy term - either the official receiver or an appointed trustee (usually an external insolvency practitioner). Whilst you are ordered to cooperate with the officials, there is nothing to stop you from exploring self-development strategies – planning for the future; budgeting; safe-guarding against this situation happening again. This time should not be about self criticism and emotional unworthiness – use it as a stepping stone for personal development.



Your Bankruptcy Day

The prospect of appearing for your bankruptcy petition at court can be overwhelming. Being aware of what to expect on the day will help you prepare. A typical day should run like this:

- 1.** You would have already prepared your 'statement of affairs', which represents your bankruptcy petition. (Our petitions department will prepare this with you). You must take this with you to your appointment.
- 2.** You arrive at a county court, either by prior appointment or if permitted, a walk-in hearing. In cases for overseas petitions outside of the E.U, power of attorney can be used for a third party to attend on your behalf. (Note: For all E.U countries outside of the UK, E.U. rules of insolvency apply.)
- 3.** Pay your court fees to the cashier (£700 or £525 for those on benefits – although it is a good idea to check prices haven't increased before the day)). The fees are split between the court and insolvency services.
- 4.** The bankruptcy petition is checked and sworn in by a court official, on a holy book or civil affirmation.
- 5.** The petition is taken away and assessed by a court registrar or judge, who will make an order granting your bankruptcy, on the same day. (Note: Some county courts may ask you to sit before the registrar, who might ask a few questions).
- 6.** After your court appearance, you may be further required to conduct a telephone interview with an insolvency official (excluding London). (Note: the insolvency official may ask you to attend another interview at a later date or arrange a time for you to talk on the phone).

For London residents, after the bankruptcy has been granted you could be free to leave immediately, but will be contacted within 2 days by the Insolvency Services. Alternatively you may be asked to see a case worker, examiner or (rarely) the official receiver at the Insolvency Services office for a face-to-face interview (face to face interviews will depend on your circumstances). However, you are likely to be contacted within two days.

You will be asked questions concerning your debts. The official receiver will appoint a trustee (usually an insolvency practitioner) to be responsible for your financial affairs. They may ask you back for another interview (especially if there are assets involved) which can be also be conducted by phone.

- 7.** Finally, after the trustee or official receiver has investigated your case, you could either be eligible for an early bankruptcy discharge or you may be required to serve the full bankruptcy term. Expect anything from 6-12 months. **(Note: ALWAYS co-operate with the official receiver – failure to do so may result in an extended bankruptcy term.)**



Dos and Don'ts

- Do not attempt to obtain credit of £500 or more without disclosing that you are bankrupt (This includes bank overdraft facilities, ordering goods or services by credit, a loan or jointly with another individual).
- Do not act in the management of a company (unless you apply to the court and permission is granted). If you were a director, you must resign until discharged. (Section 11 of the Company Directors Disqualification Act 1986.)
- Do not trade under another name other than the name you were made bankrupt in, without disclosing that name.
- Do keep all books and records of your accounts or business and hand them over to the official receiver when requested.
- Do disclose all your assets (it is a criminal offence not to do so).
- Do inform the official receiver of any change of address if you move before you are discharged.
- Do inform the official receiver if you acquire any property or inheritance before you are discharged.
- Do not enter into any separate agreement with any of your creditors.
- Do not list clothing or household furniture unless they are of a particular value.
- Do cooperate with the official receiver and trustee who are responsible for your financial affairs during your bankruptcy.

Note: You will not pay tax on your income throughout your bankruptcy and any tax rebate due will be paid to the official receiver.



Preparing for a fresh start

How did it all start for you?

Not to put the entire blame on the bombardment of advertising and unsolicited mail - enticing you to spend, spend, spend - or the 'other circumstances', it's time to begin to re-evaluate where you may have gone wrong and to look to the future to ensure you don't make the same mistakes again.

Now that you have been officially declared bankrupt, it is a good idea to run through how it all began. This may help you come to terms with things which may have contributed to your bankruptcy and were unable to control, as well as face up to any elements that in hindsight you can see were in your power to change.

The words of the famous saying below are good to heed at times when you are feeling down on yourself and your predicament:

**“Grant me the serenity,
To accept the things
I cannot change,
The courage to change
The things I can,
And the wisdom to know
The difference.”**

Fail not...

Bearing the full brunt of your failure is very noble, but to live as a failure is soul destroying and unproductive. A real failure is someone who continues to repeat the same mistakes over and over again, yet expects a different result every time.

This doesn't need to be the case with you. You have been handed an opportunity to do things differently. So, for survival purposes, the 'failure baggage' can't go with you. You'll need to drop the load to stand a good chance of moving onto the next part of your journey in life.



How do I become a winner?

“How can I be a winner, when I feel so humiliated? I’ve lost money, job, family, friends, house, car, credibility and respect.

Or, “it was all my fault”. Or, “it wasn’t my fault” – “it was caused by someone else and the circumstances turned against me....”

Reasons

What’s your story?

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(Put your reasons here)

.....

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Whatever the reasons were, you have taken a proactive step to put an end to your suffering. “DEBT CAN AFFECT HOW WE THINK AND FEEL ABOUT OURSELVES”.

It takes a brave person to admit when they are wrong, or overwhelmed by circumstances beyond their control - and it takes courage to do something about it. It only serves to hold you back if you continually relive the experience by constantly talking about your bankruptcy in the negative.

In time, when you give yourself a chance, you will see that ‘all things work together for the better good’. You cannot forget that you went through the experience of bankruptcy, but you can detach yourself from the emotions of it – by not allowing yourself to recreate the same downward spiral of feelings when you recollect the events. See it instead as a learning curve and an opportunity to prove to yourself that you are resilient and capable of bouncing back - with a vengeance!

You can remember the nuggets of truth that you learned about yourself in the experience - good and bad - and use them to your advantage. Your bankruptcy experience can be the start of a more dynamic you, one who can take life’s knocks on the chin and keep on striving. There is more to life than this single event - now get up and move on. This is not a disappointing end to a situation, instead it is a promising new beginning.



Fresh Start

What would you have done differently, had you had the chance?
(Seriously ask yourself this question)

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What words of wisdom would you say to your younger self, if you could go back in time?

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There! You've said it. Now let's move on...

Step 1

If crippling debt was your worst nightmare, it is now over. Your recovery starts now. A survival plan is what you need, which addresses your emotional wellbeing and offers practical steps for moving upwards.

Until now, either the phone or mobile was constantly ringing, with creditors asking for payments, for money that you simply didn't have. Maybe you lay awake wondering and worrying how to solve the problem, night after night. Now you can rest easy – as that is over too.



Step 2

Directions...

NORTH

Never take your eye off the direction you intend to go!



EAST

Explore beyond your horizon i.e. what could you be developing?

WEST

Work within your budget and means. It takes discipline!

SOUTH

Stay positive and productive

TOOLKIT

What is your monthly income? £ _____

What date does it come in? _____

How much do you need to spend on basic living? £ _____

Basic living expenses would be

Housekeeping (food etc) £ _____

Utilities: gas, electricity, water £ _____

Council tax £ _____

Clothes £ _____

Telephone £ _____

Travel £ _____

Presents: Christmas, birthdays £ _____

Holiday £ _____

You are allowed to have a bank account for your income to be paid into, but you cannot have credit facilities i.e. overdraft, credit card, cheques..



Step 3

Cash Money or Debit Card

In the past, extended credit financed your living. From now on, deal in cash or debit card purchases only - if no money is available in your bank account, the transaction will not go through. In some ways this is liberating, as it encourages you to spend only what you have.

Work in Progress

For any journey of distance, you need to prepare. This is also true for your bankruptcy term. The best way to have control over your money is to have separate bank accounts, albeit basic ones, that do different things.

For example: –

An account for each of the following -

- a) Food shopping
- b) Bills
- c) Available to spend

Then divide your income into these accounts. This ensures that money is available for your essential needs from month to month. The 'available to spend' money can be divided up over the number of weeks or days until pay day, for example £100 available spend until pay day should give you £25 a week. If you spend more than that, you will run out of money before pay day.

Mountain to Climb – the duration

The full term for bankruptcy is 12 months, but you could be eligible for discharge far sooner. Co-operating with the Official Receiver is vital. Either way, the time will go by surprisingly fast when you focus on positive strategies and being productive instead of the things that you are unable to change.

What were you trying to achieve before your finances collapsed?

**What skills would you need to develop to make things better for yourself next time?
(Seek advice from a counsellor, life coach or business advisor...)**



Hard Work

Begin developing your skills. Everyday do something that would contribute to your future success. You could start by compiling a 'to do' list. Every day, write down six things which are priorities that you could complete in that day. Whatever is left, transfer it onto a new 'to do' list and work through that. Yes, the list is ongoing, but it is progressive.

Family

Family and friends can be a great support, but do not fear being judged by them because you are bankrupt. Keep focused on your direction. The greatest show stopper will be that in spite of what you have gone through, you have done something positive with your life in the interim.

Your Home

If you are purchasing your own home, it will be classed as an asset. In the case where the property is jointly owned, your spouse will be given the opportunity to buy your interest. (Do seek advice on how this is completed.)

Transportation – Car Thresholds

You will be able to keep your car if it is required for work and the value is not more than the car value threshold. (The official receiver will notify you of the values.)

Famous Quotes on Surviving Bankruptcy

“The worst bankrupt in the world is the person who has lost his enthusiasm.”

H.W Arnold

“You can't give up. You are going to have times when you feel there's no light at the end of the tunnel. I had times like that and I had a choice: I could sit in the corner with my thumb in my mouth, or I could fight. My advice to you is: Punch like hell and don't take no for an answer.” - **Donald Trump**



FINAL STEPS...

Life after discharge - experience teaches us what works and what doesn't. Debt is something that can get out of control when left unchecked - personal or business. The best way to control your finances is to replace the word 'debt' with 'agreements'.

How many agreements can you maintain?

Don't become swamped with too many agreements, based on future promises of income. It is better to wait until you have the money in your hand, than to hedge your bets on hoping to have it in the future.

Get back on track.

Now go out and pursue all those dreams and aspirations you sought, before debt took up most of your time...

