Article Side

New proposals could reduce the cost of declaring yourself bankrupt by James Falla

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The Business minister Edward Davey MP has announcedÂ proposals â€“ called Reform of the Process to Apply for BankruptcyÂ - which aim to save time and money when it comes to â€œsimplerâ€• bankruptcy cases.

Davey believes the plans could save taxpayers millions of pounds if the move away from an entirely court-based process is agreed.

The minister â€“ who urged interested parties to respond to the consultation - said: "Courts have an important role to play in bankruptcy where there is a real dispute between parties.

"But in simpler cases where there is no real disagreement, a more streamlined route into bankruptcy is needed.

Electronic applications

Overall, the consultation proposes electronic bankruptcy applications would be made to a specially-appointed Adjudicator, based at the Insolvency Service thus avoiding the need for the application to be made at the court.

The Adjudicator would then decide the outcome of each application where there is no disagreement between the parties, allowing courts to focus on dealing with disputes requiring a judicial settlement.

Debtors who want to apply for bankruptcy would have the choice of submitted electronic or paper applications, and the option of making the required payment to enter the process by installments.

James Falla, personal debt expert at debtmydebt.com welcomed the proposal.

"The current cost for an individual to declare themselves bankrupt at the court is Â£700. This is quite simply pricing many people out of a solution that is clearly the best for them and in many cases forcing them to chose alternative debt management solutions while leave them struggling with their debts for many years. Reducing the cost of the bankruptcy process for the individual will be an extremely positive step forward" Falla said.

Seeking advice early

Meanwhile, creditors looking to begin proceedings would need to take â€˜all reasonable stepsâ€™ towards reaching a mutually-satisfactory solution to the debt problem. And debtors will also be encouraged to seek early, free, independent debt advice.

"Getting the right advice at the right time is key to solving a debt problem before it gets out of hand. People struggling with their debts should speak to an expert and weigh up their options. This advice will always be free" Falla said.

Proposal safeguards include the right to respond to a creditorâ€™s application, the ability to refer a dispute to the court, the right to request a review of the Adjudicatorâ€™s decision and to appeal to the court, as well as the introduction of a new criminal offence for submitting false information.

Courts sidestepped

Justice minister Jonathan Djanogly said: "The Government is committed to delivering a modern, efficient justice system.

"We want to make sure the right cases are dealt with in the right ways and this means in some situations, like some debt cases, they should not need to go before the courts at all.

"These proposals form part of our wider work to use courts as a last rather than first resort. The outcomes of this consultation will help us consider our next steps."

The consultation â€“ spearheaded by the Insolvency Service â€“ will last 12 weeks, closing on January 31 2012.

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James Falla - About Author:
JamesÂ FallaÂ is a debt management solutions expert and author. He has fourteen years of experience of helping people with the process of a Apply for bankruptcy and declaring themselves bankrupt.

In 2004 James co founded Thomas Charles a specialist debt management solutions company where he personally helped hundreds of clients declare bankruptcy. James is now the managing director of and senior debt advisor for Wilmott Turner Financial Services which operates debt solution websites such as a http://www.beatmydebt.com/.

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