

## Counting the costs of debt-induced bankruptcy

### FINANCE MATTERS

**Lisa Thomas**, insolvency practitioner at Plymouth-based Neville & Co explores how January can be a busy time of year and how bankruptcy may be the only recourse for individuals that have seen debts spiral out of control



After the excesses of Christmas and New Year there is usually a bit of a rush on in the insolvency world. Perhaps it is that New Year's resolution to finally sort things out?

We often get called by people with credit card debt and loans who owe £20,000 and upwards, are employed, rent a house and their employment is not affected by going bankrupt. In these cases we often recommend they make themselves bankrupt because the banks they owe money to, will never make them bankrupt.

So how easy is it to go bankrupt? If you owe more than you own and want to make yourself bankrupt, believe it or not, you have to pay the local county court a fee for the privilege of doing so. This is currently about £700. As you can imagine this cost can sometimes mean that a person literally cannot afford to 'go bankrupt'. Part of the cost can be reduced in certain circumstances if the person is on income benefits.

Bankruptcy used to have a social stigma but I think that has gone. It's not a nice thing to have to do but it is a very good way of creating a clean start and clearing off your debts. You just have to make sure it is the right thing to do in your circumstances before you do it. It may not be if you own a house for example.

If a bankruptcy order is made against you then the Official Receiver who is an officer of The Insolvency Service will initially be appointed as trustee in bankruptcy. He will administer the bankruptcy.

Depending on the circumstances the official receiver may then transfer the case to a licensed insolvency practitioner like me to deal with it. Such appointments are done on a rota basis between IPs local to the area of the county court in which the bankruptcy order was granted.

Alternatively one or more creditors can specifically request that we be appointed as

trustee. Part of the trustee's job is to sell the bankrupt's assets to pay back the creditors but first they will have to cover the costs of the bankruptcy itself. This is not a cheap process.

The Official Receiver's initial flat fee is £1,715 and will be paid from first realisations. Next, if applicable, the petitioning creditor's costs for bankruptcy will be repaid if a creditor requested the bankruptcy.

There is then a little known tax called a 'Secretary of State fee' which is applied to the value of any assets recovered in the bankruptcy. It is based on a sliding scale but roughly equates to £2,825 of the first £5,200 realised and 15% thereafter. As you can imagine this cost puts a serious dent in the funds available to creditors.

Next the Official Receiver's costs for handling the case will be paid or the fees of an insolvency practitioner like me. These are calculated on a sliding scale based on the amount of assets realised, or on a time spent basis.

The high costs in bankruptcy are often the reason why we might recommend to insolvent individuals with assets (such as equity in their homes) to avoid bankruptcy and alternatively put forward proposals to enter an individual voluntary arrangement (IVA) to their creditors if they have assets worth saving as the costs are usually much lower in an IVA – mainly because the Secretary of State fee only applies in a bankruptcy, not an IVA.

If you know anyone who has debt problems but has assets they want to protect and wants to avoid bankruptcy please ask them to call me for a free initial meeting.



Contact Lisa Thomas on 01752 786800 for a confidential, free initial meeting

## Michael Caines to speak at Junior Chamber launch event

Chef Michael Caines will speak about his success in business at the launch of a new networking group for young professionals in Exeter.

As part of the city's Chamber of Commerce, the Exeter Junior Chamber will bring together like-minded businesspeople between the ages of 20 and 35, giving them a voice on important issues and proposals affecting trade, commerce and industry in the area.

The Junior Chamber will also encourage members to de-

velop their networking skills by providing them with opportunities to attend events and get involved in projects. These will be aimed at increasing members' skills and business contacts, and therefore their career prospects, while also helping to promote the city and sub-region.

The launch event will take place from 5.30pm to 7.30pm on Thursday February 13, at Exeter College's Business Centre, in Victoria House. Email [heather@exeterchamber.co.uk](mailto:heather@exeterchamber.co.uk).

## Appointments

### Family law specialist

One of the Westcountry's leading specialists in family law has joined Taunton-based solicitors AmicusLaw as a partner and the head of their family law department. Jayne Turner qualified as a solicitor in 1995 and has over 18 years of experience in family law with a particular emphasis on financial settlements for people who are divorcing or going through a relationship breakdown. Jayne has gained Resolution accreditation as a specialist in Advanced Financial Provision on divorce. She is also an advanced member of the Law Society's Family Law Panel. Jayne said: "I have been overwhelmed by the professional and yet friendly approach from everyone at AmicusLaw and am looking forward to helping drive an already successful law firm to even greater heights."



From left, Jayne Turner, Malcolm Bruce and Richard Byng

### Research appointment

Plymouth University Peninsula Schools of Medicine and Dentistry has promoted Dr Richard Byng to Professor in primary care research. Professor Byng, who is also a GP in Plymouth, has worked in research since 1995 and has a particular interest in primary care mental health. Specific topics of research include: shared care for long-term mental illness; the content of consultations for mental illness; the treatment of depres-

sion and offender health care. Professor Robert Sneyd, dean of Plymouth University Peninsula Schools of Medicine and Dentistry, said: "We are committed to supporting research that has a direct and tangible benefit to the wellbeing of patients and the efficiency of the NHS."

### Dental learning role

Plymouth University Peninsula Schools of Medicine and Dentistry has promoted Malcolm Bruce to an Associate Professor. Malcolm is a primary care dental practitioner who has been involved in foundation training and fitness to practise hearings at the General Dental Council. Pro-



fessor Christopher Tredwin, head of Peninsula School of Dentistry, said: "We are delighted that Malcolm has been recognised for his immense contribution to the development of dental learning. We are fortunate to benefit from his skills and expertise, and he continues to play a vital role in our commitment to producing top quality dentists, excellently equipped to face the challenges of a future in the dental profession."

### John joins surveyors

A building surveying expert has returned to Cornwall to take up a new role with a Falmouth business. John Darbyshire, who is originally from



Mylor, has joined Falmouth-based RTP Surveyors after spending three years working in Bristol. RTP director, Richard Collett, said: "John's skills in project management, technical due diligence, dilapidations and all aspects of building surveying will serve to strengthen our already successful team."

### Conveyancing role

Falmouth solicitors Preston Goldburn has boosted the strength of its residential conveyancing department with the appointment of solicitor John Rutherford. Mr Rutherford has 19 years experience as a solicitor and has practised in Cornwall since 1996.

# Town's best practice BID gears up for its second term

BY CATHERINE BARNES

Falmouth is looking ahead to the second five-year term of a business scheme that has been the catalyst for inward investment and a thriving year-round economy.

Last month, business owners in the town voted in a second-term Business Improvement District (BID), with the 87% ballot in favour of renewing the scheme, which has served as a best practice model for other BIDs as afar afield as New Zealand.

"It's a very strong endorsement that it is helping businesses and they want to see more of it," said BID manager Richard Wilcox.

BIDs see rates-paying business owners pay a mandatory annual levy into the scheme, which support the cost of specific projects aimed at boosting the local economy.

Falmouth's 480 BID members – 75% of which are independent businesses – have paid in around £500,000 over the current scheme's five years and provided the leverage to raise a further £160,000 during its course.

It has secured grant support for projects ranging from business training schemes, through to signposts as well as generated national media cov-

erage and new business worth hundreds of thousands of pounds.

"A good BID shouldn't just work with its own budget, but use it to create ways of raising more money and for knocking on doors," said Mr Wilcox.

Each BID project sees dozens of community members devote their time and energy to it. This includes the town's Spring Festival, which has attracted around 20,000 additional visitors over the past three years. Some businesses reporting up to 20% rise in takings during BID events.

"It's only that level of involvement that makes these projects go. If it was just me decreeing it, it would never work," said Mr Wilcox.

Falmouth has a year-round economy underpinned by the presence of big marine businesses A&P and Pendennis and Falmouth University.

"We are a real working town; this is not a chocolate box affair," added Mr Wilcox.

Falmouth has welcomed new and aspirational businesses, including start ups launched by Falmouth University graduates attracted to stay in the locale. Its high street has a vacancy rate of just 6.5% across its business outlets, compared to a national average of 14%.

Now, having polled local businesses on how to maintain the BID momentum for another five years, Mr Wilcox is looking ahead to new projects in the pipeline.

"We will be instigating a sports/lifestyle festival and this year, Falmouth will be key to the Tall Ships race," he said.

**'A good BID should use its budget to create ways of raising more money'**

Richard Wilcox

Having focused on attracting a national awareness of what Falmouth has to offer in previous media campaigns, businesses now also want the scheme to consider a shop-local strategy which may see the launch of a loyalty card for the town.

Falmouth BID's second term will begin on April 1.



### INVITATION TO TENDER ILFRACOMBE LAND TRAIN

Operator for the **Ilfracombe Sightseeing Land Train** service in Ilfracombe, owned by North Devon Council.

Details of this unique opportunity are available on the south west procurement portal:

[www.supplyingthesouthwest.org.uk](http://www.supplyingthesouthwest.org.uk)

Deadline for submission of tenders is noon on the 7th February 2014.