

PERSONAL

Bankrupts world - or

By NEIL BROMAGE

THE spectre of bankruptcy is looming again for many as the economy takes a turn for the worse.

About 20,000 people go bust each year, and the figure is likely to rise, possibly eclipsing the record 31,000 in 1993.

Yet few people understand what happens when bankruptcy strikes, or how to make the best of the situation.

Bankruptcies in England and Wales are dealt with under the Insolvency Act 1986. A bankruptcy order is made when a court is satisfied that there is no prospect of a debt being repaid.

Many people see bankruptcy as the end of their world. But others, including businessman Kevin Maxwell, seem to bounce back in the face of adversity.

Meanwhile, Trade Secretary Peter Mandelson has called for a change in the public perception of bankruptcy to remove some of the stigma.

One of many myths is that a bankrupt cannot borrow money. An undischarged bankrupt must not borrow more than £250 without informing the lender that he is bankrupt. Once that information has been given it is a matter for the prospective lender how much to advance.

So bankrupts may borrow as much as they like provided that lenders are

aware of their financial status. Banking, however, raises problems. While not excluded from operating bank accounts, undischarged bankrupts may need the agreement of the Official Receiver to open a new account. Some banks are less accommodating than others.

Malcolm Lally, manager of Lloyds bank in Newcastle-under-Lyme, Staffordshire, says: 'We aim to be as inclusive as possible and will always look at individual requests to open current accounts.'

It is generally thought that bankrupts are barred from running businesses. But they may be able to do so. It is a criminal offence for them to carry on business (directly or indirectly) in a different name from that in which they were made bankrupt without telling all those they do business with the name in which they were made bankrupt.

They are not allowed to be directors of limited companies or take part in running one. This exclusion from office also extends to being an MP, local councillor, school governor and most jobs within the financial services sector.

The key thing about the bankruptcy process is that it is designed to offer a fresh start to people going through it. Bankrupts should regard it as an opportunity. Bankruptcy may

FINANCE

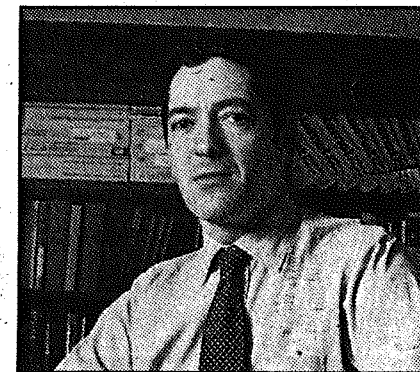
face end of fresh start

not be the only remedy to debt problems. The Insolvency Act also introduced Individual Voluntary Arrangements (IVAs) that allow debtors to make formal arrangements to settle all or part of their debts.

These arrangements are voted on by the creditors. For those unable to cope with the stigma of bankruptcy, IVAs may present an acceptable alternative, though if debts are out of control an IVA may not be possible.

For most people, bankruptcy will last only three years, after which they are automatically discharged and released from their debts.

Then they can find out if there is indeed life after bankruptcy.



Kevin Maxwell has bounced back

GUIDE TO MAKING THE BEST OF IT

IF you are facing bankruptcy, observe the following guidelines:

DO — disclose all your assets to trustees. Failure to do so can lead to criminal charges.

Deliver all papers and records when asked. The sooner you respond, the sooner the bankruptcy can be sorted out.

Take advice from as many sources as possi-

ble. Start with Citizens Advice Bureaux and consider specialised solicitors or accountants.

Obtain a Certificate of Discharge at the end of your bankruptcy. Discharge is usually automatic, but getting a certificate is up to you.

DON'T — dispose of assets to hide them from creditors. This is a criminal offence, and profes-

sionals will be able to trace them anyway.

Try to get credit of £250 or more without disclosing bankruptcy — it is illegal and punishable with imprisonment.

Feel that bankruptcy is an easy option. Assets including your home, possessions and personal pension could be sold by trustees to help clear your debts.



Bank manager Malcolm Lally