




THE UK INSOLVENCY HELPLINE

ADMINISTRATION ORDERS

F A C T S H E E T N O 9

WHAT IS AN ADMINISTRATION ORDER?

An Administration Order is a single county court order that covers credit debts and certain other debts which are all treated together. It allows you to make a single payment every month into the court. The court staff will then divide the money amongst your creditors on a pro-rata basis. An Administration Order stops creditors from taking further action against you.

Our information pack 'Dealing with your Debts', explains how to work out which are your priority debts and which are your non-priority or "credit debts", and how to work out pro-rata payments. If you have not had a copy of the pack, or want any further information about any of these issues  **phone us for advice.**

WHAT ARE THE ADVANTAGES OF AN ADMINISTRATION ORDER?

Whilst the Administration Order is in place, none of the creditors listed on it can take any action against you without first getting the court's permission. Visits from debt collectors, letters or phone calls from your creditors, should stop once the Administration Order is in place.

- Having an Administration Order can save you a lot of time and trouble as the court deals with your debts on your behalf.

- Any interest and other charges that were being added on to the debts are stopped.
- It can also save you money if you were spending a lot on postage or on bus fares to make your payments.
- You do not have to pay a fee up front to the court for an Administration Order. The court will take a handling fee of 10 pence out of every £1.00 you pay in over the time the order lasts. This means the handling fee is 10% of your total debts. The fee is deducted from your payments into the court.
- If you apply for a composition order at the same time as you apply for your Administration Order, then the amount of time you make payments for is limited, usually to three years. See the section '*Composition Orders*'.

WHO CAN APPLY?

You can get an Administration Order if:

- you have at least **two** debts;
- you have at least one county court or High Court judgment against you;
- the total of your debts is less than **£5,000**. (You may have heard that this limit is going to increase. Unfortunately, it is not likely that this is going to happen in the near future).

HOW DO I APPLY?

- You apply for an Administration Order on Form **N92** which you can get from your local county court office. It comes with some notes to help you complete it.
- Put the name of your **local** county court on the form. This may be a different court to the one in which your creditors have taken you to court.
- The first page of the application form asks for a list of your debts. You should list them **all**, arrears on priority debts as well as the total credit debts, but make it clear if you have separate arrangements to cover your priorities. **Phone us if you need further advice about this.**
- Quote the account number, and the creditor's address to which the court can send your payments. If your creditors have passed the debts on to a solicitor or debt collection agency, give this address for payment.
- The other pages ask for details of your family and employment circumstances and details of your financial situation. This is similar to your personal budget sheet and you can simply transfer the information on to the form, using the spaces marked '**Other**' for expenses that aren't listed elsewhere.
- Complete the box saying what you can afford to pay, otherwise the court staff will decide for you. You can get an idea of how much you can afford by looking at what is left, once you have paid your monthly expenditure, on your personal budget sheet.
- If you are on income support or another benefit, or a low income, it is likely that the court will accept an offer of £1.00 - £5.00 per month as being a reasonable amount for you to pay.

DO NOT sign the form at this stage. This is because you will need to take it to the court yourself and sign the declaration in front of a court officer, to say that the information it contains is true to the best of your knowledge. The court officer may go through the

information you have put down, and query anything that is not clear.

- take statements or letters from your creditors with you as the court may want to see proof of your debts. They will also want a copy of any county court or High Court judgments you have listed.

KEEP A COPY OF YOUR FORM IN CASE THERE ARE ANY PROBLEMS

WHAT HAPPENS AFTER I HAVE HANDED IN MY APPLICATION?

- Once the court has accepted your application form they will inform your creditors that you have applied for an Administration Order.
- Your creditors then have 16 days in which to tell the court of any objections that they may have. They may think the offer you are making is too low, or they may disagree with the amount you say you owe.
- Your creditors can also ask the court to leave them out of the Administration Order. Priority creditors such as mortgage, rent, gas and electricity are likely to object because they want to make separate arrangements.
- If no objections are received within this time, and the court staff and district judge are happy with what you have offered, then the order will be made. Provided you pay what you have offered, the creditors can take no further action.
- If there is any problem at all, the order should **not** be refused without a court hearing. A hearing should be arranged at court for you to go to and a district judge will consider your application. This hearing should be held in the district judge's private rooms. If creditors have objected, they, or their representative, may go to the hearing too. You should be given a chance to state your case, and if the problems are then resolved, the district judge will make the order.

You must attend the hearing. If you cannot go, you should write to the court explaining the reason why and ask for a new date.

- Once the order is in place, you make your payments to the court and not to the creditors.

If your application is turned down, ☎ phone us for advice. You may have ground for appealing or re-applying.

HOW LONG DOES AN ADMINISTRATION ORDER LAST?

Unless the judge makes a composition order (see last section) or you stop making regular payments, an Administration Order will go on until all the debts are paid off in full. Your creditors may ask for your payments to be reviewed, or you can apply to change the terms of the order if your circumstances change. Details of your Administration Order will be recorded on credit reference files for a period of six years from the date of the Administration Order.

PROBLEMS WITH APPLYING FOR AN ADMINISTRATION ORDER

The rules relating to how the court considers Administration Order applications have recently been changed. This means that courts in different areas of the country handle them in different ways. Your application should not be refused without a hearing. If you have to go to a hearing, it may be useful to contact a local advice agency such as a money advice centre or a Citizens Advice Bureau, all of whom may have experience of your local court's policy. Here are some problems that you might come across.

My debts are more than £5,000

- Although Administration Orders are designed to deal with credit debts, the instructions for completing your application say to list all your debts. This can cause problems, because if you have mortgage arrears, or other priority debts, this can sometimes mean that the total of your debt looks as though it's over £5,000.
- You should state on the form that you are trying to come to separate arrangements with your priority creditors. If there is a hearing,

take copies of any letters from your creditors to prove this.

- If you have to apply again, you could try putting a line after listing your priority debts, so that they are clearly separated, and not including them in the final debt total.
- Most courts will expect all your debts to be listed including priority debts. The creditor can then object to being included and then to the hearing. If they do not object they will be treated in the same way as all the other creditors listed. They should not be able to take other action against you.

Ask the court staff how they think you should complete the form, or ☎ phone us for further advice.

Some of my debts are in joint names

- When you fill in the Administration Order application form, you should state if another person borrowed the money with you, and put down their name and address.
- You should put down the total amount of debt, and count it in full when deciding if your debts are under £5,000. This is because when you borrow money with someone else, you are each liable for the whole amount, not just for half each. This is known as '**joint and several liability**'.
- This may cause problems if the other borrower is your partner, as the creditor will still be able to go to them for the money even if you get an Administration Order. If the other person also has a county court or High Court judgment and debts of less than £5,000 they can apply for their own Administration Order. If not, they will need to make a separate arrangement with the creditor concerned.
- Even if all your debts are in joint names, you will still have to apply for an Administration Order for each person. The court does not usually accept joint applications.
- If you have a court judgment between you, but it is in joint names, you can use the same

judgment to make separate Administration Order applications.

I haven't got any available income

- Your application may be refused if the information on the form makes it look like you haven't got enough money to pay what you have offered.
- Take a copy of your own personal budget sheet to the hearing. If you have kept up with payments on court judgments in the past, you can tell the court this to show that you can afford the payments you have offered.
- Tell the district judge about any other circumstances you think s/he may not have taken into account.
- If you have been turned down without a hearing, or you have had a hearing but still don't know why the district judge has refused to make an Administration Order, you may be able to get an explanation by writing to the court. Address your letter to The Court Manager.

Some courts may turn you down automatically if you are on income support. They should not be doing this. ☎ Phone us for advice.

If you need further information on any of these issues ☎ **phone us for further advice.**

OTHER ISSUES

What about council tax and community charge arrears?

- Community charge (poll tax) is no longer in force so is not an ongoing bill. Following a case called *Preston BC v Riley (1995)* the court should allow you to include poll tax arrears in your Administration Order.
- Council tax is an ongoing tax so you will have to include your usual payments in

your essential expenditure on your personal budget.

Council tax arrears for previous years can be included on the Administration Order on the basis of the *Preston BC v Riley* case in the same way as poll tax debts.

- The current year's council tax bill cannot normally be included unless you have fallen behind with payments *and* the council has told you that you have lost your right to pay by instalments, meaning the whole year's bill is now due.
- If your council tax is included in the Administration Order only deductions from your benefits for payment arrears should stop. Payments being taken from your wages for council tax arrears should also stop.

If your court refuses to do this, ☎ **phone us for advice.**

What about magistrates' court fines?

You should include any magistrates' court fines in your application for an Administration Order. It is common for the fine to be left out of your Administration Order by a district judge. It is important to keep paying the fine as normal to the magistrates' court until it is agreed that it can be included in your Administration Order. Otherwise, the magistrates' court will take other action against you.

Include the payments you are making to the magistrates' court in your 'Regular Expenses' on the Administration Order.

What about social fund loans and benefits overpayments?

If you are having a weekly deduction made from your benefit for a social fund loan or overpayment of benefit you may find the Department for Works and Pensions (DWP) will continue to make deductions and object to being included in your Administration Order. A recent court decision said social fund loans and benefit overpayments are not ordinary debts and must be repaid by

deductions from benefit where possible. You should still include a social fund loan in your application but it is common for it to be left out by the district judge. If you are no longer on benefits your social fund loan and benefit overpayments should be included in the Administration Order. There is unlikely to be an objection.

Make sure you only include the benefit you are actually paid after deductions are taken under "Income" on the application.

keep up with the payments or ask the court to reduce your payments if you can no longer afford them.

If your Administration Order is revoked your creditors can pursue you again for each debt you owe in full, even if you had a composition order made.

WHAT WILL HAPPEN WHEN MY ADMINISTRATION ORDER IS PAID OFF?

I CANNOT AFFORD THE PAYMENT I HAVE BEEN ORDERED TO MAKE. WHAT CAN I DO?

- You can apply to change the amount you pay each month if you think the court has set your payments too high, or if you have a change of circumstances that means you have less money available.
- You can use an N244 Form, which is a general county court application form. You can get one from your court office. You should not pay a fee for making this application.
- These costs are treated as already being covered by the ongoing deductions to cover fees already in your Administration Order. If you are told to pay a fee complain to the court manager or ☎ **Phone us for advice.**
- State that you wish to apply for a variation of the payments you are making under your Administration Order, and say why you are applying. You can attach a copy of your personal budget sheet to show how you have worked out your offer.
- You will usually have a hearing with the district judge in their private rooms. The district judge can change the terms of the Administration Order or composition order.

When you have paid the Administration Order off in full you can get a Certificate of Satisfaction from the county court. You have to pay a fee of £15.00 for this. Details of your Administration Order are kept by the Registry of County Court Judgments and credit reference agencies. These agencies should mark your file to show the debts and the Administration Order as satisfied.

If you have a composition order on your Administration Order then you can still get a Certificate of Satisfaction to show the Administration Order is paid *but* individual county court judgments and other debts showing up on your credit reference file will *NOT* be marked as satisfied as they have not been paid in full. None of your creditors listed on the Administration Order can take further action against you if your Administration Order has finished, either because you paid it in full or paid the amount owed under the composition order.

CONCLUSION

WHAT IF I DON'T KEEP UP WITH THE PAYMENTS?

The court can cancel or *revoke* your Administration Order if you do not keep up with the payments. This is why it is very important to

At present there are no hard and fast rules for making an Administration Order application. Practices differ from court to court and area to area. We will do our best to help you, but we may have to refer you to a local advice agency.

If you think we may be interested in your experiences, please let us know, as the more information we have about how applications are being handled, the more we will be able to help other people in situations like your own.

WHAT IS A COMPOSITION ORDER?

If you are only paying a very small amount to your creditors, there is the danger that your Administration Order could go on for years.

A composition order is a way of trying to make sure that this does not happen. If the district judge makes a composition order, it means that you only have to pay part of your debts, usually an amount that you could manage to pay over a three-year period.

When applying for a composition order you need to work out how much you can afford to pay each month. This is then compared with how much you owe.

The result is that for every £1.00 you owe, you will only pay a percentage of this off your debt. In the example shown overleaf, 11 pence is paid for every £1.00 owed.

Although the court should automatically consider whether it is appropriate to make a composition order in your case, you can use the *'anything else you would like the court to take into account'* box at the end of the form to say you would like a composition order.

If you do not have a composition order made, you can apply for one separately even after your Administration Order is up and running. Use a form N244 which you get from your court. You should not have to pay a fee for this application.

The court can either agree your application or ask you to go to a hearing with a district judge in the county court. Your application should not be rejected without a hearing. **☎ Phone us if you need advice about this.**

FOR INFORMATION ON HOW TO WORK OUT A COMPOSITION ORDER SEE PAGE 7

HOW TO WORK OUT A COMPOSITION ORDER

1. Work out how much you owe in total on your Administration Order.
2. Work out how much you can afford to pay each month using your personal budget.
3. Decide how long you can reasonably manage to pay, for example: - you might owe £3,000. Which you pay at £10.00 per month and you decide to ask for a 3 year (36 month pay back time).
4. Multiply the amount you can offer each month by the number of monthly instalments you will pay.
5. Work out 10% of the total you will repay which will be taken by the court as a handling fee.
6. Take away this amount from your total.
7. Multiply your new total figure by 100.
8. Divide the result by the amount of the debt
9. This will be the final offer to pay to the *“extent of x pence in the £.”*

EXAMPLE

Stage 1.	How much do you owe on your Administration Order?	£3,000
Stage 2.	How much can you afford to pay each month?	£10
Stage 3.	Reasonable length of time to pay	36 months (3 years)
Stage 4.	Work out the amount you can afford to pay x the repayment period	£10 x 36 months = £360
Stage 5	Work out the 10% court handling fee, on the total amount you will pay back	10% of £360 = £36
Stage 6	take away the 10% handling fee for the court from Stage 4	£360 - £36 = £324
Stage 7	Multiply the total to pay in Stage 6 by 100	£324 x 100 = £32,400
Stage 8	Divide the result of Stage 7 by total debt in Stage 1	£32,400 ÷ £3000 = 10.8 pence in £
Stage 9	Round up the outcome of Stage 8	10.8 pence in £ rounds up to 11pence in £

In this example, you would offer to pay ‘to the extent of 11p in the £’

If you want to check you have worked out the composition correctly ☎ phone us for advice.

Remember:

You can always contact us for advice about any difficulty you have in dealing with your debts.

Freephone: 0800 074 6918

Website: www.insolvencyhelpline.org

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