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Debt Relief Notice

Get a Fresh Start





Introduction

If you cannot pay your debts as and when they fall due, e.g. pay your rent, mortgage, loans on time, you may be insolvent. If this is the case then one of the personal insolvency options may be able to help.

MABS is the State's Money Advice and Budgeting Service offering free, independent and confidential advice to those with money and debt problems. We are here to give you advice and support in managing your money, accessing your entitlements and making arrangements with your creditors. We can advise you on all options that might be available to you, including the personal insolvency options. We also process Debt Relief Notices on behalf of people who are eligible and if this is an option for you, you will be referred to an Approved Intermediary within MABS who can bring you through the whole process.



Budget Planning



FREE
Independent Advice



Confidential



Access Your Entitlements



Options

What Insolvency options are there?

Debt Relief Notice

A Debt Relief Notice (DRN) is for people who have less than €35,000 in **qualifying debt**, have very few assets and a low income. You can apply through MABS who will arrange a meeting for you with a MABS staff member called an **Approved Intermediary**. If your application is successful, you will be under certain obligations for 3 years. You don't have to pay anything to your creditors if your circumstances haven't changed, although you can if you want to. When those 3 years are over, your debts will be written off.

? Did You Know...

Qualifying Debt is a debt that is covered under a DRN

Approved Intermediaries (AIs) are certain people who have been approved by the Insolvency Service of Ireland to act on the debtor's behalf as intermediaries in the DRN process

Debt Settlement Arrangement

A Debt Settlement Arrangement (DSA) is for people with unsecured debt who are insolvent but who can afford to make either regular payments or a lump sum payment towards their debts, after they have paid their necessary household expenses. There is no minimum or maximum limit on the amount of debt you can have to be eligible to apply for a Debt Settlement Arrangement, but you must apply through a Personal Insolvency Practitioner who may charge a fee for this service.

For more information, visit isi.gov.ie or backontrack.ie.

Personal Insolvency Arrangement

A Personal Insolvency Arrangement (PIA) is for people who are insolvent but who can afford to make some repayments towards their debts after they have paid their necessary household expenses. There is no minimum or maximum limit on the amount of unsecured debt, but you must have at least one **secured debt** and the amount of that debt must be no more than €3 million (unless all your secured **creditors** agree to increase this limit). To apply for a Personal Insolvency Arrangement, you must appoint a Personal Insolvency Practitioner who will charge a fee for this service.

For more information, visit isi.gov.ie or backontrack.ie.

? Did You Know...

Secured Debt is a debt backed or secured by an asset to reduce the risk associated with the debt by use of arrangements which make the asset available to the secured creditor to discharge the debt before general/unsecured creditors (e.g. a mortgage or charge over a house used as security for a housing loan. If the debtor defaults or fails to meet one of the terms of repayment, the bank may seize his/her house to sell, using the proceeds towards the settlement of outstanding debts)

Creditors are a person or company that lends money

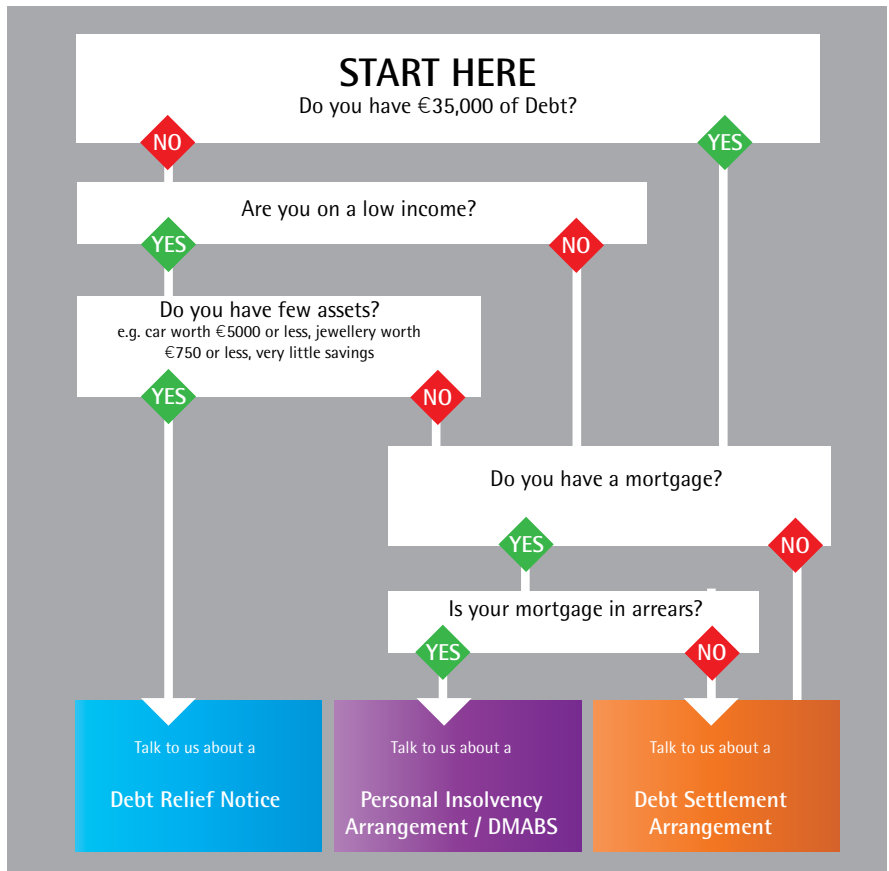
Bankruptcy

Bankruptcy is for people who are insolvent, and have at least €20,000 of debt. To apply for bankruptcy, you will need to show the court that you have made all reasonable attempts to try other remedies without success, including applying for a DSA and/or a PIA.

For more information, visit isi.gov.ie or backontrack.ie.

What insolvency solution is right for me?

There are a few things to consider in each of the different insolvency options. These will depend on your circumstances and your household finances, so while we can offer you support, this information is for guidance only and you should speak to an adviser about your options if you think insolvency is for you.



Is there a fee for these insolvency solutions?

The **ISI** can charge a fee but have agreed to suspend them until the end of 2020. There is no fee for processing a DRN application by an Approved Intermediary. Personal Insolvency Practitioners can charge fees for their work, and these fees are regulated by the Insolvency Service of Ireland. Full details on fees can be found on www.backontrack.ie.

? Did You Know...

ISI is the Insolvency Service of Ireland (ISI) is an independent government body set up to help tackle personal debt problems

Processing a DRN in MABS

DRN

A DRN is for people who have less than €35,000 in qualifying debt, have very few assets and a low income. You can apply through MABS who will arrange a meeting for you with a MABS staff member called an Approved Intermediary. If your application is successful, you will be under certain obligations for 3 years. You don't have to pay anything to your creditors if your circumstances haven't changed, although you can if you want to. When those 3 years are over, your debts will be written off.

What do I need before I start the process?

Before you start, you will need a clear idea of how much you owe and who you owe it to. You will need this information for your application. If you need help with this, just call our Helpline at 0761 07 2000 or contact your local MABS Service. You will also need to know what **assets** you actually own. In most cases, this is pretty simple –

- Do you have money in the bank?
- Do you have shares in a credit union?
- Do you own a car? How much is that car worth?

Sometimes, though, it can be a little harder to figure out –

- Were you in a relationship that broke down where you had a house or bank account together?
- Are you saving your Child Benefit for your children in an account in your name?
- Have you been left anything in a Will?

You will also need to know what income you have coming in and, if you are living with someone else, how much of the household expenses (e.g. rent, food bills, electricity and so on) you pay.

? Did You Know...

Assets are anything that you own, e.g. cash, saving, shares, cars, computers, sports equipment, etc

The Stages

Once you have this information you are ready to start. Contact the MABS Helpline on 0761 07 2000 or your local MABS service who will ask you some questions to check if you can apply for a DRN.

Once you have been assessed as eligible to apply for a Debt Relief Notice, you will:

- Meet with a MABS staff member who will outline the process to you and bring you through the Statement of Affairs to make sure that you understand what you need to send to us before your next meeting
- Complete the Statement of Affairs and send it, with all of the documents requested (such as your bills, bank statements, credit agreements and so on) to the Approved Intermediary
- Meet with an Approved Intermediary who will go through all of your paperwork and tell you how the DRN will work for you, what the effects and consequences of a DRN are and explain any other options that might be available to you
- Meet with an Approved Intermediary a final time and your application will be processed and sent to the Insolvency Service of Ireland. You will need to make an appointment to see a solicitor / Peace Commissioner / Commissioner of Oaths on the same day as there is a declaration that needs to be sworn before your application can be submitted

Once the Insolvency Service of Ireland has approved your application, they will send it to the Circuit Court who will decide whether or not to grant your DRN.



Tips

- Pull together all the information you have on your debts
- If you think you might be named on a mortgage or bank account with an ex-partner, find out if you still are or if your name was taken off
- Keep your payslips or social welfare receipts as proof of income and have a think about how much you give towards your household expenses

DRN The Process: Step 1

How do I assess my debts?

You will qualify for a DRN if your qualifying debts come to a total of €35,000 or less. You will need your most up to date bank statements, statements from credit card or catalogue companies, store cards and anyone else you owe money to. Don't forget to include any arrears on your rent or electricity or gas bills and money owing to friends or family.

How do I assess my assets?

You may qualify for a DRN if your assets are worth €400 or less. This amount does not include:

- the value of your car and you can have one car (or motorbike or van) worth €5,000 or less that you must need (if your car has been modified due to a disability, either yours or a member of your family, there is no limit to the value). This car cannot have been paid for using a loan that you are including in your application
- your household goods (such as your furniture, television, white goods and so on) of up to €6,000
- one item of jewellery worth €750 or less

When thinking about how much your assets are worth, remember it's the market value of your assets that is taken into account, that is the amount you would expect to get for them if you were to sell them second hand. The Approved Intermediary might ask you for a valuation for any of your assets.

How do I assess my Net Disposable Income?

You may qualify for a DRN if your income is €60 or less per month. To calculate your **Net Disposable Income**, you will need to know your monthly income from all sources (except Child Benefit which is not included) and then subtract the following:

- Taxes, PRSI, USC
- **Reasonable Living Expenses** for your household
- Payments to **Excludable Debts**
- Payments to **Excluded Debts**
- Levies on your income (such as the pension levy)

If what you have left is €60 or less your income qualifies for the DRN application

? Did You Know...

Net Disposable Income is left over after you pay your taxes, debts and after you pay for basic necessities (such as groceries and utility bills)

Reasonable Living Expenses are expenses such as food, clothing, health, household goods and services, communications, socialising, education, transport, household energy, childcare, insurance and modest allowances for savings and contingencies

Excludable Debts can only be covered by the DRN if the creditor is asked and agrees to let them be included – in which case they become permitted debts – debts that the creditor permits to be covered.

Excluded Debts are certain types of debt that cannot be written off by a Debt Relief Notice

Calculate
Your Monthly
Income
From all sources
except
Child Benefit

Then Subtract your

- Taxes, PRSI, USC
- Reasonable Living Expenses for your household
- Payments to Excludable Debts
- Payments to Excluded Debts
- Levies on your income (such as the pension levy)

This equals
your
Net
Disposable
Income

How do I assess my circumstances?

Some information on your circumstances will be necessary to see if you are eligible for a DRN. This information includes:

- whether you gave anything away for less than it was worth, and how that affected your ability to pay your debts
- whether you paid any of your creditors more than the rest and what effect that had on the rest of your debts
- whether you have ever had an insolvency arrangement before or any bankruptcy proceedings and so on

We will go through these circumstances with you in more detail during the **Eligibility Check**.

? Did You Know...

Eligibility Check is a list of checks to find out if a debtor is eligible for a Debtor Relief Notice



Tips

- Don't forget to include arrears on rent and electricity or gas bills when adding up your total debt
- If you were on a joint mortgage or savings account, check if your name is still on this account
- Don't forget to include any money you get from your partner or adult working children still living with you

Take Action

- Pull together all your bank statements and letters from each of your creditors
- Pull together your payslips / social welfare receipts
- Calculate how much you personally pay towards the household expenses

DRN: Step 2

I think I am eligible. What next?

Contact the MABS Helpline on 0761 07 2000 or your local MABS office who will confirm if you are eligible and arrange an appointment with a MABS staff member who will then bring you through the process.

DRN: Step 3

Filling out the Statement of Affairs

The **Statement of Affairs** is a list of your income, expenditure, assets and debts that you must complete and return to the Approved Intermediary assigned to you before they can begin the application process.

1. Download the Statement of Affairs (pdf) from our website or the Approved Intermediary will give one to you
2. Read the introduction to the Statement of Affairs to make sure you understand the process. It is an important legal document in applying for a DRN
3. Read the document checklist. This has all the information you will need before you begin, although not all of the items will be relevant to your statement. If there are documents or terms in the list that are not clear to you, make sure to check the glossary
4. You will need to request information from your creditors, from store card providers to utility companies and local authorities. There are sample letters provided to guide you through the information you will need
5. The Statement of Affairs form is broken up into a number of sections covering different areas. Remember that the figures are monthly

Take your time with the form, don't expect to finish it in one go.

? Did You Know...

Statement of Affairs is a list of your income, expenditure, assets and debts



Tips

- To calculate monthly figures, multiply weekly figures by 52 and divide by 12

DRN: Step 4

Assessment

Once your Approved Intermediary has received your Statement of Affairs, they will go through it to assess your eligibility based on the information you have sent. If they need more information, your Approved Intermediary will contact you to ask for it. If they have everything they need, your Approved Intermediary will confirm the date of your next appointment with them.

Information and Application

At this next appointment, your Approved Intermediary will give you details about their assessment of your Statement of Affairs. They will:

- Discuss anything that might need a bit more information or anything that might need to be cleared up before your application can go ahead
- Tell you more about the effect of getting a DRN – the conditions that will apply to you and your creditors for 3 years after your DRN issues and the reasons why your creditors might object to the DRN during this time
- Talk to you about any other options that might be available, to make sure that you are making the right decision for you
- Tell you about the offences and outcome of being found to have committed an offence once you have a DRN and you will be asked to sign a form allowing the Approved Intermediary to give the Insolvency Service your personal information to make the application for you

If you still want to go ahead with an application for a DRN at the end of this meeting, your Approved Intermediary will ask you to sign what is called a 'Letter of Engagement'. This is a letter setting out the terms of your application and will be fully explained to you by the Approved Intermediary.

Engagement and Fact Finding

After you have signed the Letter of Engagement, your AI will send a letter to each of your creditors asking for an up-to-date balance owing on your account so that they can use this amount in your application. If there is a big difference between the amount you think you owe and the amount your creditor thinks you owe, your Approved Intermediary will give you a call to discuss.

Application and Effects

About 3 weeks after these letters have been sent, you will have another meeting with your Approved Intermediary. This is the day your application will be sent to the Insolvency Service of Ireland. Your Approved Intermediary will go through eligibility with you again to make sure that nothing has changed from the last time you spoke. They will remind you of the effects of a DRN and of committing

any of the offences. You will then be asked to sign some forms that are needed for your application. Your Approved Intermediary will explain each form before you are asked to sign it. If you have any questions, don't be afraid to ask, your Approved Intermediary is there to help.

You will then be asked to have one of these forms signed in front of a solicitor, Peace Commissioner or Commissioner for Oaths and come back with it to your Approved Intermediary. There may be a fee for signing this that should be no more than €14.

When your Approved Intermediary has everything, they will send your application to the Insolvency Service who will check to make sure that everything has been filled in properly. The Insolvency Service will then send the application to the court who will decide if it is successful or not. You do not have to attend the court hearing, but you can if you would like to.

Approval and Conditions

If your application has been successful, your Approved Intermediary will let you know and the Insolvency Service will write to you, giving you a copy of the court order and a list of the conditions that you must follow for the next 3 years. Your name will also be put on a public register on the Insolvency Service website, www.isi.gov.ie.



Tips

- Write down any questions you have for your Approved Intermediary and bring these to the meetings
- If you have any savings or overdraft accounts, print out a receipt on the morning of your application and bring it to the meeting with your Approved Intermediary

Take Action

- If you get any new letters from your creditors, bring these to your meetings too
- Before the application date, contact a local solicitor or Peace Commissioner or Commissioner for Oaths and make an appointment with them to have a form sworn
- Make sure you have €14 in cash on the day of your application

DRN: Step 5

What happens during the supervision period of my DRN?

If your application is successful you and your creditors will be under conditions for the next 3 years. These 3 years are called the supervision period.

What obligations will I be under?

- If there has been a material change in circumstances (e.g. you change address), you will need to contact the Insolvency Service
- If you get a gift or a payment worth €500 or more, you will need to contact the Insolvency Service. They will then ask you to give them half of what you got so that they can pay this to your creditors. When you have paid half of what you owe, your DRN will end and the other half will be written off
- If your income increases by €400 or more per month, you will need to contact the Insolvency Service. They will then ask you to give them half of this increase so that they can pay this to your creditors. When you have paid half of what you owe, your DRN will end and the other half will be written off
- If you want to get a loan or credit of any kind of more than €650, either on your own or with someone else, you will need to tell the lender that you have a DRN

What obligations are my creditors under?

- They cannot take or continue any legal action against you in relation to the debt listed in the DRN
- They cannot ask you for any payments towards the debt listed in the DRN
- They cannot recover or take any goods that you are holding, unless they own those goods or the goods are held as security for their loan/debt
- They cannot contact you about the debt listed in the DRN, unless you have asked them to
- They cannot end any agreement they have with you only because you have a DRN or are unable to pay your debts

Will my credit rating be affected?

Your creditors may be obliged to register with the Central Credit Register, Irish Credit Bureau or any similar credit-referencing agency and will most likely have made reports on your **credit rating** about your missed payments. There is no specific rule about how any of these credit-referencing agencies should treat your DRN, each will have their own approach.

? Did You Know...

Credit Rating is a publicly available rating of a person's track record in paying back debts (such as loans and credit card bills) which is used by creditors to decide whether or not to give someone credit

If I have a DRN, can I apply for any of the other insolvency solutions?

A DRN is intended to give you a fresh start. If you find yourself in financial difficulty in the future, and are struggling to meet your repayments on any loans that you have at that time, call us on 0761 07 2000 to speak to a trained MABS adviser about the best solution for you.

In order to apply for another insolvency option, you must wait 3 years from the date your debts were written off under a DRN, usually the date your **supervision period** ended.

? Did You Know...

Supervision period is the length of time that stops your creditors from taking certain action against you in respect of the debts in your DRN

Will my information be made public?

Your name, address and year of birth will be on a public register on the Insolvency Service website.

What are the offences?

These are things that you are not allowed to do while your DRN, Debt Settlement Arrangement or Personal Insolvency Arrangement are in place. These include:

- Giving false or misleading information on your application
- Not meeting your obligations while your DRN, Debt Settlement Arrangement or Personal Insolvency Arrangement are in place
- Hiding information or providing false documents to support your application or when requested by the Insolvency Service of Ireland to provide information
- Fraudulently giving away assets worth more than €400 to avoid any of your obligations under the Act
- Taking out a loan or getting any other type of credit of more than €650, either in your own name or with someone else, without telling the lender or creditor that you have an insolvency arrangement

Committing an **offence** can have serious consequences. If you are found guilty of a serious offence, you may face a fine of up to €100,000 and / or five years in prison. A lesser offence carries a fine of up to €5,000 and / or 12 months in prison. If in doubt, get advice from the Insolvency Service of Ireland.

? Did You Know...

Offence is dishonesty in a DRN application or during the three-year supervision period that follows

DRN: Step 6

I have completed my DRN. What now?

Your 3 year supervision period is over, and your qualifying debts are now written off. This is your fresh start! Be proud of yourself - you have taken control of your financial life.



Tips

- Make use of local MABS or the MABS website to do up regular budgets and keep on top of your spending with a spending diary
- Try not to let your financial problems get on top of you - help is available, so act quickly!
- Learn to recognise when you are getting into financial difficulty and use the MABS tools regularly
- Remember: You only get one DRN in your lifetime, so make it count!



Be informed,
Get Advice, Plan.

Who do I contact?



Phone MABS Helpline
0761 07 2000



Log on to
www.mabs.ie



Contact your local MABS
Offices Nationwide

funded & supported by
Citizens **Information** Board
information - advice - advocacy



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