

Guidance and support with a Bankruptcy

Note: certain names and details have been changed to protect the privacy of the persons involved.

Mr Reece had worked for many years as an employee of large company. That company then went into decline and Mr Reece decided to leave before he was made redundant.

In the 1980's he had bought a house with his Wife. At the beginning of the 1990's his marriage broke down and he divorced. As property prices had fallen whilst mortgage rates had risen, Mr Reece could no longer keep up the mortgage payments and the house was sold at a loss, although there was a mortgage indemnity policy to cover the shortfall. Mr Reece heard nothing more about the shortfall. The indemnity in this event, did not cover the shortfall.

After his divorce Mr Reece bought a smaller home for himself and, following his departure from his employment, reviewed his options. He had originally trained as a chef and decided he wanted to do something along those lines. He found a very old and 'rundown' property, which showed potential as a bed and breakfast business. He decided to sell his home and use monies from it to buy and refurbish the old property.

When he took on the property, Mr Reece thought he could manage on his capital and would be able to quickly get the property into a suitable condition for his new bed and breakfast venture. In the meantime, he also set up a small retail business where he bought and sold items at antiques fairs. Unfortunately, the property proved to be in a much worse state than anticipated and far more money and time was required. Mr Reece then began drawing heavily on various credit cards, both to cover the costs of work at the property and for living expenses.

Towards the end of one year, Mr Reece received a letter about the house he had owned with his former Wife asking for payment of the mortgage shortfall, which the mortgage indemnity policy did not cover, by that time had grown to over £50,000.

Mr Reece realised he could not continue things as they were. In an attempt to resolve matters, he sold the refurbished property to his new girlfriend, this freed him from that debt, but by this time he had incurred almost £60,000 in credit card debts and was now pursued for the £50,000 mortgage shortfall.

Mr Reece struggled on for another year with his retail business, but ultimately he found that he was 'robbing Peter to pay Paul'

and that he was not making any real inroads into his debts. At this point he contacted NBR

The situation was reviewed. It was clear that Mr Reece's small retail business was not going to be sufficient to pay his creditors a reasonable return, therefore a voluntary arrangement had little merit. Bankruptcy was therefore the only option. Mr Reece wanted to be sure that his girlfriend's purchase of the property would not be attacked and he was very unsure as to what the whole bankruptcy procedure meant. He was very anxious at having to attend the Official Receiver's office where there would be a detailed interview and where he would be required to complete a 50 page questionnaire.

We explained the bankruptcy procedure to Mr Reece and helped prepare all the necessary papers, including the petition for bankruptcy and statement of affairs. We attended court with him and two meetings at the Official Receiver's office. With information provided by Mr Reece we completed the lengthy questionnaire and prepared him for the interview with the Official Receiver, where one of our personnel attended. We also dealt with various queries from the Official Receiver after the initial meetings including the sale of the property to Mr Reece's girlfriend.

Comment

Mr Reece's situation was such that bankruptcy was inevitable. By contacting us before a creditor had issued a bankruptcy petition, Mr Reece was supported at how best to proceed and to fully understand the consequences of the bankruptcy. He was relieved of the burden of having to file his own bankruptcy online. In addition, he had with him during each of the official meetings either at the court or with the official receiver a person who was experienced in insolvency matters who was on his side instead of having to deal with it alone. Finally, after the initial meetings he could still contact us if there were any further questions relating to the bankruptcy.