

# OPTIONS FOR CLEARING YOUR DEBTS IN NORTHERN IRELAND

If you're struggling to pay day-to-day bills, or to keep up with loan repayments and other financial commitments, there are a number of options open to you to help clear your debts.

A debt adviser will:

- treat everything you say in confidence
- support you without judgement – they'll never make you feel bad about your situation
- suggest ways of dealing with debts that you might not know about
- check you've applied for all the benefits and entitlements available to you.

Three quarters of people who get debt advice feel more in control of their finances afterwards.

## Debt solutions overview

There are lots of debt solutions available – which one will be suitable for you depends on your personal circumstances.

This page offers an overview of some schemes you might have heard about, but only make your decision after talking to a free debt advice service.

Aside from the options below, you might be able to reach an informal arrangement with the people or organisations you owe money to (also known as your creditors) to make payments based on what you can afford after essential household outgoings.

Under this sort of arrangement you would also ask them to freeze interest and charges. A [debt charity](#) will talk you through this option. Find out more about the debt repayment options available on the [nidirect website](#)

## Effect on your credit score

Be aware that most of the debt options below will have an impact on your credit score, making it harder for you to open a new bank account, get a loan or buy on credit in the future.

## Debt Management Plan

This is an arrangement set up between you and your creditors where you pay back what you can afford on non-priority debts that aren't secured against your home after taking into account your household bills.

It sets out how much you will repay and agrees a timetable for repayment.

You normally make one monthly payment to the debt management organisation, which in turn pays your creditors for you.

Debt Management Plans are usually arranged for you by a third party and many charities and organisations can arrange one for free.

## Choosing a Debt Management Plan provider

Before you decide to take out a Debt Management Plan it's important to get some advice.

## Individual Voluntary Arrangement (IVA)

### Warning!

Setting up an IVA can cost several thousand pounds in fees – made up of a set-up charge and an annual management fee.

An Individual Voluntary Arrangement is a legally binding agreement between you and the people you owe money to.

It freezes your debts and allows you to pay them back over a set period, usually five years. Any money you still owe is then written off.

You can apply for an IVA if you owe more than approximately £15,000 and you'll usually have to repay at least 20p of every pound you owe, with a minimum monthly repayment in the region of £200.

The IVA is set up by a qualified professional called an Insolvency Practitioner, who will work with you to put together an appropriate proposal to take to your creditors for approval.

### What you can use an IVA for

An IVA can be used to help pay off many common debts, including:

- overdrafts
- personal loans
- mortgage shortfalls
- Council Tax arrears
- credit and store cards
- catalogue and hire purchase
- money owed to HMRC.

However, you can't use an IVA to pay off, for example:

- maintenance
- rent arrears
- child support arrears
- magistrate court fines
- certain types of car finance
- your mortgage and other debts secured on your home.

Check with a debt advice agency what else might be excluded or included.

### How to set up an IVA

You have to set up an IVA through an Insolvency Practitioner.

There are fees to pay to the Insolvency Practitioner which are usually taken from your monthly payments.

You should not have to pay any up-front charges before your IVA has been set up.

An IVA is a legally binding agreement so you need to make sure it's right for you.

It's really important to get free debt advice before you take one out to discuss whether there are other options available to help you manage your debts.

Find out more in our guide [Help if you're struggling with debt](#).

### Debt Relief Order

A Debt Relief Order is an official order that freezes your debts for a year.

It can only be granted in particular circumstances and for certain debts.

It costs £90 to arrange a Debt Relief Order. However, you need to have paid the fee in full before your application will be looked at.

### Who can apply for a Debt Relief Order?

You can apply for a Debt Relief Order if:

- you have qualifying debts of less than £20,000 – see the next section for what counts as qualifying debt
- you're on a low income and have £50 or less spare each month after paying your household bills
- you don't own things of value or have savings over £300 (note that a house with negative equity still counts as having value)
- you don't own a vehicle that's worth more than £1,000
- you have lived, had a property or owned a business in the last three years in England, Wales or Northern Ireland.

You can't apply for one if:

- your creditors have applied to make you bankrupt but the hearing hasn't yet taken place (unless your creditors agree that you can still apply)
- you've been given a Bankruptcy Restrictions Order or Undertaking
- you've petitioned for bankruptcy but your petition has not yet been dealt with – however, this doesn't apply if you've petitioned for bankruptcy and the judge has referred you for a debt relief order instead
- you're currently bankrupt
- you have an Individual Voluntary Arrangement or are applying for one
- you have had a Debt Relief Order (see next section) in the last six years
- you have been given a Debt Relief Restriction Order or Undertaking.

### Qualifying debts

These include:

- rent
- loans
- overdrafts

- credit cards
- benefit overpayments
- utility and phone bills
- in-store credit agreements, and
- money owed to HMRC.

They don't include child support and maintenance, court fines and confiscation orders, or student loans.

For a full list of exclusions, check with a debt charity.

### How you apply for a debt relief order

You can only apply for a Debt Relief Order through an approved person known as an intermediary.

Most free debt advice providers have approved intermediaries who can help you.

Once you've applied and paid the fee, and if you qualify, an Official Receiver will grant the Debt Relief Order.

Talk to a free debt advice service before deciding if this option is for you.

## Bankruptcy

Bankruptcy is a way of dealing with debts that you can't pay.

While you're bankrupt, any assets that you have might be used to pay off your debts.

After a period of time (usually one year), most of your outstanding debts are written off and you can make a fresh start.

Find out more about bankruptcy in Northern Ireland on the [nidirect website](#)

## Applying for bankruptcy

To apply for bankruptcy in Northern Ireland, you'll need to fill out a Petition.

This involves listing the reasons why you're applying for bankruptcy, and a Statement of Affairs, where you list all of your assets and debts.

### Going to court and fees

There are three fees that you have to pay when going to court:

- The court fee of £151. In some circumstances the court might waive this fee – for example, if you're on certain benefits.
- The deposit of £525 towards the costs of administering your bankruptcy, paid to the Department of Enterprise, Trade and Investment.

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- The fee payable to a solicitor before whom you swear the contents of your statement of affairs. You should expect to pay around £7 for this service.

The Court will then usually do one of the following:

- Issue a bankruptcy order.
- Ask for more information before making a decision.
- Reject your petition, and possibly suggest an alternative to bankruptcy.

### Once you're declared bankrupt

Once you've been declared bankrupt, you must hand over any assets and your financial share of your home to an appointed trustee.

This person will either be an Official Receiver or an Insolvency Practitioner. Who manages it will depend on how large your assets are.

Your creditors have to make a formal claim to the trustee for the money they are owed. You can't make direct payments to them and they can't ask you for payments.

## Who is bankruptcy suitable for?

If you have no real way of paying off your debts, then bankruptcy could be a suitable option. But don't make this decision alone. Talk to a [free debt advice agency](#) first.

Read our guide on [Help if you're struggling with debt](#).

## Offer in full or final settlement

If you have a lump sum that would cover part of your debts, you could ask your creditors whether they would accept a part payment and allow you to write the rest off.

Or they might allow you to make monthly payments for an agreed period, after which the balance is written off.

## Write-offs

In exceptional circumstances where you have no available income, savings or assets – and you can show your creditors that your circumstances are unlikely to improve in future (for example, if you are severely ill) – it might be possible to ask your creditors to write off your debts.

Talk to a debt advice charity to find out if this solution could be suitable for you.

## More help if you're struggling

If you're struggling financially, other help might be at hand to help with day-to-day expenses or other outgoings.

There are many benefits available to people on low incomes, but the benefits system is changing so make sure

you know what you're entitled to.

Read our guide [Help with the cost of living](#). Find out more about how to claim your entitlements on the [Turn2us website](#)

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