



Department for
Business & Trade

Kevin Hollinrake MP
Minister of State

Department for Business and Trade
Old Admiralty Building
Admiralty Place
Whitehall
London
SW1A 2DY

Rt Hon Liam Byrne MP
Chair, Business and Trade Committee
House of Commons
London
SW1A 0AA

T +44 (0) 20 4551 0011
E Hollinrake.correspondence@businessandtrade.gov.uk
W www.gov.uk/dbt

10 May 2024

Dear Liam,

Improving access to low-cost debt relief – legislative changes for Debt Relief Orders (DROs)

The Chancellor announced in the Spring Budget that the Government would amend two of the thresholds for obtaining a DRO, to allow more people in financial distress access to one. This letter is to inform the Committee that we will shortly be laying in Parliament two Statutory Instruments (SIs), which amend the debt and motor vehicle thresholds for accessing a DRO, in England and Wales.

A DRO is an insolvency procedure that allows easy access to debt relief without making any payments to creditors, for those individuals that have relatively low levels of debt and no means to repay it. An individual can apply for one via an approved debt advisor. If they meet specified criteria relating to their finances, they will obtain a moratorium from enforcement action against their debts which will be written off after one year. The strict eligibility criteria to access a DRO (which place limits on an individual's surplus income, assets and liabilities) are intended to ensure that those who are able to make repayments to their creditors do not use a DRO to evade their responsibilities or abuse the system.

The eligibility criteria were last changed in June 2021, as a tool to help people struggling financially following the pandemic. Subsequently, in response to calls from creditors and others, we ran a call for evidence on the overall personal insolvency regime. This sought views on how the framework operates and how it ought to be funded. The Government published its response last year which committed to examining how to reform the framework to meet the needs of debtors and creditors and said it would consider in the interim whether there is scope to improve the debt relief landscape without primary legislation. These SIs form part of this work.

The following SIs will be laid in Parliament on the 10 May 2024 and come into force on the 28 June 2024:

- The Insolvency Proceedings (Monetary Limits) (Amendment) Order 2024 will increase the total **debt allowable in a DRO** from **£30,000 to £50,000**.
- The Insolvency (England and Wales) (Amendment) Rules 2024 will increase the value of a **single motor vehicle** that can be disregarded from the total value of assets an individual seeking a DRO is permitted to own from **£2,000 to £4,000**.

Yours ever,

A handwritten signature in black ink, appearing to read 'Kevin', with a stylized flourish at the end.

Kevin Hollinrake MP
Minister for Enterprise, Markets, and Small Business
Department for Business and Trade