THE INSOLVENCY SERVICE
www.insolvency.gov.uk

What will happen to my bank account?

Information about your bank account when you are made bankrupt

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This leaflet covers the questions you are most likely to ask about your bank account if you are made bankrupt.

How will bankruptcy affect my bank account?

When the bankruptcy order is made, you should:

- immediately stop using your cheque books and bank cards; and
- hand them over to the official receiver as soon as possible.

All your bank accounts are usually 'frozen' by the bank when it becomes aware of the bankruptcy order - so you will need to make alternative arrangements for receiving money into your account and paying standing orders, direct debits etc. You should not try to open a new bank account before the bankruptcy order is made, because this account will also be frozen.

Some banks may allow you to keep using your existing bank account. But even if your bank agrees to this, they will freeze the account when they first hear about the bankruptcy order.

Will I lose the money in my bank account?

Any money in your account at the date of the bankruptcy order is an asset in the bankruptcy - so it will be claimed by the

official receiver or the trustee (if an insolvency practitioner has been appointed in place of the official receiver). However, the official receiver or trustee may release some money to you for necessary domestic expenses.

If the bank account is in joint names, the official receiver or trustee will decide how much of the money to release to the joint account holder.

What happens if my bank account is overdrawn?

The money owed to the bank is a debt in the bankruptcy - so you must not make any payments direct to the bank, unless it has a charge (a form of security to ensure payment of a debt, such as mortgage) on your home. If your bank account is in joint names, the bank can ask the joint account holder to pay all the money owed.

Can I open a new bank account?

After the bankruptcy order, you may open a new bank or building society account, but you should tell them that you are bankrupt. It is for the bank or building society to decide whether they will let you operate a bank account, and they may impose conditions and limits. You should not get any overdraft or credit facilities without informing the bank or building society that you are bankrupt. You must not write cheques that are likely to ‘bounce’ (be dishonoured).

As a bankrupt you might find it difficult to open a new bank or building society account. Some banks may allow you to keep using your existing bank account after they have contacted the official receiver. If not, you may wish to apply for a 'basic bank account'. Information on which banks offer basic bank accounts to bankrupts may be found on the Financial Services Authority website at http://www.moneymadeclear.fsa.gov.uk/pdfs/bank_accounts.pdf
Citizens' Advice also has information on basic bank accounts at www.adviceguide.org.uk/nm/basic_bank_accounts.pdf.

If your income only consists of benefit payments, state pensions and/or tax credit payments you may wish to open The Post Office card account. This is a very simple account that cannot be used to receive any other payments such as Housing Benefit, occupational pension benefits or wages. The account allows you to withdraw cash free of charge at any Post Office branch. This account may suit you if you want a simple account that will not let you go overdrawn or incur any charges. No credit checks will be carried out when you open this account. Further details can be found at www.postoffice.co.uk

Another option is a prepaid debit card. These cards can be used in the same way that an ordinary debit or credit card can be used, including paying bills, transferring money and withdrawing cash

from an ATM. There are no credit checks. With a prepaid card you are limited to spending only the amount you put on your card.

Do I need to tell the official receiver or trustee about my new bank account?

You do not need to tell your official receiver or trustee about any new bank account opened after the date of the bankruptcy order unless you are asked for that information. You do need to tell the official receiver or trustee about any money in the account that is more than you need for reasonable living expenses. The official receiver or trustee can claim the surplus amounts, via an income payments order (IPO) or an income payments agreement (IPA), to pay your creditors. Your trustee may apply to court for an IPO, which requires you to make contributions towards the bankruptcy debts from your income. The court will not make an IPO if it would leave you without enough income to meet the reasonable domestic needs of you and your family. Or you may enter into a written agreement with your trustee, called an IPA, to pay a certain amount of your income to the trustee for an agreed period. IPOs and IPAs continue for a maximum of 3 years from the date the order is made by the court or the date of the written agreement. If you fail to cooperate, the trustee may intervene in the bank account.

Where can I get advice?

This booklet is for general guidance only. If you have further questions about your bank account, please ask your professional adviser or the trustee handling your bankruptcy.

The Insolvency Service cannot provide legal or financial advice. You should seek advice from a Citizens' Advice Bureau, a solicitor, a qualified accountant, an authorised insolvency practitioner, or a reputable financial adviser or advice centre.

General enquiries and publications

You can contact The Insolvency Enquiry Line for general enquiries on bankruptcy on 0845 602 9848 or email: Insolvency.Enquiryline@insolvency.gsi.gov.uk

You can obtain further copies of this publication from The Insolvency Service website: www.insolvency.gov.uk.

You may also, free of charge, order copies of our publications from the BERR Publications Orderline. To do this you will need the reference number (URN) of the forms required. This can be found on the back cover of the leaflets or on the website.

By telephone: 0845 015 0010 (calls to this number are charged at national rate).
By email: publications@berr.gsi.gov.uk
By fax: 0845 015 0020.
Minicom users should telephone 0845 015 0030

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