Guide to Debt Relief Notices

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What is a Debt Relief Notice?

A Debt Relief Notice ("DRN") under the Personal Insolvency Act 2012 enables an insolvent debtor with limited disposable income and assets to write off qualifying debts of up to €20,000 if it is unlikely that the financial situation will improve in the next 3 years.

Who can get a DRN?

The debtor must be domiciled in Ireland, be ordinarily resident or had a place of business within the Ireland within the last year. He must be insolvent, i.e. unable to pay debts in full as they fall due, with no likelihood of being in a position to pay within 3 years.

The debtor must have a net monthly disposable income of €60 or less after reasonable living expenses are deducted (see link). He must owe not more than €20,000 in qualifying debts (see below for notes on debts), and his assets must not exceed €400 in value, ignoring the following.

- 1 item of jewellery with a value of €750 or less.
- 1 motor vehicle worth a value of €2,000 or less.
- All necessary household equipment & tools with a combined value of €6,000 or less;

Who cannot get a DRN?

A person who incurred 25% or more of the relevant debts during the past 6 months;

A person who has already had a DRN, or who is in a Debt Settlement Arrangement ("DSA") or Personal Insolvency Arrangement ("PIA") or had one within the past 5 years.

A person who is the subject of a Protective Certificate issued for a DSA or a PIA within the past year, or has been bankrupt in the last 5 years.

A person engaging in certain transactions at less than market value in the past 2 years (divesting of assets).

A person who gave preferential treatment to one creditor over another in the past 2 years (e.g. paying off a family member before a bank or credit union).

What is the effect of a successful DRN?

An individual cannot be involved in more than one of the new mechanisms (DRN, DSA or PIA) or in the bankruptcy process at the same time.

What qualifying debts are included?

The DRN is designed to deal with unsecured debts such as credit cards, overdrafts, personal loans, credit union loans, and unpaid utility bills and store card credit.

What debts are excluded?

Certain debts such as taxes & levies due to Revenue, local authority rates & charges, sums due to the HSE under the Nursing Home Support Scheme, social welfare debts and annual service charges due to the management companies in respect of residences that are excluded unless the creditor agrees to include them in the DRN.

What debts are unaffected by a DRN?

Certain debts such as Court ordered maintenance payments, fines for criminal offences, Court awards in personal injury or wrongful death claims, and loans obtained by fraud cannot be included in, and will not be affected by, a DRN.

How does a debtor get a DRN?

The debtor should contact an Approved Intermediary ("AI") such as MABs (link). A Prescribed Financial Statement ("PFS") should be drawn up showing the financial position and a Statutory Declaration will be required to say that it is true and accurate.

Once the AI is satisfied the debtor is technically "insolvent" it will apply to the Insolvency Service of Ireland and if ISI is satisfied the Court will be asked to issue a DRN, which will be recorded on a public Register .

The DRN will be subject to a 3 year supervision period and if financial circumstances change during the 3 years (e.g. An inheritance of €500 or more is received or income increases by over €400 per month) the ISI must be informed. If credit of over €650 is applied for during the 3 year period the creditor must be notified of the DRN.

What happens on completion of a DRN?

The debtor can exit a DRN at any stage by paying 50% of the amount owed to the creditors specified in the DRN. In any event if the debtor complies with the DRN then at the end of the 3 years, all of the debts covered by the DRN will be written off, even if the debtor has not paid them off. On successful completion of the DRN the entry on the public Register will be removed.

Caveat: *These notes are intended as a preliminary guide to some provisions of the Personal Insolvency Act 2012. Formal advice should be obtained before any steps are taken to effect a personal insolvency arrangement.*