

What is an Administration Order?

An administration order is a type of debt management plan, or a financial management plan that is ran through the courts.

In order to enter into an administration order you need to have a minimum of two unsecured creditors, and you will need at least one of these accounts to have been through the high court or county court and a county court judgement (CCJ) issued against you. Your total debt level must also not exceed more than £5000.00

An administration order will allow you to make one affordable payment each month to the county court who will then distribute the payment to your creditors on your behalf.

The payments will be made to your creditors on a pro rata basis. This means that all of your creditors get an equal payment which is proportionate to the size of the debt.

If you are accepted onto an administration order, the creditors that are included cannot take any further action against you, or demand additional payments without seeking the prior permission from the county court.

But there are costs with an administration order, with each payment you make; the courts will deduct 10% of any money for themselves to cover the costs of running the administration order. You will also pay the full amount that you owe.

So in order to qualify for an administration order you need to have at least two pieces of unsecured credit, where at least one of these accounts has been issued with a county court judgement and the total amount outstanding must not exceed more than £5000.00

If you decide to apply for an administration order the county court will determine if this is the best solution for you, and that you can normally pay the amount back within a reasonable timescale, if the county court feels that this will not be done, they may decide that a composition order may be of more benefit.

A composition order is almost the same as an administration order but allows an individual to repay only a proportion of what they owe, rather than the full amount.

Instances of this include individuals on low incomes, sick, elderly or on benefits. If you are accepted onto an composition order then the county court will decide how much you have to repay and agree that a certain amount of your debt will be written off.

With a composition order the fees for the service are the same as an administration order, which is 10% from each of your contributions.