



## RE-SET YOUR DEBT WITH TC DEBT SOLUTIONS

### DAS – The ‘Low and Grow’ Approach

Ian Brown outlines the latest change to the Debt Arrangement Scheme (DAS).

*With the ongoing COVID-19 crisis, the Accountant in Bankruptcy (AiB) have announced a further temporary change to the Debt Arrangement Scheme (DAS). Called ‘The Low and Grow’ approach, it allows debtors to start repaying their debts through DAS at a lower rate, increasing once circumstances improve.*



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The impact of the COVID Pandemic has caused significant difficulties for many people. As well as employers and employees having to adapt to new ways of working, **existing DAS clients have found themselves in a state of flux and confusion due to volatile changes to their circumstances.**

The **Coronavirus Scotland Act**, brought in on the 6th April 2020, introduced several key temporary changes that affected how debt solutions within Scotland function. Including:

- **extending the existing moratorium** on diligence and bankruptcy from six weeks to six months, which would prevent creditors from taking action against individuals who have financial difficulties.
- **removing restrictions** on an individual benefiting from more than one moratorium in a 12-month period, ensuring applicants prior to the Act are not disadvantaged.
- **increasing the minimum amount someone must owe** before a creditor, or group of creditors, can petition for their bankruptcy from £3,000 to £10,000.
- **eliminating application fees for Individuals in receipt of certain benefits** and a reduction in application fees for all other MAP and full administration bankruptcies to £50 and £150, respectively.
- **widening the criteria for accessing the Minimal Asset Process bankruptcy** by increasing the maximum debt threshold from £17,000 to £25,000 and excluding student loan debt from that threshold.
- **extending the period for trustees to seek a contribution order** from 6 to 12 weeks after the award of sequestration, and
- **improved the efficiency of the processes** by allowing more electronic and virtual administration (for example, removing the need for wet signatures and allowing virtual meetings).



Recently, the AiB stated that 'feedback from the money advice community indicated there were many clients who they believed would benefit from being in a DAS DPP but could only afford to pay reduced instalments toward their DPP in the short-term and would be able to increase their contribution within a specified time once their circumstances improved'.

**To facilitate this the AiB have now introduced the 'Low and Grow approach'.** This would only apply to clients who are in financial difficulty but where the money adviser believes this to be temporary and a DPP is still the best long-term financial solution for the client.

This effectively means that **a client can start their DPP payments at a much lower level** and increase this at a later date, by way of a Discretionary Condition once their circumstances have improved.

The DAS Administrator recommends a minimum of 5% of the overall debt to be paid for the duration of the discretionary condition period of lower payments, or a minimum of £35 per month, whichever is lower. However, as DAS is a voluntary agreement between a client and their creditors the money adviser will have to discuss this with their client and submit whatever proposal meets the needs of the debtor based on their individual circumstances.

The money adviser must provide information to explain why they believe the client will be in a position to increase their DPP payments after the initial "low" period.

Where a client is trying to make at least some payment to their debts, it is more likely creditors will take a favourable view of the low and grow proposals.

The money adviser would be expected to review the client's circumstances 3 months after approval with the reduced payments running for no longer than 6 months.

These welcome changes will make DAS more accessible to everyone and mean that TC Debt Solutions, will be able to help more people facing problem debt.

For more information on DAS or if you need help with any problem debt please contact Ian Brown on 07519 124657 or email:

[ibrown@thomsoncooper.com](mailto:ibrown@thomsoncooper.com) TC Debt Solutions is part of Thomson Cooper Accountants.



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