



CHARTERED ACCOUNTANTS IN FINANCIAL DIFFICULTY

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INTRODUCTION

As a professional accountant you know that financial difficulties should never be ignored. They rarely improve and often deteriorate quickly. However, it is often difficult to apply the same criteria to our own problems and/or to admit to others that we need help.

This information sheet aims to outline some of the practical steps to consider if you are in financial difficulties. You should also consider seeking specialist advice.

THE IMPACT OF FINANCIAL PROBLEMS

You may find yourself in financial difficulties for many different reasons – perhaps as a result of a period of illness, unemployment, or maybe following an emotional or other upheaval. The implications can be serious and may have an immediate and dramatic effect such as having your power cut off or losing your home. Others have an impact over a longer period – such as losing your membership of ICAEW which may affect your ability to earn a living. It is therefore important that the issues are tackled as quickly as possible.

WHAT TO DO WHEN YOU REALISE YOU HAVE A PROBLEM

Firstly, review your position and collect together the information you need to prepare a budget. Once you have this information you can consider your options. You may discover that the situation is not as bad as you had feared and you may be able to manage it yourself by reaching informal agreements with your creditors.

It is usually beneficial to discuss your position with an objective outsider and you may want to contact an Insolvency Practitioner (see [Find a chartered accountant](#) or [Insolvency Service](#)), [CABA's debt advice service](#), [money advice service](#) or your local [Citizens Advice](#). Alternatively you may have a colleague, friend or family member with whom you feel able to discuss your affairs freely. A support member can also help to support you through your difficulties.

MANAGING THE PROBLEM

There are some simple steps that you can take to begin to manage your debt:

- Budget carefully - calculate your total income, your expenditure and your existing debts. Prioritise your payments and identify any non-essential expenditure that you could cut back.
- Notify your creditors – it is always better to keep them informed so that you can agree a repayment plan. **Never** ignore letters or demands for payment – they will not disappear.
- Review your credit cards – ask for the credit limits to be reduced or even cut up your cards to avoid future temptation.
- Check your credit agreements or other insurance - if your financial problems result from redundancy or a prolonged period of illness you may be covered by health or payment protection insurance. You may also be entitled to claim benefits or tax credits or benefit from financial or other assistance from **CABA**. Please note that CABA cannot assist financially with the repayment of debts or give financial advice.
- Seek specialist advice from the organisations listed above.

INSOLVENCY

If you are unable to manage your position and think that you will not be able to pay back your debts then you may need to consider a formal insolvency such as an individual voluntary arrangement (IVA) or bankruptcy. In these circumstances you will need to consult a licensed insolvency practitioner (LIP). It is worth considering consulting an LIP that is also a member of ICAEW as they are likely to be aware of the additional implications of insolvency for you as a chartered accountant.

Individual Voluntary Arrangements (IVAs)

These are formal arrangements, made through the County Court, and usually involve paying an agreed amount towards your debts over a specified period. An IVA will usually last between 3 and 5 years but if the arrangements are not kept, it is still possible for you to be made bankrupt.

An IVA would need to be set up by a licensed insolvency practitioner who would then act as supervisor to the arrangement. The fees charged by the insolvency practitioner will need to be met by you or your creditors and can be expensive.

Debt Relief Orders

Debt Relief Orders (DROs) are a way to deal with your debts if you owe less than £20,000, have less than £50 a month spare income and have less than £1,000 worth of assets. If you qualify for a DRO it is a cheaper option than bankruptcy and doesn't involve going to court. An application for a DRO must be made to the Official Receiver through an authorised debt adviser (also called an approved intermediary). Once the DRO is discharged (normally after 12 months) you would be free from the debts listed in the order.

Bankruptcy

This should be treated as a last resort as it will have serious consequences for you personally and professionally. The bankruptcy is likely to be publicised in the **Gazette** and may also be reported in your local papers. For the period of the bankruptcy you won't be able to have a bank account, to apply for credit or to act as a director and you could lose your property. In addition you would automatically lose your membership of ICAEW. For this reason you should always stress to any insolvency practitioner the additional adverse consequences of bankruptcy to you as a chartered accountant.

If bankruptcy cannot be avoided, you can normally expect to be made bankrupt for one year. Any debts still unpaid by the end of that period would be written off (subject to your assets being realised) and you would be discharged from bankruptcy. After that time you could re-apply for membership of ICAEW although members should be aware that this is not always granted and strict criteria applies.

Although there is no prohibition on you being employed in an accountancy role during your bankruptcy you may find that some employers are reluctant to take you on. In particular accountants in practice may be concerned that this could have an adverse effect on their status. In such circumstances it may be worth suggesting that the practising accountant seeks advice from their own professional body.

IMPACT ON YOUR ICAEW MEMBERSHIP

Even if you did not enter into formal insolvency procedures you may find that your financial difficulties have an adverse impact on your membership. Although a default notice would not of itself create a liability to disciplinary action, the consequences may. If, for example you were unable to satisfy a judgment debt then you would become liable to disciplinary action that could result in an adverse finding and/or fine.

Entering an IVA or DRO creates a liability to disciplinary action. For this reason it is wise to notify ICAEW. Although entering into an IVA or DRO would be considered to be prima facie evidence of 'misconduct' by ICAEW it is unlikely to result in losing your membership as long as there are no aggravating factors. Cases are referred to the Investigation Committee which will probably ask for the arrangement to be kept under review. Provided that you satisfy the terms of the arrangement it is unlikely that disciplinary action would be taken against you other than recovery of ICAEW's costs in monitoring the IVA. Collection of those costs may be deferred until completion of the IVA.

Entering a Debt Management Plan (DMP) with your creditors is unlikely to create a disciplinary liability unless misleading information had been provided or it turned into a formal arrangement such as an IVA. There is no requirement to report a DMP to ICAEW.

Current Institute Bye-laws mean that if you become bankrupt you will cease to be a member.

CABA DEBT MANAGEMENT AND OTHER SERVICES

CABA has a debt management and support service to help members resolve their debt issues by providing free, independent, impartial and confidential debt advice and support by experienced debt advisors including:

- Advice on benefit and tax credit entitlements to help maximise income
- Help with budgeting;
- Information on debt related matters, e.g. rights of the debtor, the enforcement powers of the creditor etc.
- Negotiating with creditors and other third parties;
- Interpretation of debt related letters, legislation, court forms, official documents etc;
- Court representation

Visit caba.org.uk for more information on the debt management service or to find out about the financial assistance and other support to members, former members and their families.

ABOUT THE SUPPORT MEMBERS SCHEME

The Support Members Scheme provides support to members of ICAEW who are in difficulty. The support members offer totally confidential, non-judgemental telephone or face to face support to members of any age, in any circumstances and relating to your professional or personal life. They are trained to listen and are familiar with all of ICAEW's relevant procedures as well as other specialised helplines and resources. Support members themselves come from a variety of backgrounds but are all members of ICAEW committed to helping other members.

If you feel you could benefit from discussing your situation with a support member, please contact the scheme on +44 (0)800 917 3526 or email support.members@icaew.com. Contact information for support members is also available on the website icaew.com/supportmembers.

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