

Insolvency Service



# **What will happen to my bank account**

**Information on your bank account when bankruptcy occurs**

**This leaflet covers the questions you are most likely want answered about your bank account if you are made bankrupt:**

- **How will bankruptcy affect my bank account?**
- **Will I lose the money in my bank account?**
- **What happens if my bank account is overdrawn?**
- **Can I open a new bank account?**
- **Do I need to tell the Official Receiver or trustee about my new bank account?**
- **Where can I get advice?**

### **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.

### **Do I need to tell the Official Receiver or trustee about my new bank account?**

You should tell the Official Receiver or trustee about any new bank account, and 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 to pay your creditors. If you fail to cooperate, he or she may intervene in the bank account.

### **Where can I get advice?**

This leaflet 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.

**You can obtain further copies of this publication from our website:**

**[www.insolvencyservice.gov.uk](http://www.insolvencyservice.gov.uk)**

**You may also order copies of our publications by telephone by calling 028 90251441.**

***This leaflet provides general information only. Whilst every effort has been made to ensure that the information is accurate, it is not a full and authoritative statement of the law and you should not rely on it as such. The Insolvency Service cannot accept responsibility for any errors or omissions whether as a result of negligence or otherwise. The Insolvency Service cannot provide legal advice. You are advised to seek professional advice about the application of the law to yourself or your business.***