



**MANCHESTER
CITY COUNCIL**

Council Tax Service

Revenues and Benefits Unit

Policy Document on the use of Insolvency (bankruptcy) and Charging Orders 2026/27

1. Purpose of document

The Council is committed to using the most effective recovery methods available to it. This policy will ensure that the Council's use of insolvency to recover outstanding Council Tax is consistent and complies with the relevant legislation and best practice.

2. Insolvency (Bankruptcy and Winding Up proceedings)

2.1. Legal requirements

The legal requirements are contained within the Insolvency Act 1986. Essentially, bankruptcy action can be taken against any debtor who owes in excess of £5,000 to creditors and who, for whatever reason, is unable to satisfy his creditor's claims in full. In addition, a debtor may initiate action by petitioning for their own bankruptcy. Winding Up proceedings are used against Limited Companies.

Insolvency frees a debtor from overwhelming debts so they can make a fresh start, subject to some restrictions, and makes sure the assets belonging to the debtor are shared out fairly among all the creditors. However, the consequences can be severe and can involve the loss of the debtor's home or business as well as considerable legal and Trustee costs. The level of costs will reflect the complexity of the matters involved and the extent to which the debtor cooperates with the Trustee in Bankruptcy who is administering the estate.

Insolvency action takes place in the County Court or the High Court if the debtor resides in London.

2.2. Use of solicitors to undertake this work

The Council will refer appropriate cases to a suitable law firm. The company is fully authorised to deal with all matters connected with insolvency from the issue of the Statutory Demand to dealing with contested matters. Costs incurred by the company will be added to the outstanding debt and will need to be paid as part of any settlement.

2.3. When the Council will consider using insolvency proceedings:

- Where the debt exceeds £5,000 and the debtor has sufficient assets or equity to ensure the debt is recoverable.
- Where the debtor is not making regular and mutually agreed payments that are sufficient to clear accruing debt and the arrears within an acceptable timescale.
- Where insolvency action is considered most effective in recovering from a particular debtor.
- Where the debt has arisen as a result of fraud.

- Where specific assets cannot be identified but there are indicators that the debtor is one of high material worth, for example renting high value property or having a high salaried profession.

This list is not exhaustive.

2.4 Special Circumstances.

If made aware of the following circumstances prior to a Bankruptcy Order being obtained, the Council will consider withdrawing proceedings in favour of alternative enforcement action.

- Where a debtor, as a result of age, severe mental illness or serious learning difficulties cannot deal with their affairs (lacks capacity)
- Where the debtor is currently in receipt of the maximum Council Tax Support with no accruing debt.

2.5 Decision Making

The more information held about the debtor, the more efficient the decision-making process will be in terms of selecting the most effective enforcement option. As part of the decision-making process the Council officer will seek to build a picture of the debtor and their circumstances and will achieve this in various ways, including some or all of the following activities. The list is not exhaustive.

- Requesting financial information in writing following a Liability Order being granted whilst stating bankruptcy is an option to be considered.
- Warning of bankruptcy action and encouraging contact by the issue of a final warning letter. This fully details the effects of bankruptcy action, the alternatives to it.
- Checking all Council Tax records to see if there is any reason bankruptcy would not be appropriate as in Section 2.4.
- Checking with the Benefits Service to ensure that all Council Tax Benefit and Council Tax Support due to the debtor has been posted to the Council Tax account and that their records do not indicate that the debtor lies within the criteria mentioned in Section 2.4.
- Checking with Adult Social Care to see if there are any issues known to them that would make bankruptcy action inappropriate.
- Checking H.M. Land Registry to confirm property assets.
- Checking with a Credit Reference Agency for information on outgoings, requests for finance, mortgages and other financial information.
- Checking house sales records to estimate equity value for properties.
- Checking known or potential employment details.
- Checking Benefit Overpayment records and Business Rates records (and including all debts in the bankruptcy action).
- Checking with Private Sector Housing contacts - see Section 3.3.
- Checking Companies House records for business information.

2.6. Decision Making.

The number of insolvency cases and it used as a last resort when other approaches have failed. An officer and a Council Tax Operations Manager will consider each case on its own merits being mindful of all the facts and the level of arrears.

Where there has been no meaningful contact with the debtor, we will consider whether to visit them and explain the seriousness of the situation and encourage them to take independent advice.

2.7. Publicity

When a Bankruptcy Order is granted, the administration of it lies with the Official Receiver (OR) or an Insolvency Practitioner (IP). The fact that the order has been granted is advertised in the London Gazette and in a local newspaper. The OR/IP will also notify other bodies such as local authorities, utility suppliers, land registry, National Savings and Investments etc. to give them an opportunity to submit claims of their own and to prevent the illegal disposal of assets.

This policy will be available on the Council's web site and in appropriate circumstances; the City Treasurer will issue press releases on specific cases.

3. Charging Orders

3.1 Legal Requirements

If the aggregated balance on Council Tax Liability Orders for a property is over £1,000 then an application may be made for a Charge to be placed on the same property only, to secure the debt owed to the Council. Charging Orders are not a method of enforcement in that the debt remains unpaid until the property is sold and the Charge extinguished by the payment of the debt from the proceeds. The property may never be sold or not for a considerable time and if no further action is taken then the Charge will be extinguished after twelve years in any event. If the debt is to be actively recovered then following a Charging Order being obtained, an application has to be made to the Court for an Order of Possession and Order for sale.

3.2 Use of solicitors to undertake this work.

The Council will refer appropriate cases to a suitable law firm. The company is fully authorised to deal with all matters connected with applications for Charging Orders, Orders for Sale and Possession and contested matters. Costs incurred by the company will be added to the outstanding debt and will need to be paid as part of any settlement.

3.3 When the Council will consider using a Charging Order:

- Where the property is currently for sale voluntarily and a Charging Order is used as a way of securing the debt by agreement with the Council.
- Where the property is owned by a debtor who resides outside UK jurisdiction.
- Where a debtor, as a result of age, severe mental illness or serious learning difficulties cannot deal with their affairs.
- Where a payment arrangement has been agreed on the basis that the debt is secured via a Charging Order.
- Where there is Council Tax debt and a Charging Order is obtained to assist the Council's Private Sector Housing Enforced Sale Procedure to address the issue of urban blight caused by empty derelict properties. The list is not exhaustive.

3.4. Decision-making.

The number of charging order cases is very small. An officer and a Council Tax Operations Manager will consider each case on its own merits being mindful of all the facts and the level of arrears.

4. Management Checks

Prior to the insolvency solicitor being instructed, a Council's officer will undertake necessary checks and obtain approval from the appropriate manager.

5. Reporting Arrangements

The solicitors contracted to the Council will supply a suite of reports on a monthly basis covering all aspects of the work being undertaken.

6. Policy Review

This procedure will normally be reviewed on an annual basis in order to ensure it remains valid, effective and relevant.