

Writing off credit card debt



Basil and Amanda Rankine

Without realising the impact he was about to have on millions of credit card users, Basil Rankine wrote to HSBC in 2005 questioning the legitimacy of his wife Amanda's £10,000 debt.

The reply that came two months later amazed them: HSBC couldn't find the original paperwork so they were going to write the debt off.

Basil and Amanda created a website to spread the word that card debt might not be worth the plastic it was created with. Soon a new industry was born: websites, posters and flyers declared that "80 per cent of all

credit agreements dated before April 2007 are unenforceable", offering to arrange the annulment of your debts for a fee.

So is it true? The Consumer Credit Act running to April 2007 was notoriously complex. "It was easy for a creditor to make a slip in the agreement," says Sir Roy Goode QC. "And any slip entitles the consumer to refuse to pay unless the

'Any slip entitles the consumer to refuse to pay the credit card debt'

court gives leave to enforce the agreement." So a bank might prefer to write off debt than face the risk and expense

of going to court.

Are the internet offers valid? Not quite. The 80 per cent figure is sometimes sourced to the BBC News website—where it's simply reporting a claim by one of these sites. In truth only about ten per cent of debts

are unenforceable; post-April 2007 the rules changed and credit agreements may not be questioned in this way.

Despite claims of "no win, no fee", in practice most operators charge around £400 upfront. "Think carefully before spending money you're unlikely to get back," says Sue Edwards of Citizens Advice. "Most credit agreements do meet legal requirements and can't easily be challenged."

If a challenge is successful the debt may be written off or it may just be suspended—you don't have to pay it but it's still there. In any case, you're unlikely to get credit again.

Then there's the moral case: why should you be able to spend the money then not pay it back?

As for Basil and Amanda, they've had some £100,000 of debt either written off or made unenforceable—but have incurred a similar figure in legal fees. **N.M.**