

Changes to Debt Relief Order criteria

Lead department	The Insolvency Service, an executive agency of the Department for Business and Trade
Summary of measure	The measure amended the eligibility criteria for Debt Relief Orders (DROs), a form of personal insolvency intended for individuals with relatively low debts, low assets and low surplus income. The 2021 changes increased the maximum debt, asset, vehicle and surplus income limits. Further 2024 changes increased the debt and vehicle limits, alongside a separate removal of the £90 DRO fee.
Submission type	Post-implementation review
Implementation date	29/06/2021
Department recommendation	Amend
RPC reference	RPC-DBT-26160-PIR(1)
Opinion type	Formal
Date of issue	03/06/2026

RPC opinion

Rating¹	RPC opinion
Fit for purpose	The evidence presented in the PIR provides a sufficient and proportionate basis for the Department's recommendation to amend the Debt Relief Order criteria. The PIR takes a light-touch, low-resource approach, which is proportionate given that the equivalent annual net direct cost to business falls below the £10 million threshold. The review is underpinned by Insolvency Service monitoring data, interrupted time series analysis, supporting analysis of bankruptcy and IVA volumes, stakeholder evidence, and an in-house value-for-money evaluation. The PIR identifies relevant limitations and areas for further policy development, including the continued use of bankruptcy by some individuals who appear eligible for a DRO.

¹ The RPC opinion rating is based on whether the evidence in the PIR is sufficiently robust, as set out in the better regulation framework, to support the departmental recommendation. RPC ratings are fit for purpose or not fit for purpose.

RPC summary

Category	Quality²	RPC comments
Recommendation	Green	The Department's recommendation to amend is supported by the evidence in the PIR. The review demonstrates that the 2021 and 2024 eligibility changes increased access to DROs and therefore supported the policy objective of enabling more individuals in financial distress to access a suitable debt relief solution. The PIR identifies wider issues in the personal insolvency framework, including evidence that some individuals who appear eligible for DROs continue to choose bankruptcy, and states that the Insolvency Service intends to consult on wider reforms to the personal insolvency regime.
Monitoring and implementation	Good	The PIR takes a proportionate approach for a measure with a relatively low direct business impact, drawing primarily on readily available Insolvency Service monitoring data. The PIR also considers unintended consequences, stakeholder impacts, company size impacts and equalities impacts. The PIR would be improved by providing more narrative to justify why some original assumptions remain unchanged, for example the cost of administering a DRO application.
Evaluation	Good	The PIR provides a structured evaluation of whether the policy objectives were achieved. It uses quasi-experimental analysis to assess the effect of the 2021 and 2024 eligibility changes on DRO volumes, and supplements this with analysis of bankruptcy and IVA volumes, moral hazard, stakeholder evidence and value-for-money analysis. The review includes a comparison of estimated costs and benefits against the original IA and De Minimis IA.

² The RPC quality ratings are used to indicate the quality and robustness of the evidence used to support different analytical areas. The definitions of the RPC quality ratings can be accessed [here](#).

Summary of proposal

Debt Relief Orders were introduced in 2009 to provide a proportionate debt relief solution for individuals with relatively low levels of debt, low assets and low surplus income. The PIR explains that DROs are intended to be more appropriate than bankruptcy for individuals with straightforward financial affairs, few assets and limited ability to repay creditors. The policy seeks to enable individuals in financial distress to access debt relief and make a “fresh start”.

The 2021 changes amended the DRO monetary eligibility criteria by increasing the maximum debt level from £20,000 to £30,000, the asset limit from £1,000 to £2,000, the vehicle value allowance from £1,000 to £2,000, and the surplus income limit from £50 to £75 per month. The 2024 changes further increased the debt limit to £50,000 and the vehicle value allowance to £4,000. The PIR also considers the separate removal of the £90 DRO fee in April 2024 as an external factor affecting DRO volumes, although the fee removal is outside the scope of the PIR.

The Department recommends amending the measure. The PIR states that the eligibility changes met their objectives but that wider amendments to the personal insolvency regime, within which DROs sit, could bring additional benefits and address wider issues identified through the call for evidence on the personal insolvency framework.

Recommendation

The Department’s recommendation to amend is supported by the evidence presented in the PIR. The review provides evidence that the 2021 eligibility changes achieved their objective of giving more people with low-level assets, low surplus income and low levels of debt access to a suitable debt relief option. The PIR reports that 8,676 newly eligible DROs were made in the first 12 months after the 2021 intervention and that the 2021 changes were associated with a statistically significant 27 per cent increase in DRO applications.

The PIR also provides evidence that the 2024 eligibility changes enabled additional DROs, with 9,229 newly eligible DROs made in the period following the intervention. However, the PIR appropriately distinguishes the effect of the 2024 eligibility changes from the separate removal of the DRO fee. It reports that the 2024 eligibility changes were associated with a 9 per cent increase in DRO volumes, which was not statistically significant, while the removal of the DRO fee was associated with a statistically significant 78 per cent increase in DRO volumes. The PIR therefore concludes that the 2024 eligibility changes appear to have been less effective in isolation than the 2021 changes, which is consistent with the IA narrative that further increases to eligibility criteria would be subject to diminishing returns.

The Department’s recommendation is also supported by the PIR’s identification of continuing issues within the wider personal insolvency framework. The PIR states that some individuals who appear eligible for a DRO continue to choose bankruptcy,

even though a DRO may be more suitable for their circumstances. The PIR links this to wider concerns about whether debtors can make informed choices and states that the Insolvency Service intends to consult on options for wider reforms to the personal insolvency regime.

Overall, the evidence is sufficient to support the Department's recommendation to amend. The PIR would, however, be strengthened by drawing out more clearly how the proposed wider reforms are expected to address the specific issues identified in the evaluation, including the continued use of bankruptcy by some DRO-eligible individuals, and by setting out a clearer forward monitoring approach for the period until any future reforms are implemented.

Monitoring and implementation

Proportionate

The PIR takes a proportionate approach. The Department states that, in line with Magenta Book guidance, a light-touch, low-resource PIR is appropriate because the equivalent annual net direct cost to business falls below the £10 million threshold and the review should therefore make use of readily available data. The main evidence base consists of Insolvency Service monitoring data on DRO applications, debtor bankruptcies and IVA volumes, supplemented by stakeholder evidence, published research and an in-house value-for-money evaluation.

This approach is appropriate for a statutory PIR of this scale. The measure is not a high-cost regulatory intervention, but the PIR nonetheless goes beyond simple descriptive monitoring by using interrupted time series analysis to assess whether the eligibility changes led to significant changes in DRO volumes. The review also considers unintended consequences and stakeholder impacts, including impacts on creditors, intermediaries, insolvency practitioners and the debt advice sector.

Range of evidence

The PIR draws on a suitable range of evidence. The main quantitative evidence is based on Insolvency Service monitoring data, using interrupted time series analysis to assess changes in DRO application volumes after the 2021 and 2024 eligibility changes. The PIR also uses monitoring data to assess effects on bankruptcy and IVA volumes, and to examine possible moral hazard by reviewing the distribution of debt, asset, vehicle and surplus income values before and after the changes.

The review also draws on stakeholder feedback from consultations and the call for evidence, including evidence that the debt advice sector advocated for widening the criteria up to £50,000 and in some cases wanted the Insolvency Service to go further. This supports the Department's view that the sector was content to take on the additional familiarisation and processing costs associated with more DROs.

Gaps in evidence justified

The PIR appropriately identifies and explains key limitations. For the 2021 analysis, the PIR notes that although the policy change enabled newly eligible DRO cases, the number of cases may also have been influenced by confounding factors, including

the introduction of the Breathing Space scheme, the COVID-19 pandemic and government support, and the subsequent period of high inflation. The PIR explains that quasi-experimental techniques can help assess the extent to which such factors influenced the number of newly eligible DROs.

The Department explains why a difference-in-difference approach could not be used, stating that a suitable control group could not be identified. It considered bankruptcy and IVA trends as possible control groups but concluded that they were not suitable because their trends were not sufficiently similar to the DRO trend. This is a reasonable limitation and is transparently presented.

The PIR also identifies an evidence gap on whether DROs enable a lasting “fresh start”. It notes that while research commissioned by the Insolvency Service found that debtors generally experienced significant financial relief from insolvency procedures and broadly made a fresh start, there remains limited evidence on the proportion of DRO applicants who achieve different aspects of a fresh start, as defined in reports by organisations such as the OECD and Christians Against Poverty, and whether those outcomes are sustained over time. The PIR explains that a longitudinal study could help address this gap, but that such research would need to be considered against proportionality.

Evaluation

Policy objectives considered

The PIR clearly identifies the policy objectives. The 2021 changes aimed to give more people with low-level assets, low surplus income and low levels of debt, who are experiencing financial distress, access to a suitable option for debt relief. The 2024 changes aimed to remove barriers to enable more people to access DROs and obtain debt relief in appropriate circumstances, with the intended impact that more people in financial distress could make a “fresh start”.

The PIR provides a structured assessment of whether these objectives were achieved. For the 2021 changes, the PIR reports that 8,676 newly eligible DROs were made in the first 12 months after the intervention and that widening the eligibility criteria was associated with a statistically significant 27 per cent increase in DRO applications. For the 2024 changes, the PIR reports that 9,229 newly eligible DROs were made in the period following the intervention, although the effect of the criteria change alone was smaller and not statistically significant when separated from the effect of the fee removal.

Methodology

The PIR explains the evaluation methodology in detail. It uses interrupted time series analysis to assess whether the 2021 and 2024 eligibility changes led to a significant and sustained increase in DRO applications. The PIR explains that ITSA is suitable where an intervention is introduced at a clear point in time and where time-series data are available. It also explains the assumptions and modelling choices, including

the use of quasi-Poisson models where count data had variance greater than the mean, although this would benefit from additional explanation for a lay audience.

The PIR is transparent about the limitations of the analysis. It explains that the absence of a suitable control group means the estimated impacts rely on the assumption that pre-intervention trends would have continued in the absence of the policy change. It also uses analysis of previously eligible DROs as illustrative context rather than as a formal comparison group, recognising that this group is not independent of the intervention.

The PIR also uses appropriate alternative methods where needed. For the 2021 analysis of IVA volumes, the PIR explains that although IVA data met some assumptions required for Poisson regression, the variance and mean were not equal and the data were autocorrelated. The Department therefore used an autoregressive integrated moving average model as an alternative approach to interrupted time series analysis. This is a strength of the evaluation, as it shows that the Department adapted the modelling approach to the characteristics of the data.

The PIR is strengthened by the inclusion of an in-house value-for-money evaluation, which compares estimated costs and benefits from the PIR against those estimated in the original IA and the 2024 De Minimis IA. For the 2021 changes, the PIR estimates a total net present social value of -£3.2 million and a net direct cost to business per year of £7.4 million, compared with the IA estimates of -£6.7 million and £9.2 million respectively when adjusted to a five-year appraisal period. For the 2024 changes, the PIR estimates a total net present social value of -£1.4 million and a net direct cost to business per year of £1.3 million, compared with adjusted De Minimis IA estimates of -£1.9 million and £2.8 million.

Unintended effects

The PIR provides a good assessment of potential unintended consequences. It considers moral hazard, impacts on bankruptcy applications, impacts on IVA applications, impacts on creditors and impacts on the debt advice sector.

The PIR considers whether individuals may have gamed the system by manipulating their debts, assets, vehicle values or surplus income to fall within the eligibility criteria. It concludes that the available data do not indicate a high risk of moral hazard at population level for either the 2021 or 2024 changes. The PIR also notes that only 11 debt relief restriction orders or undertakings had been issued between 29 June 2021 and 30 November 2025, equating to considerably less than one per cent of DROs, which supports the conclusion that abuse of the solution is low.

The PIR would also be strengthened by considering whether the debt advice infrastructure has scaled proportionately to accommodate the increase in DRO volumes, including how competent authorities and the wider advice sector have responded to the additional caseload and whether this affects the effectiveness and accessibility of the policy.

SaMBA

The PIR considers impacts by stakeholder group and company size. It assesses impacts on competent authorities, which process DRO applications, and insolvency practitioners, which may experience reduced IVA fee income. The PIR estimates both absolute and relative costs for small, medium and large competent authorities and insolvency practitioner firms. For competent authorities, the PIR finds that small competent authorities bear a disproportionate relative burden. For insolvency practitioners, the PIR estimates that the relative impact is small.

The PIR provides a reasonable explanation for not exempting small and micro businesses. It states that exemptions would go against the desired outcome of helping individuals in financial distress access suitable debt relief and could create a two-tier system that may confuse debtors and lead them towards unsuitable debt solutions. It also notes that competent authorities and the debt advice sector supported widening the criteria, indicating willingness to bear the additional burden.

Equalities and regional impacts

The PIR includes an assessment of equalities impacts. It identifies differences in DRO usage by age and gender, noting that rates of DRO use per head of population are lower for those aged 65 and over and higher for those aged 35 to 44, and that females are almost twice as likely as males per head of population to enter a DRO. The PIR states that, while there are differences in use by different groups, the legislation has not been found to deliver a less beneficial outcome for any groups compared with others.

The PIR also considers regional impacts. It reports that the North East had the highest rate of DROs per 10,000 people across the relevant period and London had the lowest, suggesting that any debtor benefits from DROs may be felt most in the North East and least in London. This is a useful addition to the PIR and supports a more rounded assessment of impacts.

Original assumptions

The PIR provides a useful comparison between the original IA estimates and the realised costs and benefits. The PIR explains that the difference is driven by factors including actual DRO numbers, treatment of the £90 DRO fee, treatment of assets paid in debtor bankruptcy, and updated estimates of the number of DROs coming from bankruptcy.

The PIR would benefit from additional narrative explaining how the Department concluded that some assumptions remain unchanged. For example, the cost of administering a DRO application is carried forward from previous analysis, with updated case volumes applied. The PIR should explain why this unit cost remains the best available estimate and whether any more recent evidence from competent authorities or the debt advice sector could be used to test the assumption.

In the summary of original assumptions the OA references a positive annual impact on business. This phrasing is unclear as it appears to reference a positive EANDCB which represents a net cost to businesses and would usually be described as a negative impact.

Improvements or alternatives considered

The PIR identifies a clear area for improvement: some individuals who appear eligible for a DRO continue to choose bankruptcy, despite DROs potentially being more suitable for their circumstances. The PIR states that addressing this issue, and wider concerns about ensuring debtors can make informed choices, is being considered through the personal insolvency review.

The PIR also explains that the wider call for evidence identified broader issues with the personal insolvency landscape, including barriers to entry, shortfalls in current procedures, and inconsistencies in the treatment of individuals and the quality of service across the framework. The PIR concludes that while amending the DRO criteria has addressed some barriers to entry, further reform may be needed to help debtors make informed decisions and to secure additional benefits for debtors and creditors.

This provides a reasonable basis for the Department's recommendation to amend. The PIR would be strengthened by providing a clearer description of the expected pathway from the PIR findings to future reform, including the likely consultation process, how options will be assessed, and how future monitoring and evaluation will be embedded if reforms are introduced.

Regulatory Policy Committee

For further information, please contact enquiries@rpc.gov.uk. Follow us on X [@RPC_Gov_UK](https://twitter.com/RPC_Gov_UK), [LinkedIn](https://www.linkedin.com/company/rpc-gov-uk/) or consult our website www.gov.uk/rpc. To keep informed and hear our views on live regulatory issues, subscribe to our [blog](#).