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NEWSLETTER
CAN YOU INHERIT DEBTS?

CAN YOU INHERIT **DEBTS?**

With so many people forced to use credit to manage their household and business finances, one of the most commonly asked questions is **‘Does my debt die with me?’**

Continue reading at page 2

Tax Advice That Helps Your Business Grow



Or, families of those who experience financial difficulties are concerned that they will inherit any outstanding obligations when their loved one dies.

The topic of probate and insolvency services is a complex one. However, the general rule of thumb is that when someone passes away, no one else can be held accountable for their debts. Unless, of course, the financial agreement was in joint names.

However, if the person who died has assets – such as property – then those will be used to settle debts as far as possible. Beneficiaries receive any assets remaining once the debts are satisfied.

WHO SORTS DEBTS WHEN SOMEONE DIES?

The Executor takes responsibility for the person's estate (which means all their cash, property and things like life policies). They would look at any debts and take steps to meet those from the estate.

If it becomes clear the amount owed is greater than the value of the deceased's estate, the executor takes steps laid out under the Administration of Insolvent Estates of Deceased Persons Order 1986. They make a court application for an insolvency administration order.

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This is similar to a bankruptcy order. It ensures any debts are paid in order of priority. It is an important process, as it avoids the Executor paying creditors in a way that can be legally challenged.

WHAT ABOUT A JOINTLY OWNED PROPERTY?

This is an area of probate accountancy that can get particularly distressing for the person who has a joint mortgage with the deceased. Could your house be sold to settle someone else's debts?

The responsibility for the mortgage payments and any utility bills do now pass solely to you. However, you will still not be made to pay any other outstanding debts that are not in your name. As you now own the house, it would usually not be counted as part of the estate or used to pay creditors.


If the person who died had joint debts with you, secured against the value of your home, it becomes more complex.

HOW CAN I GUARD AGAINST INHERITANCE ISSUES?


One of the best ways to make sure your finances are secure against future challenges and difficulties is to seek the help of Tax Care Accountancy. We also specialise in probate and insolvency services for both individuals and businesses.

GET IN TOUCH

Are you looking to get more financial advice like the one above? Get in touch with Taxcare Accountancy today. We can help your business thrive and grow.



Find contact details in the last page.



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