



Time limits for recovering debts

Fact sheet no. 25 EW Time limits for recovering debts

January 2019

Use this fact sheet to:

- find out which time limits apply to which debts;
- find out when a time limit starts running on a debt;
- deal with creditors chasing you for old debts; and
- deal with court action for debts past their limit.

This fact sheet includes some useful contacts and links for you to get further help. The sample letters mentioned in this fact sheet can be filled in on our [website](#).

What is the time limit for collecting debt?

The **Limitation Act 1980** sets out the rules on how long a creditor (who you owe money to) has to take certain action against you to recover a debt. The time limits do not apply to all types of recovery action. Also, the time limits are different depending on the type of debt that you have. This fact sheet outlines when you can use the **Limitation Act**.

Limitation periods for debts are important, because if the creditor has run out of time, you may not have to pay the debt back.

What does 'statute-barred' mean?

If a debt is barred under statute, it means that by law (the **Limitation Act**), the lender has run out of time to use certain types of action to try and make you pay the debt.

Statute-barred does not mean the debt no longer exists. In some circumstances, the creditor, or a debt collection agency, can still try and recover money from you. You can choose to pay if you wish. Even if the debt is statute-barred, it may still be on your credit reference file. This may make it harder for you to get further credit.

See our fact sheet:
**Credit reference agencies
and credit reports.**



When can I use the Limitation Act?

This depends upon the type of debt you have. We cover the main types of debt in this fact sheet. If your type of debt is not included, **contact us for advice**.



When does the limitation period start running?

Whatever the limitation period is, for example **six** or **twelve** years, it is important to understand exactly when the time limit started. Under the **Limitation Act**, time starts to run from the 'cause of action'. This is not the same for all types of debt, so be careful. In this fact sheet, we look at the cause of action for the main types of debt. If your debt is not included, **contact us for advice**.

Unsecured credit debts

Unsecured credit debts are things like credit cards, store cards, personal loans and catalogues. When using the **Limitation Act**, these debts are often called 'simple contract debts'.

The **Limitation Act** says that the limitation period for simple contract debts is **six years**.

The **cause of action** (when the limitation period starts running) for simple contract debts is usually when your agreement says the creditor is able to take court action against you. With some agreements, this will be after a default notice has been sent to you and then expired, **contact us for advice**.

If your creditor didn't issue a default notice soon after you missed payments, or if they no longer have any record of whether they ever issued a default notice, **contact us for advice**.

Once the limitation period is running, a simple contract debt will normally be statute-barred if:

- the creditor has not already obtained a county court judgment (CCJ) against you; and
- you or anyone else owing the money (if your debt is in joint names) have not made a payment towards the debt during the last **six years**; and
- you have not written to the creditor admitting you owe the debt during the last **six years**.

Extra advice:



default notice

Under the **Consumer Credit Act 1974**, if you break the terms of your agreement (such as by missing a payment) and your creditor wants to take certain kinds of action because of this, they first have to send you a default notice.

For example, they have to issue a default notice before:

- demanding that you pay back everything you owe, not just the arrears; or
- terminating the agreement.

If you have missed payments, the default notice should give you at least **14 days** to pay the arrears. Paying the arrears will normally stop the creditor from taking any further action. If you cannot pay the arrears in the time given, the notice will 'expire' and the creditor can take further action.



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What should I do next?

If you are being contacted about a debt that is a simple contract debt, and you think it may be statute-barred, you can use the [Time has run out to recover the debt sample letter](#). Write to the creditor telling them about the **Limitation Act**. **Keep a copy of any letters you send.**

If you have one of these debts, but you have not heard anything about it for some time, you could choose to ignore it. However, debts can appear again 'out of the blue', so you need to accept this might happen.

If you have made payments towards a debt where the limitation period of **six years** has already gone by, and no court action has already been taken, the debt is probably unenforceable. **Contact us for advice.**

You also need to check whether any court action has already been taken. This is because if it has, time limits may not apply and you could be at risk of enforcement action such as bailiffs. See the later section **County court judgments** for more information. If you are not sure whether court action has taken place, you can check your credit file, or the official Registry of Judgments, Orders and Fines. **Contact us for advice.**

The Financial Conduct Authority (FCA)

The Financial Conduct Authority (FCA) has published the [Consumer Credit sourcebook \(CONC\)](#) which looks at whether a debt is being collected fairly. Although the FCA cannot investigate individual complaints, you can still use their rules and guidance when disputing a debt on the grounds of limitation. All of the rules and guidance applies, no matter how old the debt is. In the [Consumer Credit sourcebook \(CONC\)](#), the FCA includes the following rules and guidance:

- "...a firm must not attempt to recover a statute barred debt in England, Wales or Northern Ireland if the lender or owner has not been in contact with the customer during the limitation period." 7.15.4 Rule
- "It is misleading for a firm to suggest or state that a customer may be the subject of court action for the sum of the statute barred debt when the firm knows, or reasonably ought to know, that the relevant limitation period has expired." 7.15.7 Guidance
- "A firm must not continue to demand payment from a customer after the customer has stated that he will not be paying the debt because it is statute barred." 7.15.8 Rule

You can make a complaint to your local trading standards department, who can look into your case. You can also complain to the FCA, as they can look into companies' behaviour, even though they cannot deal with individual complaints. See the **Useful contacts** at the end of this fact sheet, or **contact us for advice.**

Extra advice:



burden of proof

Once you have told the creditor or debt collection agency that you are disputing the debt because you think it is statute-barred, **it is up to them to prove otherwise**. Don't be afraid to ask for evidence if they tell you a payment has been made, or a letter received.

Information:

INFO

contact from creditors

If your debt is regulated by the **Consumer Credit Act**, you may still get letters even if the debt is statute-barred. This is because the law says that some 'notices' must still be sent even if the debt is **over six years old**.



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The Financial Ombudsman Service (FOS)

You may be able to complain to the **Financial Ombudsman Service (FOS)** about the way a company has dealt with your account. You must follow your lender's complaints procedure first. You can only use FOS to complain about events that happened from **April 2007** onwards. See the **Useful contacts** at the end of this fact sheet, or **contact us for advice**.

Other debt types

Council tax

A council should not go to the magistrates' court and ask for a liability order for council tax more than **six years** after the council tax became due. This is under **Regulation 34(3) Council Tax (Administration and Enforcement) Regulations 1992**.

The **cause of action** (when the limitation period starts running) for council tax, is when the council first sent a bill to you. Unreasonable delays in sending bills could be grounds for making a complaint to the council and, if unresolved, the Local Government Ombudsman. **Contact us for advice**.

Extra advice: liability orders



Once the council has obtained a liability order, there is no time limit for enforcing it. There may be limits on how the council can enforce old liability orders. **Contact us for advice**.

Mortgage shortfalls

A mortgage shortfall can happen if your home is repossessed, and not enough money was raised by the sale to pay the balance owing on the mortgage and any secured loans. Your lender may then chase you for the remaining amount.

The **Limitation Act** says that the limitation period for mortgage shortfalls is **twelve years** for capital owed, and **six years** for the interest part of the shortfall.

The **cause of action** (when the limitation period starts running) for mortgage shortfalls, is usually when the lender is entitled to be repaid in full. Under the terms of most mortgages, this will usually be after two or three missed payments.

Mortgage shortfalls can be complicated, if you have one of these, **contact us for advice**.

See our fact sheet: Mortgage shortfalls.



Income tax and VAT

There is no time limit for recovery of tax, duty, or any related interest. However, National Insurance is not classed as a tax and is therefore subject to a **six year** limitation period.



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**See our fact sheet:
Business debts.**



Benefit overpayments and social fund loans

The **Limitation Act** says that the limitation period for benefit overpayments and social fund loans is **six years**.

The **cause of action** (when the limitation period starts running) for benefit overpayments, is when a final decision is made on the overpayment. This is most likely to be a final decision by a council, the Department for Work and Pensions (DWP) or a tribunal.

For social fund loans, the **cause of action** is when the loan becomes due for repayment.

If the council or DWP tries to issue a county court claim against you for an overpayment of benefit, and you think it is statute-barred, you can put in a defence. This is complicated and you should get legal advice first. **Contact us for advice** about how to find the right legal advice for you.

However, if you are getting ongoing benefits, the DWP or council may be able to take money directly from your benefit or wages to repay overpayments. The rules can be complicated. **Contact us for advice**.

Student loans

There are 'old-style' and 'new-style' student loans. Old-style student loans are for students who started their university course before **September 1998**. New-style student loans apply to students starting their course from **September 1998** onwards.

The **Limitation Act** says that the limitation period for student loans is **six years**.

Old-style student loans usually became due for repayment in the April following the conclusion of your course, and any limitation period could not begin until after you missed a payment on your loan. However, if you asked for your loan to be deferred within the **six year** limitation period, this would have restarted the limitation period. If you think your loan may be statute barred, **contact us for advice**.

For new-style student loans, the cause of action is likely to be when your earnings reach the set level at which deductions from your wages can begin. Because the Student Loan Company can take money directly from your wages, it might be more difficult to use the **Limitation Act**. If you think your loan may be statute barred, **contact us for advice**.

Information:

INFO

the County Court

To recover overpaid benefits, the DWP and local authorities can use the normal County Court route. There is also a fast-track process for registering the debt in the County Court, as if it were payable under a county court order. If this happens, **contact us for advice**.



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Child Support Agency (CSA) and the Child Maintenance Service (CMS)

If you owe money to the CSA or the CMS, the limitation rules can be complicated. From **12 July 2006**, there is no time limit within which the CSA or the CMS must apply for a liability order. Once they have a liability order, a **six year** limitation period applies for them to use certain types of enforcement, such as bailiffs. There is no time limit for them to use enforcement such as disqualification from driving or imprisonment.

There are some ways the CSA or the CMS can try and make you pay that do not require them to have a liability order at all. These include taking money from your wages, benefits or bank account. **Contact us for advice.**

Extra advice: delays in taking action



You might be able to complain if you think there has been an unreasonable delay in action being taken. **Contact us for advice.**

County court judgments

Once a creditor has a county court judgment (CCJ) for a debt, the **Limitation Act** does not put any time limits on how long they have to enforce that judgment.

If your CCJ is more than **six years old**, and the creditor wants to use enforcement action, they must first get permission of the court. Special rules apply if they apply for a third party debt order or you already have a charging order. **Contact us for advice.**

If you think the creditor has been to court and got a CCJ against you after the **six year** limitation period has passed, you can ask the court to 'set aside' the CCJ so you can put in a Limitation Act defence.

Extra advice:



bankruptcy

If a creditor already has a county court judgment (CCJ) against you, there is no limitation period to make you bankrupt. If there is no CCJ, there is a **six year** limitation period to make you bankrupt.

See our fact sheet:



County Court - how to set aside a judgment.

Joint debts

If you have a debt that is in joint names with another person, this means your creditor can chase either or both of you for the full amount. You do not only owe **50%** each.

If you think your joint debt might be statute-barred, you need to check if the other person has made any payments. If they have made a payment within the limitation period, this means the time limit restarts again for both of you.

If the other person has not made any payments, but has admitted in writing to the creditor that they owe the debt, the time limit will only restart for them and not for you.



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If you are having problems finding out if the other person has made any payments, **contact us for advice**.

Useful contacts

Financial Conduct Authority (FCA)

Regulator for financial services such as payday lenders, banks, credit companies, insurance companies and mortgage lenders.

Phone: 0800 111 6768 or 0300 500 8082

Email: consumer.queries@fca.org.uk

www.fca.org.uk

Financial Ombudsman Service (FOS)

For complaints about banks and other creditors.

Phone: 0800 023 4567 or 0300 123 9123

Email: complaint.info@financial-ombudsman.org.uk

www.financial-ombudsman.org.uk



National Debtline endeavour to keep our fact sheets as up-to-date as possible, however, we cannot be held responsible for changes in legislation or for developments in case law since this edition of the fact sheet was issued.

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