

“Escaping a partner’s debts”

Partners who constantly run up debts without their spouses knowledge are becoming a growing problem, due to a decade of easily-accessible credit and the recent growing cost of renewing that credit, rising defaults, unemployment and recession-hit household budgets.

Said Phil Wood, managing director of chartered accountants and licensed insolvency practitioners, Barringtons, “We are currently seeing this problem arise time and again. The first rule of thumb is total honesty as it will be necessary to repay all debts. It is necessary for signatures to be checked on credit agreements. If it is a loan that both parties have signed up to then both are liable for the debt and the creditor can chase up either party for the entire sum. The home can be seized and sold to pay off the debt even if it is unsecured borrowing.”

The most important factor is the name on the actual loan agreement not marital status or living arrangements as this is the person who will be legally liable for the debt. If the agreement is in joint names then there is joint and several liability.

“The situation can get more complex if one or other partner signed up to debt on their own but their financial matters are otherwise intertwined and creditors may be entitled to seize any asset even if it is joint asset with another person. When the home is involved, one partner may be able to buy out the other’s half from the creditor. The same applies to such items as cars or land,” added Phil.