

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



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.

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.

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Unsecured credit debts

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.



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.

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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 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.

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.

If you have any concerns about anything contained within this Factsheet, please contact us for advice on how to proceed.



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A "Time has run out" sample letter...

[date]

[your address]

[creditors address]

Dear Sir/Madam

Account No: [reference no]

You have contacted me about the account with the above reference number, which you claim I owe. I do not admit any liability for your claim.

Under the **Limitation Act 1980 Section 5**:

"An action founded on simple contract shall not be brought after the expiration of six years from the date on which the cause of action accrued."

Also, the Financial Conduct Authority's **Consumer Credit sourcebook** states the following.

"...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

"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

Unless you can provide evidence of payment or written contact from me in the relevant period under **Section 5 of the Limitation Act**, you are no longer able to take any court action against me to recover the amount you allege I owe.

Please confirm in writing that you will not make any further contact about the above claim and confirm that this matter is now closed.

I look forward to hearing from you.

Yours faithfully

[your signature]

[your name/title]

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