

I have a County Court Judgement - What does this Mean?

Derek Cooper - June 2009

Since the autumn of 2008 and the onset of what is being reported as the country's worst recession since the 1930's, more and more businesses are finding that they have been issued with a **County Court Judgement** commonly known as a **CCJ**. The purpose of this article is to explain what a County Court Judgement is, why they are issued and what the ramifications of receiving a County Court Judgement are.

If a creditor of a business is not being paid in a timely fashion, the first action they will normally take is to attempt to discuss the problem with their errant client and agree an acceptable repayment plan. If this strategy does not work and the client continues not to pay, the creditor's next option may be to employ a debt collecting agent. However, if the debt continues to remain unpaid, the creditor can then decide to ask the Court for help in enforcing the payment of the outstanding debt. This Court issued enforcement is called a County Court Judgement.

In order to request the Court to issue a County Court Judgement, the creditor must first apply to the local Court. The creditor will have to provide proof of the debt that they are owed and a record of the actions they have undertaken to try and recover the debt. The creditor will normally use a solicitor to make the application to the Court on their behalf.

Once an application for a County Court Judgement has been made, the Court will approach the person or company who allegedly owes the money (the Debtor) to hear their side of the story. The Court will ask the Debtor to confirm they believe they actually do owe the debt and will ask for details about Debtor's financial circumstances so that a reasonable repayment agreement can be determined. The Court will normally allow at least 14 days for the alleged debtor to provide their response.

If the debtor agrees that the debt is owed, the Court will then issue a Judgement stating that the debt must be repaid and how it should be repaid. This Judgement is called a County Court Judgement. Depending on the financial information the debtor has provided, the repayment may be requested immediately and in full, or at a certain rate per month until the debt is paid. It is worth noting that if the debtor simply ignores the Court's letter requesting they confirm the debt is owed, then the Court will assume that the debt is legitimate and the subsequently issued Judgement will usually demand payment immediately and in full.

Once a County Court Judgement is issued, it becomes an Order for payment which is legally binding on the Debtor and must be paid. The Judgement does actually offer some protection to the Debtor in the sense that as long as the payment terms of the Judgement are met, the Creditor is then not allowed to add further interest or charges to their outstanding debt. Once issued, the Judgement will remain recorded on the business's credit file for 6 years and will not be taken off before that time even if the debt is subsequently paid in full.

So what are the effects of receiving a County Court Judgement? The most significant and immediate effect on a business is that its credit rating will be adversely effected. The

Judgement is registered at the Court, listed in the Stubbs Gazette and recorded on the company's credit file. Therefore, having received such a Judgement, a business will find it more difficult to obtain credit in the future. Importantly, the business may also find it more difficult to trade with certain potential clients in the future as the financial stability of the business will be called into question if a credit check is undertaken by them.

Clearly, to avoid the negative effects of a County Court Judgement, a company's debts should be paid before such an Order is issued. However, what happens if the Debtor chooses to ignore the Judgement and refuses to pay? Generally at this stage, the Creditor's next course of action will be to apply to the Court for the creditor business to be closed by Winding Up. This action has very serious implications for a business. As such, the use of **winding up petitions** and their effect on a business will be the subject of a subsequent article.

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