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Fergie set to clear £5m debts

Some will see it as nothing short of a miracle. For in a remarkable turnaround, the Duchess of York is on the cusp of clearing her multi- million-pound debts, thus avoiding the ignominy of bankruptcy.

She has, I can reveal, reached agreement with all but two of her creditors and is close to wiping off the near £5million debts that threatened to overwhelm her.

The extraordinary move, achieved since the summer, is said to have put a fresh spring in Fergie's step as she seeks to find new commercial opportunities.

I understand all the small traders owed money were the first to be paid off, while deals have just been struck with virtually all the larger institutions.

However, agreement with two of those larger creditors have not been reached, and this is critical to the success of the whole restructuring operation.

'Quite simply, unless they all sign up, then there is no deal,' I am told. 'It means these two can derail the whole scheme.'

The danger for the Duchess is that if there is no agreement, she will have to enter into an IVA — or individual voluntary arrangement — a compromise with creditors in which for a period of up to five years she may be required to pay them whatever she can afford over and above her living costs.

But, crucially, it prevents her being made bankrupt and all the embarrassment that goes with it. The outstanding amounts are understood to total £150,000.

'It's a pretty impressive achievement, but Sarah is very keen to put these matters behind her now,' a friend of Fergie's tells me.

The Duchess, who has been working for U.S. chat-show queen Oprah Winfrey, has three aims, I am told. 'She wants to complete her project with Oprah, finalise agreements with creditors and move forward on a proper commercial basis,' says the friend.

'The banks are at bay. Everything hinges on these last two creditors, who are by no means among the largest people she owes.'

Fergie's world came crashing down in May when she accepted £27,000 from an undercover reporter in exchange for access to Prince Andrew. She has since laid off her private staff, while a team of advisors have ruthlessly got to grips with her money problems.

The first £2million was repaid by September and the deal should be completed by Christmas.