

A Guide to Individual Voluntary Arrangements (IVA)

So what is an individual voluntary arrangement? ("IVA")

An IVA is a legally binding agreement between you and your creditors which is supervised by a Licensed Insolvency Practitioner.

Most commonly, it will involve you making regular, and agreed monthly payments, usually for up to five years, which the Insolvency Practitioner will hold onto, and then distribute to your creditors from time to time, once he has agreed all of their claims.

If, at the end of the term of the Voluntary Arrangement the amounts you have paid into it are not enough to enable creditors to be repaid in full, then any **unpaid balances are simply written off** and the creditors can no longer pursue you.

What are the advantages and disadvantages of IVA's?

Advantages

- We will help you work out exactly what you can afford, and, if your IVA is approved, you will therefore only make **one affordable payment** into your IVA every month.
- If 75% (in value) of your creditors vote to accept your IVA, then **all of your creditors will be bound by the IVA**, including those who did not vote, and even those who rejected your offer.
- Once your IVA is in place, all of your creditors will be bound by the Arrangement, and as long as you keep to your part of the agreement, they will be unable to take any action against you for repayment, including charging interest, commencing legal proceedings or trying to make you Bankrupt.
- At the end of your IVA, any unpaid balances due to your creditors will be simply written off.
- Your employment is unlikely to be affected. In fact, there is no specific requirement to notify your employer unless, of course, you choose to tell them about it.
- An IVA is not advertised in either local or national newspapers, and will not stop you from acting as a Company Director, running your own business, nor will it result in the loss of professional qualifications unlike, in many instances, with Bankruptcy.

Disadvantages

- If you do not keep to your part of the agreement, then the IVA can be brought to an end, and you could be made Bankrupt.
- If the IVA is brought to an end prematurely, because of default, then the full balances due to your creditors will be repayable, and they will be able to pursue you for what you owe, or to start legal proceedings against you if they wish. Any creditor or group of creditors owed more than £750, could also take action to make you Bankrupt.
- Because creditors may have the option of making you Bankrupt, your offer to creditors (the Proposal for an IVA), will need to ensure that creditors actually get more money back than they would in a Bankruptcy.

What sort of people enter into IVA's?

Generally speaking, people who are unable, for whatever reason, to repay their debts as and when they fall due. These include professionals, self-employed and also people in employment. Debt problems can and do affect people from all walks of life.

So what will I have to pay?

The agreed monthly payments will very much depend on your personal circumstances, and of course your monthly income and expenditure ***i.e. what you can afford***. Whatever the repayments are, it will be an amount that both you and your creditors agree will be affordable to you so as to avoid any potential debt problems ever re-occurring.

What if I have any assets, will I have to sell them?

Most people entering into IVAs do of course own assets. Generally speaking, personal belongings and household items are kept entirely outside of the IVA, therefore you will not have to sell them.

Similarly, cars and motorbikes are also commonly treated in the same way, where they are required for either work purposes, or perhaps taking children to and from school. You will also be allowed to keep on paying any Hire Purchase or Leasing payment even whilst you are in an IVA.

If you are a home owner, then it is a possibility that towards the end of the IVA, you will be requested (as part of the agreement with your creditors) to refinance or remortgage your share of the property in order to raise a further sum of money towards the debts that you owe. It is highly unlikely, however, that you will ever be requested to sell your home.

What happens if I am unable to make the agreed repayment or my circumstances change?

It is of course, extremely important that you maintain all of the agreed payments into your IVA for the entire duration. However, it is accepted that your circumstances may change possibly because of time off work to ill health, bereavement, redundancy, etc. Where there are genuine reasons for doing so, the terms of an IVA can always be varied, provided creditors agree.

Will I be able to get Credit again?

Yes, you will be able to get credit after you have entered into an IVA. However the terms of the IVA will normally provide that you will not obtain credit during the term of the IVA, unless the Supervisor of the IVA agrees.

Although your credit rating will of course be affected, you can, in principle, still borrow money, e.g. to remortgage your house in order to obtain a better rate of interest. However, it is important to ensure that you make all of the required payment under the IVA because a lender will take this into account.

Will I have to pay any fees?

Although fees will be charged for both setting up and supervising an IVA, these fees will be taken out of any monthly or other payments that you agree to pay into the IVA.

When you are satisfied that you wish to propose an IVA, and we have agreed we will do this for you, we will ask you start making monthly payments at the agreed rate and will use these monies to contribute to any fees agreed between us.

You will not be expected to pay any fees directly to us, over and above what is to be paid into the IVA.

I want to do an IVA, so what happens next?

When you call us, we will of course need to get as much information as possible regarding your personal circumstances, so we will organise a time for one of our Debt Advisers to either meet with you in person, or to arrange a telephone meeting.

Assuming it is agreed that an IVA is the most suitable way of sorting out your financial problems, the following will take place;

- You will need to formally instruct us to act on your behalf.
- Having been instructed, we will then contact all of your creditors to inform them that it is your intention to propose an IVA.
- We will ask every creditor, as well as any collection agents or solicitors they may have already appointed, to suspend action while your IVA is being set up and to write to us directly, instead of writing to you.
- We will draft your offer to creditors (the IVA Proposal), based upon the information you will have provided.
- As soon as you are happy with the IVA Proposal, you will need to sign it, and we will then file it in Court, send a copy to all of your creditors, and call a Meeting of your Creditors in order to consider it. (You do not have to attend either the Court or the Meeting of Creditors)

What other options are there?

- Borrowing more money (Debt Consolidation)
- Informal Arrangement
- Debt Management
- Bankruptcy

Borrowing More Money

Borrowing more money, or consolidating your debts as it is better known, is unlikely to be a solution to your debt problems. Unless you can borrow enough to ensure that all your current debts can be repaid in full, and that you can subsequently afford to meet all of the future repayments, then borrowing your way out of debt seldom works. It is also a common reason that people give, when they tell us with the benefit of hindsight, why and how they came to have debt problems.

Informal Arrangements

These are quite simply deals negotiated with your creditors that do not involve using formal procedures under the Insolvency Act 1986.

Unlike IVA's, they only work if all creditors are in agreement, and it is a possibility that interest will continue to be charged on your debts, until settled in full. Also, you will be responsible for sending your creditors any monthly payments that you have agreed to make, unlike an IVA which is supervised by a Licensed Insolvency Practitioner.

Debt Management Plans

A Debt Management Plan is an arrangement between yourself and a Debt Management Company who will manage and distribute the money you are able to afford to commit each month to repaying the debts you owe to your creditors.

These types of plans are more appropriate where your debt problems are only temporary e.g. you were made redundant but have found work again. However, quite often, interest and late payment charges will continue to be incurred, even when you are in a Debt Management Plan.

Most importantly of all, Debt Management will not result in any debts owed to your creditors being even partially written off, unlike IVA's.

Bankruptcy

Bankruptcy is usually the last resort for individual and creditors. It is a Court procedure governed by the Insolvency Act 1986 and generally involves a sale of the Bankrupt's assets, in order to raise as much money as possible to repay the Bankrupt's debts.

Also, where a Bankrupt earns more than his or her family's reasonable living costs, then a Bankrupt can also be required to pay monthly contributions toward their debts, for period of up to three years.

A Bankruptcy Order will typically be advertised in a newspaper local to where the Bankrupt lives or trades from. Unless there are exceptional circumstances, the Bankruptcy will last for no more than one year, although certain restrictions may be imposed both during and after the Bankruptcy has come to an end.

Are you regulated?

Our Licensed Insolvency Practitioners are regulated by either:-

- Association of Chartered Certified Accountants (ACCA)
- Department of Trade and Industry (DTI)
- Insolvency Practitioners Association (IPA)

Licensed Insolvency Practitioners are monitored regularly by their professional bodies, to ensure that they are complying with the Law, and to ensure that high standards of professional work and services are maintained.

IVADEBT

Helping You out of Debt

Iva Debt Solutions Ltd
Langley House
Park Road
East Finchley
London
N2 8EX

Tel: 0845 330 6 550
Fax: 08451 204 527
email: info@ivadebt.co.uk
web: www.ivadebt.co.uk