

What is an Individual Voluntary Arrangement - IVA?

An Individual Voluntary Arrangement or IVA is a formal legal agreement between you and your creditors.

IVA's are popular because:

- *they protect you from recovery action that your creditors may take*
- *they usually involve your creditors writing off part of what you owe them*
- *interest is frozen, and*
- *you make one affordable monthly payment over a fixed period of time of usually 5 years*

To do one you need a qualified insolvency practitioner.

What are the Pros of Individual Voluntary Arrangements - IVA's?

- *Creditors who vote against your proposal are still bound by it*
- *Creditors whose lending is unsecured can't take any further action*
- *Interest is usually frozen as long as you keep up your payments*
- *Your insolvency practitioner will help you prepare your proposal, including agreeing the level of your household and personal spending based on guidelines acceptable to creditors.*
- *We will allow you to pay our fees for preparing your proposal monthly, as part of the IVA. No fees are payable if the IVA is not approved*
- *You make only a single payment each month*
- *Your insolvency practitioner is responsible for administering and distributing your payments*
- *The terms of an IVA will usually enable you or your spouse or partner or a relative to make arrangements to buy your share of the net worth of your home or to make extra payments, rather than the home having to be sold. This may be done through a remortgage or a loan. (Net worth means its value after any debts secured on it have been paid.)*
- *On completion of the IVA, the balance of what you owe your creditors is written off*
- *You may be able to continue running any business you have.*

What are the Cons of Individual Voluntary Arrangements - IVA's?

- *Your IVA is entered on a public register*
- *Other insolvency practitioner firms may require payment in advance for preparing your proposal and getting your creditors' agreement*
- *If there is some equity (value) in your home after taking account of the mortgage(s) on it, you will probably have to pay for your share, usually in the fifth year of your IVA, by remortgaging the property. If you can't get a remortgage, you may have to continue making monthly payments from your income, for up to another year*
- *If your circumstances change, and your practitioner can't get creditors to accept amended terms, the IVA is likely to fail. You will then still owe your creditors the full amount of what you owed them at the start, less whatever has been paid to them under your IVA*
- *If your IVA fails, you may be made bankrupt*

How do I know an IVA is right for me?

If you are struggling to repay your debts and do not want to go bankrupt then an IVA may be an appropriate solution for you.

- *Anyone with unsecured debts of over £5,000 and a stable disposable income of at least £75 per month could benefit from doing an IVA*
- *If a bankruptcy petition has been presented against you it may be possible to obtain an Interim Order to halt proceedings whilst an IVA proposal is put together*
- *If you have been made bankrupt it is still possible to propose an IVA and get the bankruptcy order annulled (i.e. cancelled) and all record of it completely erased from your credit file*
- *IVA's are available to individuals residing in England, Wales or Northern Ireland.*

How does an IVA work?

We will draft your IVA proposals from the financial information you provide to us.

The IVA proposal is a formal legal contract between you and your creditors. It contains details of:

- Your personal financial circumstances and how your debts have arisen
- A list of your assets (if you have any)
- A list of your creditors and the amounts they are owed
- Your proposal to creditors for repaying all or part of their debts

- *Your creditors will decide whether to vote in favour of your proposals at a meeting. If they do, it is usually because the outcome for them is preferable to bankruptcy.*
- *Once the IVA is approved it is legally binding on all creditors and they cannot continue to harass you.*

Creditors must submit their claims to the insolvency practitioner dealing with your case who will also be responsible for collecting in and realising the assets included in the arrangement and making distributions to creditors.

Your debts are written off when the IVA is completed

How long does it take to set up an IVA and what is the process?

It usually takes between 1 and 2 months to get your IVA set up.

During this period of time, the process includes:

- Obtaining a financial fact find from you including details of your assets and liabilities and a monthly income and expenditure statement
- Drafting your IVA proposals
- Convening the creditors meeting to consider the proposals, and
- Reporting upon the outcome of the meeting to all relevant parties

- *You do not need to attend the meeting of creditors*
- *Creditors vote by proxy sent to us either by post, fax or email*

Will my creditors still call me?

During the period your IVA is being set up, creditors and debt collection agencies are likely to continue to phone you.

You simply need to inform them you are doing an IVA with us and they should mark your file forward for seven to eight weeks to allow the creditors' meeting to be called.

Once your IVA is in place creditors will stop contacting you directly because the IVA is a legal agreement that is binding on all your creditors.

As you are now paying back your debts in a regular manner they should (apart from sending an annual statement in respect of the default) no longer need to contact you.

All communications should be referred to us.

What happens at the IVA creditors meeting?

After your proposal has been prepared and posted to every known creditor, a Creditors Meeting will be called. At least 14 days notice is required.

The Creditors Meeting is an opportunity for your creditors to raise any queries about the proposal should they have any. They may suggest changes to the proposal if they so wish. Any changes they require need to be agreed by you.

You do not have to attend the meeting. Creditors lodge their votes by post and fax.

The proposals are approved when 75% of those that vote have accepted the proposals with or without modification.

The voting power of each creditor is measured according to how large the debt owing to them is. So if, for example, the only creditor to vote was a mail order company to whom you owe £750 and they said yes, the IVA would go through, even if you might owe £50,000 to other creditors who haven't voted.

Can I clear all my debts with an IVA?

You can generally clear any unsecured debts with an IVA. These include the following:

- Credit cards
- Store cards
- Personal loans
- Overdrafts
- Outstanding balances after home or vehicle repossession
- Business loans or guarantees for which you are personally liable

However, some debts cannot be included in an IVA such as:

- secured debts
- parking fines
- large student loans

You can include a student loan in an IVA application, but if their debt represents more than 25% total debts they are likely to vote to reject your IVA proposals.

What happens to my Credit Cards in an IVA?

You will usually no longer be able to use your credit cards.

This is because when you enter an IVA you make an agreement to pay off the debts on them, and so they are often frozen during the IVA process.

What if my financial circumstances change during the IVA?

Any significant changes in your financial circumstances should be notified to your Supervisor so that a decision can be taken on the best course of action to take.

A substantial change such as unemployment or loss of earnings may require a further meeting of creditors to be convened to consider varying the terms of the proposals.

Your financial circumstances will be assessed at least annually during the IVA when your monthly income and expenditure will be reviewed in order to assess whether or not payment of voluntary contributions can be increased. This will be done by reference to your wage slips or P60 or bank statements etc.

If, during the course of an IVA, you receive any windfall of funds (e.g. inheritance or Lottery winnings) you will be expected to pay over the net proceeds into the arrangement for the benefit of your creditors.

Can I share my IVA with my partner?

When we deal with husbands and wives or mutual partners, each of you is dealt with separately.

You can have a “joint” IVA if you have a number of debts in common. But it could be that one of you needs to do a voluntary arrangement and one of you needs a debt management plan. Or one of you, perhaps, need do nothing.

Rarely, one of you might be looking to go bankrupt. So it’s a case of looking at the whole picture to see what is appropriate for each individual concerned.

How does an IVA affect my credit rating?

As a general rule you are unable to borrow during the IVA. You will have to surrender all your current credit and store cards and you will not be allowed to borrow until your IVA is completed.

However, you will be allowed to use pre paid cards. You may be able to re-mortgage during the IVA (e.g. to obtain a better interest rate or if this is a requirement of the terms of the IVA) with the consent of your Supervisor.

A note of the fact that you have entered into an IVA will be entered on your credit file for six years.

Where you are required to raise funds during the IVA (for example by way of re-mortgage), this may affect your ability to borrow at competitive rates.

When the IVA has been completed, the Supervisor will send a Certificate of Completion to all your creditors, the Insolvency Service and the credit reference agencies, thereafter, your credit rating should repair fairly quickly.