

INDIVIDUAL VOLUNTARY ARRANGEMENT (IVA) GUIDE

What is an IVA?

- A legally binding document between you and your creditors.
- A method of preventing your creditors from taking extra action against you to retrieve the funds.
- A way of protecting your home from being sold to pay your debts.
- A method to pay back your creditors in a realistic way and with a realistic time frame.
- An IVA will potentially write off 55% of an average debt that is almost £60000.
- IVA lends itself best to those individuals who have debts in excess of £15000.
- An IVA will have an Effect on legal aspects and professional aspects. Ensure you are aware of this.

Are there guidelines for who can enter an IVA?

- No legal limit to decide who can enter, but there is criteria that make your IVA proposal more likely to be accepted.
- Individuals with three or more creditors.
- Individuals owing in excess of £15000 in unsecured debts.
- Be able to contribute a minimum of £200 each month in installments.
- Your payment plan must supply the creditors with more money than Bankruptcy would.
- The individual must be residing in England, Wales or Northern Ireland.

What is a business IVA?

- A legally binding agreement between you and your creditors.
- A payment plan for five years.
- A way of halting growing interest upon debts built up.
- A method to cancel debts upon the completion of an IVA.
- Prevent legal action against you.
- Sole Trader – can include all unsecured debts from trading.
- Partnership or Limited Liability Company – Company Voluntary Arrangement or Partnership Voluntary Arrangement might be the option.
- The arrangement must show evidence it is more beneficial to the creditors than simply liquidation and further the future of the company is a viable and sustainable one.

Is there a best IVA on the market?

- IVA proposals must all be drawn up against the same rules and legislation.
- The creditors have drawn up the guidelines and will have the final say if the IVA is approved.
- Do not pay any charges up front when applying for an IVA.
- Make sure no matter what the advisor says, you will be able to afford the payment plans set out.
- Ensure you fully understand the alternative options to IVA.
- Ensure you understand any possibility that your IVA will be declined and the possible ramifications of this.

How much does an IVA cost?

- Monthly Payments that are agreed upon by you and your IP and your creditors.
- The payments are worked out by looking at your monthly expenditure on essential living costs, priority debts and how much your income is.
- If you come into a sum of money while during an IVA which enables you to pay your full amount of debt then you will not receive any money already contributed to the payments back.
- If the IVA fails you will also not be able to retrieve any money already contributed back.
- Five years is the usual time frame for an IVA and so be sure that the payments agreed allow you to survive on the money remaining each month.

Are there repercussions if I do not stick to my payment plan?

- If you have a genuine reason or a change in circumstances, your insolvency practitioner will communicate with your lenders and attempt to change the monthly payment plan.
- The creditors may refuse and this will mean the IVA will fail and you could be subject to bankruptcy.
- Creditors don't usually want to make you bankrupt, as this will tend to give them less money than the IVA.
- Your creditors will also be able to attempt to retrieve the money again.
- Three missed payments during a 12-month time frame will lead to a failed IVA.

How is an IVA completed?

- The Insolvency Practitioner issues a certificate of completion.
- Your creditors will be told about the completion.
- The Insolvency Register will have a copy and will update your information.
- You will also need to tell the credit reference agencies to begin boosting your credit rating.

Is there a register that holds information on my IVA?

- Included within the Insolvency register. The register includes information on IVA, Bankruptcy Orders, Bankruptcy Restriction Orders, Fast-Track Voluntary Arrangements, DRO's and Debt Relief Restriction orders.
- Usually the information includes your name, address, DOB, occupation and information about the arrangement.

Does an IVA affect my property?

- The main benefit of being in an IVA is that your property is usually secure and will not be taken away.
- Your Practitioner will secure your property as soon as the IVA has been accepted.
- This is done by gaining a restriction, which in turn secures the equity and demonstrates to those looking at your home that it is subject to an IVA.
- The only aspect where your property comes into question is during the last remaining months of the IVA where you may be asked to release equity if applicable.

Can the creditors reject my IVA offering?

- Your creditors must give a reason for rejecting the proposal.
- Adjustments to the proposal can take place and be re-sent to the creditors.
- It is possible you may have to look for alternatives due to your creditors expecting monthly payments that you view are simply not manageable.
- The next option is to look at either Bankruptcy or a Debt Management Plan.

Are there any affects towards my credit rating?

- IVA information will stay on your credit file for a time period of six years from the official date of the IVA start.
- All options do affect your credit rating as it shows you to be re-negotiating your payments due to poor financial stability.
- It is unlikely you will be able to apply for any extra credit, as this will only make your situation worse.
- Even if you do not enter into an arrangement, continued missed payments will harm your credit rating further.

Who is responsible for the various IVA fees?

- The monthly payments you submit do not change to incorporate fees to an Insolvency Practitioner.
- The creditors in agreeing to an IVA agree that they in the majority of cases will receive 85% of the monthly payments and your IP will receive the other 15%.
- In the case of an IVA failing you will be liable to pay the fees of the IP and will not retrieve any money that has already been paid to the creditors.