

Individual Voluntary Arrangements

What is an IVA?

When debts become overwhelming, it is common for thoughts of bankruptcy to be seen as the last resort.

However, there is an alternative which is far less restrictive but can be just as beneficial for the debtor ... Individual Voluntary Arrangements. Simply, an IVA is an arrangement between the debtor and his/her creditors to repay a percentage of the debt over the life of the IVA, usually 5 years.

This is to be done under the watchful eye of an insolvency practitioner. At the end of the IVA any outstanding debt is usually written off.

Who can make an Individual Voluntary Arrangement?

Normally only a debtor can initiate an IVA, but if the debtor is an undischarged bankrupt the trustee, Official Receiver or even the bankruptcy courts can do so. When hearing a debtor's petition, the court is required to consider whether an IVA might be more appropriate than bankruptcy.

You should bear in mind that IVA's, just like bankruptcy, are restrictive. It is not simply a matter of setting up an IVA, paying off a percentage of your debt and just walking away from the rest of what you owe.

There are some **KEY EFFECTS** on your current and future finances which should be considered before making a decision.

IVA's: the Pro's

There isn't the stigma or publicity that accompanies bankruptcy.

A business can continue to trade and generate income.

The debtor, via the insolvency practitioner, is involved in the choice of assets made available to the creditors since the arrangement is designed to suit the debtor's situation. All this is providing the creditors are no worse off than if bankruptcy had taken place.

Administration costs should be lower than bankruptcy, enabling higher payments for creditors.

Creditors can still claim tax relief against bad debts just as with bankruptcy.

Creditors who vote against the IVA are still bound by it as long as 75% of the creditors in terms of the amount owed agree to it.

Creditors likely to recognise that they must accept less than all the money owed.

The debtor does not suffer from the same restrictions as those imposed on bankrupts. For example, a debtor can still be a company director, in the armed forces, hold public office, and retain their professional status or trade under a business name.

The debtor is able to operate a normal current account, as long as it does not have an overdraft facility.

IVA's: The Con's

Usually only suitable if the debtor has unsecured debts of at least £15,000.

To gain approval, creditors representing at least 75% of the value of the money owed, as well as a simple majority, must agree to the proposed arrangement.

IVA's usually last for five years and payments are typically higher than bankruptcy.

The insolvency practitioner will closely supervise the debtor.

Estimated Timescale

This is a typical timescale for getting an IVA agreed with creditors from initiation.

Max. No. of Days*	Event	Further Information
0	Case received.	
1	Letter sent to client advising that an initial draft of IVA Proposal is being prepared.	
7	Draft IVA Proposal issued to client.	Outstanding information requested.
7	Draft returned from client. IVA Proposal is updated and formally served on the Nominee.	
2	On receipt of the Nominee's "Consent to Act", Interim Order application is issued to client.	Clients usually file the paperwork at Court but may swear before a solicitor and the Insolvency Practitioner will file.
1	Interim Order granted by Court.	
14	Nominee's Report filed at Court.	Report comments on Proposal and states date, time and place for creditors' meeting.
7	Notice of meeting is issued to all creditors with copies of the Proposal,	

	Nominee's Report and Proxy.	
21	Creditors' meeting held.	Meeting is held not more than 28 days from hearing of Nominee's Report. It may be adjourned up to a maximum of 14 days from the date of the original meeting.
Total 60 days	If 75% of Creditors by debt and more than half by number agree, then you have your IVA.	

* This is the maximum number of days that is usually taken by the insolvency practitioners we work with to process the paperwork and the timescales dictated by the Court and Insolvency Act 1986.

No allowance has been made for the length of time that it takes a client to return paperwork or file paperwork at Court, as this varies significantly from client to client.

Frequently Asked Questions

- Who can be helped?**
Due to the costs of setting up an IVA, it is only practical to obtain one if your debts exceed £15,000 or so.
- Will I lose my house?**
No. But should you have equity in your house, savings or other assets then these will be taken into account when making an offer to creditors.
- Can I stay in business?**
Yes, you can. Unlike being declared bankrupt, there's no limit on your business activities.
- How long does an IVA last?**
They normally last five years, but can end earlier than this.
- Which creditors can be included in an IVA?**
Creditors you can include are: Banks, Finance Companies, Credit, store and charge card companies, Customs and Excise (VAT), Inland Revenue and even loans from friends and family. **You can't include your** mortgage, hire purchase, leases, fines, debts incurred through fraud, maintenance/child support arrears or rental property.

- **Can I enter into an IVA if I have already received a Statutory Demand?**
Yes.

- **Can I obtain an IVA if a Bankruptcy Order has been made against me?**
Yes.

- **What happens if I don't keep up the payments on my IVA?**
If you default on your payments, the supervisor of an IVA may initiate bankruptcy proceedings against you, depending on the circumstances of the missed payments

- **What happens once I finish paying my IVA?**
At the end of the process the Insolvency Practitioner will issue you with a 'Statement of Completion', typically within 3 months of the final payment. The Insolvency Practitioner will also send a copy of this to the Insolvency Service so that they can amend their records. So there is no need for you to attend court or even visit the Insolvency Practitioner's offices.

However, the onus is on you to send a copy of the Statement of Completion to all the credit reference agencies which are in operation at the time of their completion.