

# Individual Voluntary Arrangement (IVA)

An IVA is a fixed term and legally binding repayment plan designed to help people in financial difficulty. It gives them the opportunity to repay their unsecured creditors via reduced repayments, whilst protecting themselves from the threat of legal action and bankruptcy. This arrangement is only available to residents of England, Wales and Northern Ireland.

An IVA is a contract between the applicant and their creditors, which replaces all unsecured debt repayments with a single payment each month, based on affordability.

## Qualifying Criteria

- You must have a minimum debt level of £5,000.
- You must have 1 or more creditors over 1 or more lines of credit, which will be subject to a review by your IVA advisor. Typically an IVA will have at least 2 lines of credit.
- You must be within suitable employment or in receipt of long term benefits.
- You must not reside in the Republic of Ireland, Scotland, the Channel Islands, the Isle of Man or the Isle of Scilly.
- You must have a minimum disposable income of £70 after all living costs are covered.
- If self-employed you must provide your latest up to date tax returns with a supporting 12 month forecast for the coming year, and the last 12 months accounts or actual income.
- You must be able to provide relevant documentation as requested, including but not limited to: wage slips, bank statements and photographic identification.

## Advantages

- The IVA will reduce the monthly payments you make to an affordable level, as it is based on what you can afford and you only have to make one monthly payment.
- Interest is frozen as long as payments are kept up to date.
- The IVA only requires 75% of the creditors (by value) voting on the day of the Meeting of Creditors to accept your proposal. Creditors who vote against the proposal are still bound by it if the IVA is successful.
- On completion of the IVA the balance of the outstanding debt is written off.
- It offers legal protection and once the IVA is in place creditors cannot bring any other action against you as long as payments are maintained.
- It is for a fixed period (usually 5 years).
- It offers the ability to protect any assets such as a house or car.
- If a client holds a Brighthouse debt and is currently making payments towards this, we can include this into the IVA as an allowable expenditure outside of its contribution (depending on the goods). If the finance agreement was to complete within the IVA, those contributions would then need to be made into the IVA. This also applies to other Finance/HP agreements.

## Disadvantages/Risks

- The arrangement does cost to set up and administer for 5 years. These costs are included in the contributions made into to the IVA, so there aren't any other payments to make.
- If a guarantor loan is part of the client's IVA, the guarantor will still be contacted.
- Creditors may wish to modify the terms of the proposal, and these alterations must be accepted by the client in order for the IVA to be approved.
- The IVA is entered on a public register of insolvencies until 3 months after IVA completion, and will adversely affect the client's credit record for 6 years after the IVA has been agreed at the Meeting of Creditors.
- If the agreed terms of the IVA are not adhered to, the IVA may fail. Although unlikely, this can potentially result in Bankruptcy proceedings, putting any assets you own at risk.
- Homeowners will generally have to agree to attempt a remortgage. If this is unsuccessful, the term of the IVA may be extended by a further 12 months. If this is successful, it could result in a longer term on your mortgage, or increased mortgage payments. Creditors will only consider this if the property has equity. If the property is in negative equity (or anything up to £5,000 worth of equity), the creditors would not consider the home as an asset, as it is of no value to them).

- If you have a change in circumstances, this will be reviewed, which can result in a failed IVA, however, the amount you are paying into the IVA may be modified by the creditors.
- You are legally bound by the terms of the IVA.
- An IVA is a form of Insolvency. You will need to check with your employer before entering into an IVA to ensure that it will not affect your job status.
- If a client is entering into an IVA and they bank with HSBC or First Direct, the bank will not allow the client to bank with them.
- If you currently bank with one of your creditors, or have an overdraft facility, you will also need to change bank accounts.

**Debts that can be included in an IVA:**

- Unsecured debts
- Unsecured debts that have a CCJ or Attachment of Earnings Order (AEO) in place
- Utility arrears from a previous property/supplier
- Service provider arrears (e.g. digital TV, mobile contracts) from previous property/supplier)
- Debts previously secured against an asset that has been repossessed, or shortfalls owing to the asset
- Council Tax arrears (from a previous year, or current year if in arrears)
- HM Revenue & Customs (HMRC), VAT, PAYE, Self Assessment, National Insurance
- Personal debts (to friends or family)

**Debts that cannot be included in an IVA:**

- Mortgage or secured loan arrears
- Rent and property service charges
- Current utility bills
- Hire Purchase/Finance payments
- Student Loans
- Child Maintenance
- Council Tax (if not in arrears)
- Court/Magistrates fines

**Costs**

There are Nominee's fees and Supervisor's fees involved in an IVA.

The Nominee's fees can vary depending on contribution, but will be subject to a minimum of £1,000, both for a single and joint case. Fees will be finalised at the Meeting of Creditors (MOC). The Supervisor's fee is 15% from the monthly payment for the duration of the term. Additional fees may also apply throughout the duration of the arrangement.

Subject to eligibility and acceptance, alternative solutions may be viable for you. Your ability to obtain credit will be affected in the short term and may be affected in the medium to long term.

If you have any questions relating to the above solution or you would like any further information please call us on 0151 252 0111.

Alternatively, to apply for the above solution, you can email [debt.advisor@123ds.co.uk](mailto:debt.advisor@123ds.co.uk) or complete an application form online at [www.123ds.co.uk](http://www.123ds.co.uk).

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