

A guide to IVAs

A guide explaining all you need to know about doing an IVA (Individual Voluntary Arrangement)



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Guide Overview

National Debt Relief have helped 1000's of people deal with their debts. We could help you too.

The purpose of this guide is to give you an in-depth look at the IVA or Individual Voluntary Arrangement as a possible debt solution.

You will find all the information you need to know as well an outline of the other Debt Solutions that National Debt Relief can help you with.

Finding a suitable debt solution for your circumstances can be a challenge so it is good to find out as much information as possible on deciding which one is best for you.

If you have any questions or would like further information on how we can help you tackle your debt, call us on **0800 888 666 0** or send us an email advice@nationaldebtrelief.co.uk



Free confidential debt advice

Get in touch today for some free impartial advice on your options for getting out of debt at www.nationaldebtrelief.co.uk



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IVAs

What is an IVA?

An Individual Voluntary Arrangement or IVA is a legal agreement created to help people who are having difficulty paying their unsecured debts.

An IVA is an Insolvency solution, so in order to enter in to one, you must be insolvent. This means that you are unable to meet your unsecured debt obligations. For example you are not able to manage your monthly debt repayments as they fall due.

Generally an IVA is a solution available for people who have debts of at least £12,000 and over. You pay back the amount of debt that you can afford (usually in monthly payments), over a set period of time (usually 5 or 6 years, but can be a lot shorter in some cases).

The IVA agreement is drawn up between you and your creditors (the people you owe money to) via the use of an Insolvency Practitioner or IP. The IP must be licensed and regulated under specific Insolvency Laws. Their job is to prepare, negotiate, administer and oversee your IVA and your IVA payments.

Throughout the IVA your creditors will be unable to contact you directly. They cannot chase you for the debt or add interest or charges to the debt owed. Any creditor correspondence will go through the IP managing your IVA. You will be completely protected.

At the end of the IVA, any remaining debt left over is written off.

An IVA is not a solution that should be entered in to lightly. It requires careful consideration and thorough research beforehand in order to determine if it is the best solution for you and your circumstances.

You can speak to our advisors at National Debt Relief on freephone **0800 888 666 0** for some free confidential advice on what your best options are and to answer any questions you may have about IVAs. Read our next section on how to set up an IVA to find out more.



Free confidential debt advice

Get in touch today for some free impartial advice on your options for getting out of debt at www.nationaldebtrelief.co.uk



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How does an IVA work?

Initial contact

When you first contact us at National Debt Relief, we will have a chat with you to determine your financial situation. We will run through some general questions regarding your monthly finances, your income, expenses, living situation etc...

We will discuss your debts with you, taking a note of your total unsecured debts and your monthly debt repayments, also determining whether you can manage these debts, or if you are finding them too difficult to pay each month.

It is worth noting at this point that all information provided to us is treated with the strictest confidence. Our advice is free and without obligation to proceed with any debt solution.

Once we have all the necessary information, we will run through all possible options with you, for addressing your debts. Your financial situation will allow us to see if an IVA is in fact your optimum solution, or, if perhaps there may be other alternatives. It is then up to you to decide how you want to proceed.

Your IVA proposal

If you decide that an IVA is your best course of action, then we can proceed to the next stage which is setting up your IVA Proposal.

Your IP will look at your finances and your situation and then come up with a suitable proposal for your creditors and you.

The proposal will show that you can manage to pay a percentage of your debt to your creditors by means of a monthly payment. The monthly payment is decided by looking at any monies you have left over each month after all of your living expenses have been taken from your income.

Once you are happy with the proposal and you have reviewed all information within it, your proposal is then put forward to a meeting of creditors.

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PLEASE NOTE : Many companies will charge you a fee for setting up an IVA proposal, even if it is unsuccessful in becoming an IVA. This can result in you losing £100's and without any IVA in place for dealing with your debt.

We believe this is highly unethical and therefore it is not something we do as a company. We will only put forward your proposal if we are confident that it will be a successful IVA. If your proposal is unsuccessful, we will do our utmost to argue your case. If it is still unsuccessful you will not be charged a penny from us.

Meeting of creditors

At the Meeting of creditors, all creditors involved will vote on whether to accept, request amendments or reject your IVA proposal. If



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75% of your creditors (by total value of the debt) vote in favour of your IVA, then this will allow your IVA to proceed and the remaining creditors will be bound by its terms also.

Creditors might suggest amendments to the proposal in order to accept it. You can choose whether to agree to these amendments and proceed or not. If the creditors agree to your IVA, then it will be accepted and in turn become legally binding. If your IVA is not accepted you could still be able to enter in to an alternative or informal arrangement.

What happens to the IVA payment?

Your IVA payment will be distributed amongst your creditors each month, as outlined and agreed in the IVA proposal. Our fee will also come from the IVA payment.

How much are the fees for doing an IVA?

An IVA is structured in such a way that the creditors decide on our fees for setting up and supervising your IVA. Our fees come out of the agreed monthly IVA payment. You will never receive a bill from us. Your IVA payments do not start until your IVA is in place and if your proposal is unsuccessful then you will pay nothing.

What happens during the IVA?

During the IVA you will be appointed a supervisor who will monitor your case until the IVA is complete. Your supervisor can deal with any queries you might have along the way.

Your finances will be assessed annually so that a yearly report can be sent to both you and your creditors, to see how the case is progressing and if there is anything that needs reviewed.

What happens when the IVA is complete?

You will be notified when your IVA is complete. Any remaining debt at the end of the IVA will be written off and you will become debt free.



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Is an IVA right for me?

Struggling with unsecured debts?

An IVA can be a good solution for you if you are struggling to manage your unsecured debts.

Unsecured debts include :

- Credit cards
- Store cards
- Loans
- Overdrafts
- Payday loans
- Catalogues

Affordable payments

An IVA helps you with your debts by providing the ability to make a more affordable repayment. It can greatly reduce financial stress and worry in your life.

Peace of mind

On completion of an IVA you become free from all of your unsecured debts and you get to financially start over again with a clean slate.

An IVA versus Bankruptcy

An IVA can be a good alternative to going bankrupt, because it is regarded as a less severe route of Insolvency. It is worth finding out if an IVA is an alternative option for you before considering bankruptcy.

See this quote from the Insolvency Service Website about bankruptcy as an option for dealing with your debt.

“ Bankruptcy is one way of dealing with debts you cannot pay. Becoming bankrupt is a very difficult decision and it should only be taken as a last resort...

... You will have to give up any possessions of value and your interest in your home. It will almost certainly involve the closure of any business you run and the dismissal of your employees. Bankruptcy will also impose certain restrictions on you.

You do not have to become bankrupt just because you are in debt. Look at the alternatives to bankruptcy as soon as possible in case they are more suitable in your situation.”

What are the criteria involved in doing an IVA?

Anyone can do an IVA; should you be single, married, part of or owner of a business, a homeowner or a tenant. There are however, some criteria / guidelines to those individuals who want to do an IVA. In order to be eligible you need to :

- have debts starting from at least £12,000 and upwards
- have at least two or more creditors
- be able to afford a monthly repayment of



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at least £120 and upwards

- be a resident of England, Wales or Northern Ireland (If you are a resident of Scotland you might want to look in to a Trust Deed which is the Scottish equivalent to an IVA).

Applying for an IVA with us

Get in touch for free impartial advice on at www.nationaldebtrelief.co.uk or contact us on 0800 888 666 0.

Tell us about your situation, your debts, your income and expenses.

We will go through all of your options with you. If an IVA is an option and you want to proceed, we will draft your IVA proposal and send it to you for review and your signature.

We contact your creditors (at the Creditors Meeting) and ask them to accept your IVA Proposal.

Upon acceptance you will start making payments as agreed in your IVA proposal.

Upon successful completion of your IVA, any remaining debts will be written off and you become debt free.



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How will an IVA affect me?

If you enter in to an IVA there are certain restrictions and duties that you will need to consider. We will discuss these with you at length prior to you entering in to an IVA, but we have outlined them below :

- Your credit rating will be affected while you are in an IVA for up to 6 years (If you are unable to pay your debts, it is already possible that your credit rating will be affected anyway).
- You will not be able to obtain any kind of credit and you will have to inform us of and give up any existing unsecured credit that you have.
- In rare cases, an IVA could affect your career / employment prospects. We can discuss this with you in more detail.
- Your IVA will be noted on The Insolvency Register with The Insolvency Service. This is available for viewing by the general public.
- If you receive any windfalls when in an IVA, you must let us know as it may have to go towards your IVA payments.
- If you have any HP agreements, they can be affected by an IVA.



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Types of IVA

Depending on your situation there are different types of IVA that you can do. We have outlined these below.

Single IVA

This is the most common type of IVA. It involves one person who is addressing their own debts.

Joint IVA

A joint IVA is an application where both applicants (husband and wife or partners) have debts, either individually or jointly.

Lump Sum IVA

An IVA where all the debts are paid off via a lump sum contribution. In these cases the IVA can sometimes take just a few months to process and complete.

Even if the debt is more than you can offer from the lump sum, you could get a percentage of the debt written off.

Assisted Payment IVA

An assisted payment IVA is where the debts are all in one name. But the debtor may be offered a contribution from another person (ie wife, husband, partner, family member or another third party) to help with the IVA payments.

Business | Self Employed | Sole Trader IVA

A business IVA is where you can deal with both business and or personal debts. If necessary, this type of IVA can be set up to allow the business to continue trading.

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We contact your creditors (at the Creditors Meeting) and ask them to accept your IVA Proposal.

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Advantages of an IVA

- You have one affordable monthly payment based on your income and expenses
- Unlike some of our competitors, we do not charge upfront fees, saving you £100's
- All interest is frozen immediately
- An IVA offers you protection from your creditors
- Creditor pressure is stopped as creditors will have to deal with issues through us
- An IVA can be complete in as little as 1 year if you can offer a lump sum payment
- An IVA is suitable for tenants, homeowners, individuals, couples and business owners
- An IVA with McCambridge Duffy can be set up within 4 weeks.

Disadvantages of an IVA

- If you are a homeowner with equity in your property you may be required to introduce your share of this equity into the final year of the arrangement. If you can't get a remortgage your arrangement can be extended for another year.
- If your circumstances change for the worse during your IVA, your Insolvency Practitioner could try to get creditors to ammend the terms of the IVA. If your IP can't get creditors to accept the ammended terms,

the IVA is likely to fail. You will still owe your creditors the full amount of what you owed them at the start., minus whatever has been paid to them under the IVA. If your IVA fails, your creditors may ask that you are declared bankrupt. All of this will be discussed in detail before you enter in to an IVA.

- Your credit rating may be impacted for up to 6 years from the commencement of your IVA.



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Other Debt Solutions

If an IVA is not the right solution for you there are other debt solutions available

We offer other debt solutions that might be able to help you get back on track with your finances. Read about each of these below or contact us to find out how we can help.

Debt Management Plan (DMP)

A Debt Management Plan, also known as a DMP, is an informal arrangement between you and your creditors to help you repay your unmanageable debts at a monthly rate that you can afford.

In a DMP, we work out what you can afford to pay by analysing your monthly income against your monthly expenses and working out a new repayment plan. We negotiate the new repayment plan with your creditors on your behalf. We try and freeze interest and charges whenever possible, but cannot always guarantee this. We take away the stress of dealing with your creditors by assigning a personal case manager to you who will handle all correspondence.

Advantages of a DMP

- It is an Informal and flexible arrangement

- Interest and charges could be frozen
- Creditor pressure is eased
- 1 easy affordable monthly payment
- Payments are tailored to suit you
- You do not have to release equity from property
- You will repay all of your debts unless you choose to opt out of the plan
- The agreement is preferred by creditors over bankruptcy, as they will be receiving full repayment of their debts, only over a longer period of time
- Your details will not be put on an Insolvency Register

Disadvantages of a DMP

- A DMP can remain on your credit file for sometime after completion if a default notice has been issued.
- If your creditors refuse to freeze or reduce interest this can lead to increased debt level as repayments are less than original contractual payments.
- Debts are repaid over a longer period of time than if contractual payments were made.
- Your ability to obtain credit will be affected in the short term and might be affected in the medium to long term.



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Debt Relief Order (DRO)

A Debt Relief Order is an insolvency procedure you can apply for if you simply cannot afford to pay off your debts. It is a cheaper option than going bankrupt, generally £90.

To get a DRO

- your debts must not exceed £15,000;
- your assets must not exceed £300 (certain assets do not count, for example clothing, furniture and a vehicle worth less than £1,000); and
- your surplus income must not exceed £50 a month after paying your essential personal and household spending.

A DRO will last for 1 year, and once your DRO has ended you are released from your debts (with certain exceptions).

Advantages of a DRO

- Your debts will be written off at the end of the DRO. There are a few exceptions, as explained opposite.
- None of the creditors listed in the DRO application can take further action against you without the court's permission.
- It allows you to make a fresh start after 1 year.
- The fee (£90) is affordable and can be paid in instalments but the fee must be paid before the application can be made.
- You will keep your assets and a vehicle as

detailed above.

- The approved intermediary ensures that you are given appropriate advice and that you fit the criteria for a DRO.

Disadvantages of a DRO

- Your DRO is entered on a public register.
- You can't have a DRO if you have an existing bankruptcy order, an IVA, are subject to bankruptcy restrictions, or you have had a DRO in the last 6 years.
- You won't be able to have a DRO if you own a house, even if it has no equity (value).
- You will remain liable to pay certain debts – in particular student loans, fines and some debts arising from family proceedings.
- Your employment may be affected.
- Your DRO could be revoked (withdrawn) if you don't co-operate with the official receiver during the year your DRO is in force.
- You can't act as a director of a company or be involved in its management unless the court agrees.
- You will be committing an offence if you get credit of £500 or more without disclosing that you are subject to a DRO.
- You may have a debt relief restrictions order made against you for 2 to 15 years if you acted irresponsibly, recklessly or dishonestly.

* An order that will place restrictions similar to those in force while subject to a DRO, which the official receiver may apply for.



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Debt Consolidation

Debt consolidation is simply a way of putting all your debts into one payment plan or product. The idea behind it is that the consolidation will have just one smaller and more affordable monthly payment. You will also just have to deal with one company.

Advantages of Debt Consolidation

- All current repayments on credit cards and loans are converted into 1 monthly payment that is generally easier to manage and keep track of.
- Interest rates can be usually lower, so you may have a more affordable payment.
- Less pressure and harassment in dealing with multiple creditors.
- In the long run you may save money and you will have a date when the loan will be paid off if you keep to your repayments.
- Could help your credit rating as you will be less likely to default.

Disadvantages of Debt Consolidation

- Don't be fooled into thinking you have cleared your debts. You have just shifted the debt to a different payment plan.
- Be wary of interest rates. Try to get a

fixed rate if you want a payment that doesn't change.

- Debts will be repaid over a longer period of time than if contractual payments were made. Fees may be payable to arrange the new loan.
- If you have a poor credit rating you may have a higher rate of interest to pay which can mean it is less affordable. Another debt solution may be better for you.
- If you get into difficulties making the new payments it can be harder to deal with only one creditor if you are then looking at a debt solution for example.
- Any surplus income in excess of £20 is likely to be requested in an Income Payments Order which would have to be paid to the Official Receiver each month for 3 years.



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Bankruptcy

Bankruptcy is another way of dealing with your debt. It is a way of legally declaring your inability to pay creditors. Bankruptcy should only be considered as a last resort.

You can either petition for your own Bankruptcy (known as a 'debtors petition', or a creditor who you owe more than £750 to can petition for your bankruptcy.

Advantages of Bankruptcy

- Bankruptcy can write off your unaffordable debts and leave you totally debt free within 12 months.
- Creditor harassment stops with immediate effect as you no longer have to deal with them.
- If you are living in rented accommodation you will be allowed to stay there (providing you maintain payments).
- If you require your car to travel to and from place of work then this will be deemed acceptable (usually up to the value of approx £3,000).
- It allows you to make a fresh start.

Disadvantages of Bankruptcy

- Assets may be sold in order to address any equitable value (where applicable).

- Some debts cannot be written off such as student loans, court fines, overpayment of benefits and child support.
- You are not allowed to obtain credit in excess of £650 without first disclosing your bankruptcy.
- You cannot hold position of company director.
- You cannot trade in any business under any other name.
- Bankruptcy can have implications on certain professions:
 - » You may not practice as a Chartered Accountant / Lawyer
 - » You may not become a Member of Parliament.
 - » You may not act as a Justice of the Peace
 - » You may not become a member of the local authority.
- A record of the bankruptcy will remain on your credit file for six years.
- Any surplus income in excess of £20 is likely to be requested in an Income Payments Order which would have to be paid to the Official Receiver each month for 3 years.



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How can National Debt Relief help?

We provide free debt advice on any debt problem

National Debt Relief are part of a group of companies that have been established for over 80 years.

Since 1932, we have helped thousands of people to relieve themselves of debt. We offer both informal and formal government backed debt solutions to anyone who needs our help.

- National Debt Relief provides free advice on all debt problems.
- We will not recommend a solution unless it suitable to your circumstances. All other options will be explained in full and details will be given as to why a recommended solution is appropriate for you.
- Everything you tell NDR is in strictly confidential . Your details and information will never be passed on.
- We NEVER charge for our advice. We provide free debt advice to all clients no matter what your circumstances.
- We have in-house Insolvency Practitioners, Debt Management advisors, Trust Deed advisors, IVA Advisors and general Debt

Advisors.

- We offer solutions to individuals as well as companies.
- Our expert advisors are fully trained and have ALL been working with us for years.
- Professional advice. The National Debt Relief group of companies are licensed and regulated by a number of different bodies.
- We can negotiate on your behalf to reduce outgoings to one affordable monthly payment, ask Creditors to freeze interest, and negotiate full and final settlement offers for your creditors. We can help you to pay debt in less than 5 years and become debt free.



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Contacting National Debt Relief

We provide free debt advice on any debt problem

Call us for some advice on the telephone

Call our freephone number on **0800 888 666 0**.

We are open 6 days a week:

Monday - Thursday 8am - 8pm

Fri 8am - 7pm

Sat 10am - 6pm

Calls from a landline are normally free. Please consult your provider if you are unsure. Calls from a mobile may be subject to charges. If you think you will get charged just ask us to call you back for free.

Send an email for some advice

If you prefer some email advice or want to receive some further information via email then send an email to

advice@nationaldebtrelief.co.uk

Online debt advice chat

If you are reading this guide online and have any questions, you can simply click the link below, type your question and an advisor will be happy to help you. [Live online chat](#)

Online debt / budget calculator

Fill in our online budget and debt calculator and submit it for debt help. An advisor will review your information and contact you for a chat about your options. [Online budget calculator](#)

Alternatively, contact us with your details and we will post a fact find form out to you, along with some information on our debtsolutions.



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A fee is only payable where further services are requested.

All fees will be explained in detail and discussed prior to commencement of any service or debt repayment plan. In the IVA our fees are included in your monthly payment to your creditors so you will not have to pay anymore than you can afford. More suitable debt solutions may be offered which may result in different fees applying and we will discuss those with you during your initial consultation.

Creditors may still contact you with promotional material or to fulfil contractual obligations to you but they should deal with us in all aspects relating to the outstanding debts. Acceptance of your IVA cannot be guaranteed but we will do our best. You must meet certain criteria which will be discussed with National Debt Relief advisors.

Where we put a client forward for an IVA we believe they have an excellent chance of being accepted.

Debts will only be written off where a client has made an agreed payment for a fixed period. In return the creditors agree to write off the remaining balance.

Typically, our clients average debt write off is between 60-70% of the debt. What debt you have written off will depend on your individual circumstances and is subject to creditor approval and completion of the IVA. Your credit rating may be impacted for up to six years from the commencement of you IVA. Homeowners may be required to introduce equity if available. IVAs are setup and supervised by our Insolvency Practice through our sister company, McCambridge Duffy.

Phonecalls: Calls from a landline are normally free. Please consult your provider if you are unsure. Calls from a mobile may be subject to charges. If you get charged just ask us to call you back for free.

[Privacy Policy](#) | [Complaints Procedure](#) | [Fees and key information](#) | [Insolvency Services debt guide](#)



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