

IVA FACTSHEET

(INDIVIDUAL VOLUNTARY ARRANGEMENT)

WHAT IS AN IVA?

An IVA (Individual Voluntary Arrangement) is a formal Insolvency solution, that could help if you cannot afford to repay your debts. It is sometimes referred to as an alternative to Bankruptcy.

In an IVA, you pay what you can afford toward your debts, by means of manageable monthly payments (or a one-off lump sum payment in some cases). The amount you can afford to repay is negotiated and agreed by your creditors (the people you owe money to) by way of an IVA proposal. An insolvency practitioner is the professional required to help facilitate this.

Typically, your affordability is assessed by reviewing your debt level, household income, expenses, and your current circumstances, with a view to determining how much money you have left over to pay towards your debts. This is known as your disposable income.

IVA payments typically last for a period of 60 months (5 years). If you're a homeowner with more than £10,000 equity in your property, you may be required to make additional payments for 12 months. Therefore, the duration of your IVA could be 72 months instead of 60 months. The IVA is reviewed annually, to ensure that it remains fair and manageable for you and your creditors. On successful completion of an IVA, any remaining unpaid debts are legally written off.

HOW DOES AN IVA WORK?

In order to enter into an IVA you must be insolvent (unable to pay your debts). An Insolvency Practitioner is required who will set up and negotiate the IVA terms with your creditors by means of an IVA proposal.

Every IVA is unique and your proposed monthly payment will depend on factors such as your employment status, household income, expenses, your total amount of unsecured debts, number of creditors etc... Your IVA repayments are calculated by analysing all of these factors and determining how much money you have left over each month to pay towards your debts. A proposal is created based on the information you provide. The proposal details why you are insolvent and what you can realistically afford to pay towards your debts each month.

HOUSEHOLD INCOME



Your total monthly household income

HOUSEHOLD EXPENSES



minus your monthly household expenses

POTENTIAL IVA PAYMENT



equals your potential IVA payment

The proposal is sent to your creditors and a meeting is held where they can decide if they want to agree to the IVA. You do not have to attend this meeting. If more than, or 75% of your creditors, by debt value, agree to the proposal, then your IVA can begin. You and ALL of your creditors involved will be bound by the terms of the IVA. Creditors must cease all recovery action against you and interest and charges are legally suspended on your accounts. You will make the payments as defined in the proposal and on completion of the IVA, any remaining unpaid debts are written off.

THE CRITERIA FOR AN IVA

- You have debts over £8,000
- You cannot afford to pay your debts
- You owe money to at least two or more creditors

ADVANTAGES OF AN IVA

- One affordable monthly payment based on your income and expenses.
- No upfront fees, unlike some competitors, which could save you money.
- Legal protection from creditor action once your IVA is approved, including creditors who voted against your proposal.
- Creditor pressure eases straight away. You'll deal with your case supervisor, not your creditors directly.
- All interest and charges frozen once your IVA is approved.
- Suitable for tenants and homeowners, individuals, couples and business owners.
- We could set up an IVA in as little as 4 weeks.
- Only 75% of your creditors, by debt value, need to accept your proposal for it to go ahead.
- On successful completion, any remaining debt is written off (some exclusions may apply)

DISADVANTAGES OF AN IVA

- If your circumstances change and your insolvency practitioner can't agree amended terms with your creditors, your IVA is likely to fail. You'll still owe the full original debt, less whatever you've already paid.
- If your IVA fails, your creditors may push for you to be made bankrupt. This will always be discussed with you before your arrangement starts.
- Approval of your IVA rests solely with your creditors, not you.
- Your credit rating may be affected for up to 6 years from when your IVA starts.
- Your IVA is recorded on the public insolvency register.
- If you receive a windfall (such as an inheritance or bonus), you may be required to pay your debts in full where possible, including IVA fees and costs.

DEBTS THAT CAN BE INCLUDED IN AN IVA

Debts that may be included in an IVA are listed below. This is not an exhaustive list.

- | | | |
|--|---|--|
| • Loans | • Catalogues | • Debts to family and friends |
| • Overdrafts | • Store Cards | • Debts for professional services, i.e. solicitors, accountants, vets etc. |
| • Credit Cards | • Payday loans | |
| • Utility arrears | • Some debts owing to HMRC for tax and national insurance arrears or tax credits overpayments | |
| • Council tax arrears and current year | | |

DEBTS THAT CANNOT BE INCLUDED IN AN IVA

Debts that may not be included in an IVA are (please note that you will remain liable for some of these debts after the completion of your IVA):

- Mortgages and secured loans
- Student loans
- Court fines
- Hire purchase agreements
- Child support arrears
- Social fund loans

IS AN IVA RIGHT FOR ME?

We assess your situation and advise on all suitable debt solutions available to you. It will be your choice in deciding if an IVA is the best option. Below are some points that might help you in deciding.

An IVA may be a suitable option for you if:

- Your disposable income is sufficient to service an IVA – this will depend upon both how much you can afford to offer each month and how much debt you owe in total.
- You believe that a Debt Management Plan will have an excessive duration and you would prefer to address your debts within a shorter timeframe.
- You are unable to obtain a consolidation loan or if you cannot raise enough to repay your debts in full.
- You have assets (e.g. a home or business) that you wish to try and safeguard under the terms of an IVA.
- You wish to avoid any adverse effect that bankruptcy may have on your employment/career prospects.
- You wish to avoid any adverse effect that bankruptcy would have on your ability to trade your business.
- You are/or will be a Company Director and do not want to lose your directorship as a result of bankruptcy.
- You wish to avoid the publicity and perceived stigma associated with bankruptcy.
- You require or want formal protection from your creditors.

IVA EXAMPLE

**CLIENT NAME :
MS W**

**Total Debts of
£15,500**

**TOTAL MONTHLY
REPAYMENTS
BEFORE IVA**

**£470 per
month**

**TOTAL MONTHLY
REPAYMENTS
AFTER IVA**

**£160 per
month**

Ms W was struggling to meet her debt repayments of £470 per month on various unsecured debts totalling approx £15,500. She contacted us and we discussed her options. She decided to enter into an IVA. On acceptance of her IVA proposal, her monthly repayments were reduced down to a more affordable £160 per month. After 60 monthly payments and successful completion of her IVA, she will be debt free, having repaid 62% of her debts and writing off the remaining 38%.



Really helpful, excellent service and communication was first class from the start. I can breathe a sigh of relief and get my life back on track, now that my IVA has been approved.

Susan | TrustPilot



WHAT HAPPENS IF I SUCCESSFULLY COMPLETE MY IVA?

If you successfully complete your IVA, your creditors will receive payment and any remaining balances must be written off by law. You will receive a Certificate of Completion and you will no longer be bound by the terms of your arrangement.

Please note: It may be possible to settle an IVA early if you can make a suitable offer of settlement to creditors and if they agree to early completion – this is commonly achieved by way of a third party making a lump sum contribution to the IVA or through the introduction of a lump sum raised by way of a remortgage/sale of a property.

WHAT HAPPENS IF MY IVA FAILS?

How an IVA fails will be dependent upon the exact terms of the arrangement, how much has been paid into the arrangement and at what point it fails. Some arrangements will require the supervisor of the IVA (your Insolvency Practitioner) to bankrupt the individual if enough contributions have been made to meet the costs associated with this process. Other arrangements will simply fail and a payment will be made to creditors if possible.

All monies paid into the arrangement will be used to meet the fees and costs associated with its preparation and supervision, to fund a bankruptcy petition (if necessary) and/or will be distributed to creditors.

If an IVA fails, you lose its formal protection and creditors can therefore instigate recovery action against you and can again apply interest and charges to your account.



Absolutely excellent services, very helpful and nothing is too much trouble.

Phillip | TrustPilot



OUR IVAS ARE PROCESSED BY OUR INSOLVENCY PRACTICE

All our IVAs are processed and managed by McCambridge Duffy Insolvency Practitioners, our sister company.

McCambridge Duffy have been established since 1932 and have been helping people deal with their debts for decades. They have 5 full time Insolvency Practitioners, more than any other IVA firm.

WHAT ARE THE FEES AND COSTS IN AN IVA?

- We do not charge any upfront fees or costs – we will only be entitled to draw fees and costs if your IVA proposal is approved by creditors.
- The fees and costs will differ from case to case and will be clearly stated in your IVA proposal document.
- You will never be billed in advance for any work carried out by McCambridge Duffy – the fees and costs of the arrangement are built into your payments to the arrangement.
- It is your creditors who will determine what fees and costs can be charged for the work we do – we cannot draw any fees or costs without their approval.
- There are two types of fee charged in relation to every IVA
 - a “Nominee” fee and a “Supervisor” fee.
- The **Nominee fee** is charged in relation to the work carried out by McCambridge Duffy in researching and drafting your IVA proposal and in convening and conducting a meeting of creditors. The nominee fee relates to all work carried out by McCambridge Duffy up until your proposal is formally approved by creditors. If your IVA proposal is rejected by creditors, we simply do not get paid.
- The **Supervisor fee** is charged in relation to all work carried out in administering the agreed terms of the IVA after it has been approved at the meeting of creditors.
- If your circumstances change and you require a variation to the terms of your arrangement, it will be necessary to convene a further meeting of creditors to consider your variation proposal. As such, a “Variation Fee” may be charged for the additional work that we have to do in this regard. This fee will also be built into your arrangement in the same way as the nominee and supervisor fees. Remember, this fee will only arise if you need to change the terms of your arrangement.
- If your IVA fails, McCambridge Duffy will write off the balance of fees owing. However, we do reserve the right to pursue you for the balance in the event that you enter into further insolvency proceedings.

Fees & Key Info

We are happy to provide you with debt advice only. We only charge a fee if you opt for one of our debt solutions. Fees will depend on which debt solution we provide and what your personal circumstances are. All fees will be discussed prior to commencement of any service or debt repayment plan. See previous page to read our fees and key info. Please note: From time to time we may refer you to other services providers or charities such as the CAB.

Money Helper

Free and impartial debt advice, guidance and information is available from MoneyHelper.



Company Registration Number : NI051195 | Data Protection Registration No : ZA274007

National Debt Relief is authorised and regulated by the Financial Conduct Authority. Financial Conduct Authority Number : 671114

A fee is only payable where further services are requested. All fees will be explained in detail and discussed prior to commencement of any debt repayment plan. Repaying debt over a longer period may increase the total amount to be repaid. Creditors must deal with us for all aspects relating to your debt, but may still contact you with promotions.

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.

National Debt Relief Limited, 101 Spencer Road, Derry, BT47 6AE, 0800 888 666 0