

# Your guide to an Individual Voluntary Arrangement (IVA)



At Leading Debt Solutions our team of experts have helped thousands of people make a fresh start. Often our clients have ever growing debts and are struggling to juggle their cash to make ends meet. In many cases, the situation is more serious and the fear of bailiffs knocking on the door has become a very grim reality.

We specialise in helping you to overcome these obstacles, allowing you to move on with your life without the weight of the world on your shoulders.

An Individual Voluntary Arrangement (IVA) is a viable option for individuals who are struggling to pay the minimum payment on store cards, personal loans, credit cards or any other type of unsecured debt each month.

Through Leading Debt Solutions, an IVA will help you to:

- Arrange one low, affordable monthly payment which we will manage on your behalf.
- Freeze interest and charges on your debts.
- Legally write off debts you cannot afford to pay.
- Prevent your creditors from chasing you for money or contacting you again.
- For homeowners, free up cash to help avoid your property being repossessed.
- Restructure your repayments over an achievable time period.

For many people that are experiencing financial difficulty, an Individual Voluntary Arrangement (IVA) will help to relieve the pressure and get your finances in order.

## What is an Individual Voluntary Arrangement (IVA)?

An Individual Voluntary Arrangement (IVA) is a process that was introduced to help people tackle their personal debts. In simple terms, it is a formal agreement between you and your creditors (the people you owe money too) that helps you pay back only what you can afford, over a set period of time.

## How does an IVA work?

The first step is to speak with one of our Licensed Insolvency Practitioners who will be able to advise if an IVA is your best option (there may be other suitable alternatives depending on your circumstances). In cases where an IVA is appropriate, the Insolvency Practitioner will work with you to review your financial situation and understand your monthly expenses. Once your monthly expenses have been taken into account, you will agree what can realistically be repaid to your creditors each month. The Insolvency Practitioner will then compile a formal report to your creditors which will recommend a structured, realistic and affordable monthly payment plan, usually spread over a 5 year period. Your creditors are given the option to vote in favour of the proposal and at this point you can begin your new affordable monthly repayment.

## A worked example of how an IVA can reduce debt:

You owe £100,000 to your creditors, which are mainly bank loans, overdrafts and credit cards.

You are employed and you have a monthly salary after tax of around £2,000, and your partner also earns around £1,500

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after tax per month, so you have £3,500 income per month. Your total monthly expenditure comes to around £4,000 but, as this is less than your income, you have been making up the shortfall by increasing your overdraft or using credit cards which you cannot now repay. Your expenses include your mortgage of £900, household bills of £600 and food and other items of £700. Your current debt repayments are £1,800 per month.

Your monthly expenditure excluding your debt repayments is therefore £2,200.

With your household income of £3,500, less your monthly expenses of £2,200, this leaves you £1,300 per month. After allowing for some addition items of expenditure you had previously gone without, and an expected increase in your mortgage interest rate, you have £800 per month spare, before your debt is repaid.

A five year IVA is agreed with creditors, into which you pay £800 per month. This totals £48,000 over the five year period. The Insolvency Practitioner draws his fees, disbursements and any other expenditure from the funds and the balance is paid to your creditors, with a payment being made each year for five years.

Creditors are repaid around £45,000 of the debt owed, and the other £55,000 is written off at the end of the IVA and you are debt free (with the exception of your mortgage, which you can now afford to pay).

Please note this is only an example, and your IVA may provide an even better outcome for you or your creditors!

## What will happen to my home?

If you own a property which has equity, creditors will often expect that there be a contribution made into the IVA because, if you were to be made bankrupt, your home may have to be sold in order to raise funds to pay off your debt.

An IVA can specify how your home is to be dealt with, which can often avoid it having to be sold. Our experienced team have dealt with many IVAs and many mechanisms to safeguard your home.

## What if, later on, my circumstances change, or I can't afford the monthly payment?

Discuss with us what the problem is, whether it is a short

term issue (such as time of work due to illness) or a longer term issue (such as redundancy or relationship breakdown). We will work with you to make a sensible proposal to your creditors based on your new circumstances and ask creditors to vary the terms of your IVA to fit in with your new situation.

This may be a reduction of your monthly payment, a short or longer payment holiday, or we are often able to bring your IVA to an end early if there is no other way to make payments to your creditors.

## What are the main advantages of an IVA?

In addition to the advantages set out above:

-  Each IVA is different, so we tailor the IVA to our clients' needs, rather than trying to make an "off the shelf" product to fit.
-  It is possible to exclude certain assets from your IVA, such as your home.
-  You make one affordable monthly payment.
-  A variation of an IVA is possible if your circumstances change.

## What are the disadvantages of an IVA?

-  5 You must commit to make the agreed payments to the IVA for the full term, which is often 5 years (unless your circumstances change).
-  Although rare, it is possible for creditors to reject the proposal meaning the IVA cannot go ahead unless the terms are materially improved or changed.
-  Information on who has entered an IVA is publicly available on the Insolvency Service website.
-  If you are unable to continue your payments into the IVA and a variation of the terms cannot be agreed, the Insolvency Practitioner (your IVA Supervisor) may have the obligation to terminate your IVA and petition for your bankruptcy.

## What is the cost of an IVA?

At Leading Debt Solutions, we know that anybody facing the prospect of entering into an IVA will be facing financial difficulties. That's why we will try to assist you without charging any upfront fees and more importantly, will always ensure that our charges are competitive. In most cases, our fees are taken from the monthly payments you make and therefore these must always be agreed by your creditors in advance. In all cases, we will always offer you a free, no obligation consultation where we will provide comprehensive advice.