

In Debt? Struggling Financially? Credit Spiralling Out Of Control?

Individual Voluntary Arrangements



Case Study

Background

Mr and Mrs A are married with 4 children aged 16, 4 and 2 year old twins.

Mr A is employed as a painter earning an average net income of £1,500 per month. Mrs A receives child benefit, tax credits and a carer's allowance for a disabled child totalling £1,000 per month.

Mr and Mrs A have joint debts of £55,000 (consisting of personal loan, credit card, store card, overdrawn bank account, catalogue and pay day loans) with total repayments of £900 per month. Mr and Mrs A's debts arose as a result of making home improvements and over-borrowing to meet their monthly outgoings.

Mr and Mrs A jointly own their home with negative equity. Mr A owns a car on hire purchase.

What did Mr and Mrs A do?

Mr and Mrs A entered into a money management programme arranged by their local Credit Union. Despite keeping to the agreement Mr and Mrs A quickly realised that the programme was not a viable long-term solution. Their Credit Union money management counsellor therefore referred Mr and Mrs A to us for formal insolvency advice.

After meeting one of our advisors and discussing all available debt solutions it quickly became clear that an IVA was the best option.

Why?

- On successful completion of the IVA the balance of what Mr and Mrs A owe their creditors is written off.
- To provide a greater return to creditors on successful implementation of the IVA than would otherwise be available in Bankruptcy.

Result for Mr and Mrs A

- Mr and Mrs A proposed IVAs with affordable contributions commencing at £250 per month for 36 months and rising to £500 per month for 24 months on completion of Mr A's hire purchase agreement.

Repayments

| | |
|------------|--------------------|
| Before IVA | £900 per month |
| During IVA | £250 for 36 months |
| During IVA | £500 for 24 months |

Unsecured Debt

| | |
|------------|---------|
| Before IVA | £55,000 |
| After IVA | £0 |

Outcome for Creditors

- A greater return than in Bankruptcy (30p/£ in IVA after costs compared to 5p/£ in Bankruptcy after costs).

What is an IVA?

An Individual Voluntary Arrangement or IVA as it is known, is a formal agreement between you and your creditors and is an alternative to Bankruptcy.

In most cases an IVA allows you to repay a percentage of your debt in full and final settlement.

Typically an IVA is funded by monthly payments over a period of five years however alternatives such as lump sum payments from family and friends or sale of assets can also be used to fund an IVA.

On agreement of an IVA, interest and penalties to creditors should stop and demands from creditors should come to an end.

Mr and Mrs A's situation is being used for illustration purposes only. IVAs are unique and tailored to individual circumstances with regards to available assets, employment, surplus income and liabilities.

A Voluntary Arrangement is also an option for Partnerships (PVA) and Companies (CVA).

Summary of the IVA Process

- Attend a FREE, no obligation initial consultation with one of our local advisors to discuss your circumstances and the options available to you.
- If an IVA is suitable and is your preferred way forward, you will complete a simple questionnaire.
- Your proposal for an IVA will be prepared by one of our experienced staff and once agreed with you will be distributed to your creditors.
- If the required majority of creditors (over 75% by debt value of voting creditors) accept your proposal for an IVA, your IVA will be approved and will commence immediately.
- In many cases, costs are payable from the proposed IVA funding.

Pros

- A single affordable monthly repayment
- Interest, fees and charges are frozen
- No more creditor pressure
- Spouses and partners can propose an IVA for joint liabilities
- Trade creditors and crown debts can be included
- Avoid bankruptcy

Cons

- Your credit rating may be affected
- Creditors might reject the IVA
- Equity in your home may have to be realised
- Student loans are not necessarily discharged
- If your IVA fails you will still owe your creditors

With two Licensed Insolvency Practitioners (David McClean and Lisa Lappin) and a dedicated and experienced staff base, our local Insolvency team based in Belfast offers a clear, practical and professional service to assist individuals struggling financially.

David and Lisa are the first choice for referrals by a number of debt advisors in Northern Ireland and would welcome the opportunity to provide further information on the IVA process.

For a free consultation, without obligation or commitment, please contact:

Insolvency Practitioners:

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IVA Team

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Whilst every effort has been made to ensure accuracy, it has been necessary to summarise the facts and circumstances at issue in this leaflet. Recipients should not act on the information contained without seeking professional advice.