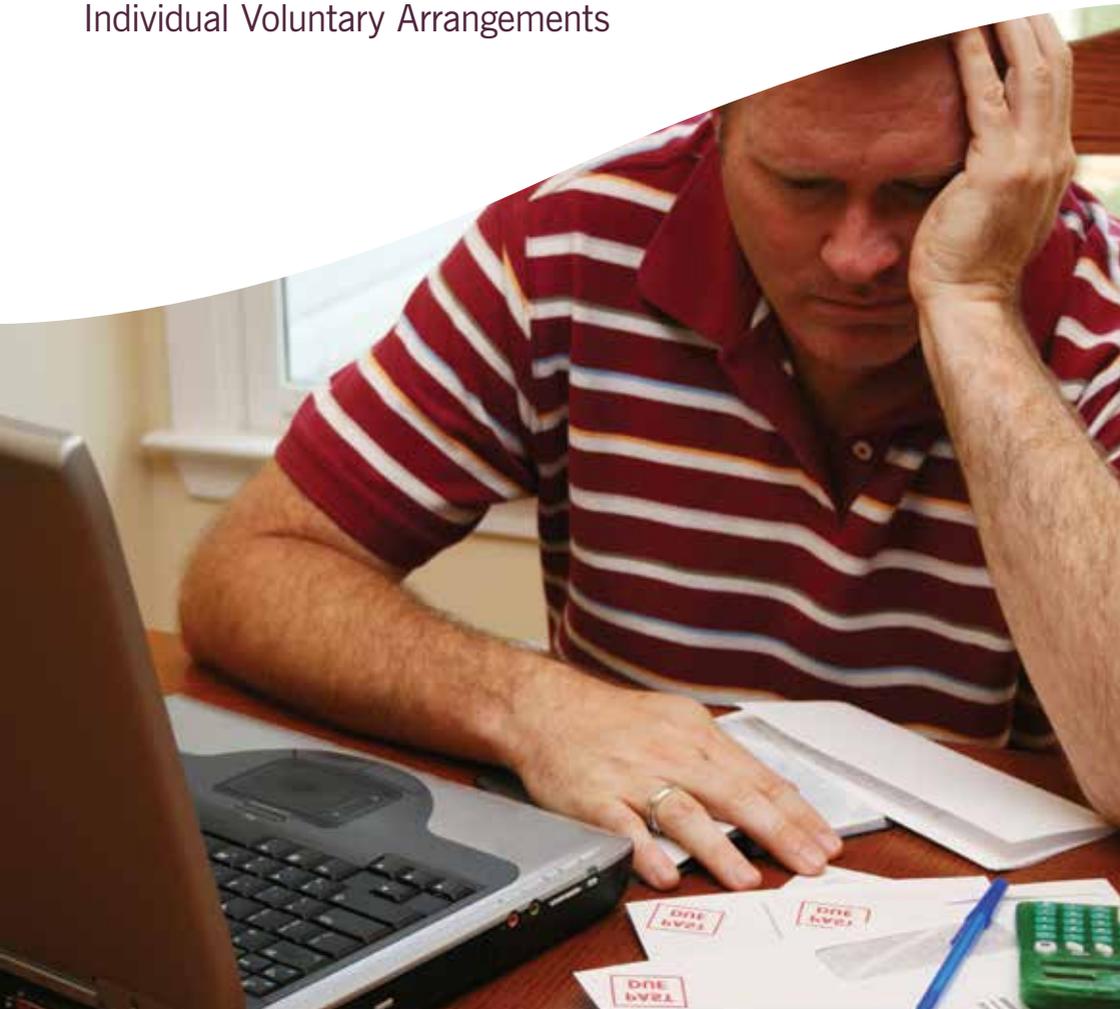


An Effective Financial Solution for Peace of Mind

Individual Voluntary Arrangements



Case Study

Background

Mr A is a self-employed (sole trader) lorry driver. His assets include a lorry which is necessary in his business. In addition to a number of unsecured personal debts (credit cards) and debts generated as a result of trading Mr A also owed HM Revenue & Customs (HMRC) in respect of VAT and as a result of non-payment, HMRC petitioned for Mr A's Bankruptcy.

What did Mr A do?

Realising his debt situation would result in Bankruptcy Mr A approached his accountant for advice and Mr A's accountant referred him to Baker Tilly Mooney Moore. After meeting one of our advisors and discussing all available debt solutions it quickly became clear that an IVA was the best option.

Why?

- To enable Mr A to retain his lorry and continue to trade without the restrictions of Bankruptcy.
- To provide a greater return to creditors on successful implementation of the IVA than would otherwise be available in Bankruptcy.

Result for Mr A

An Effective Financial Solution!

Mr A paid an affordable monthly contribution from his continued trade as a lorry driver

Peace of Mind!

Mr A avoided Bankruptcy

Outcome for Creditors

A Greater Return than in Bankruptcy!

The IVA provided creditors with a greater return than would have been available in Bankruptcy

What did HMRC think of Mr A's IVA?

At times of financial change for traders it is important that HMRC are kept informed in order that they are best placed to support viable businesses to trade out of difficulty.

The HMRC Voluntary Arrangement Service is responsible for IVA work in Northern Ireland. HMRC voted in favour of Mr A's IVA once they were satisfied that the IVA proposal included, among other things, the following:-

- Complete financial disclosure.
- An optimized and achievable offer to creditors.
- Provision for payment of future debts on time.
- Submission of previously overdue returns.
- Business cash flow forecast.
- An explanation of changes made to enable payment of future Crown liabilities.
- All debts due to HMRC in respect of SA, PAYE, NIC and VAT ranked equally with other unsecured debts.

What affect did the IVA have on Mr A's future trading?

- The release of a debt under Mr A's IVA does not affect his taxable profit.
- The registration for VAT remains and Mr A is responsible for the returns and payment of post-IVA VAT.
- Claims for Self Assessment include tax due in all years up to 5 April following the approval of the IVA unless it is a new source of income.

What is an IVA?

An Individual Voluntary Arrangement, or 'IVA' as it is known, is a formal alternative for individuals or sole traders **wishing to avoid bankruptcy**. An IVA may also be available to individuals who are already subject to bankruptcy proceedings.

An IVA is a **contractual repayment proposal** presented to a debtor's creditors by an Insolvency Practitioner.

Typically an IVA is funded by monthly payments over a period of 5 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.

The arrangement lasts for a fixed term under the administration of the Insolvency Practitioner and a **successful conclusion will result in debt settlement**.

Mr A's situation is being used for illustration purposes only. IVAs are unique and tailored to individual circumstances with regards assets, 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 the circumstances and the options available.
- If an IVA is suitable and is the preferred way forward, complete a simple questionnaire.
- The proposal for an IVA will be prepared by one of our experienced staff and once agreed will be distributed to the creditors.
- If the required majority of creditors (over 75% by debt value of voting creditors) accept the proposal for an IVA, the IVA will be approved and will commence immediately.
- In many cases, costs are payable from the proposed IVA funding.

Pros

A single affordable monthly or quarterly repayment
Interest, fees and charges are frozen
No more creditor pressure
Spouses and partners can propose an IVA for joint liabilities
Can include personal, trade and crown debt
On completion of the IVA the balance of what is owed to creditors is written off
Traders may be able to continue running their business
Avoid bankruptcy

Cons

Credit rating may be affected
Creditors might reject the IVA
Equity in the home may have to be realised
Student loans are not necessarily discharged
If the IVA fails creditors will still be owed
If the IVA fails debtors may still be made bankrupt

With two Licensed Insolvency Practitioners (David McClean and Lisa Lappin) and dedicated and experienced staff, our local Business Recovery & Insolvency Division based in Belfast offers a clear, practical and professional service at no charge to individuals with underperforming businesses experiencing serious cash flow problems with a view to the affairs being dealt with by way of an IVA.

David and Lisa are the first choice for referrals by a number of professional 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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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.