INDIVIDUAL VOLUNTARY ARRANGEMENT FACT SHEET

- Individual Voluntary Arrangements (or "IVA") are an alternative to bankruptcy for people with debt problems.
- An IVA is a legally binding deal (or "arrangement") between a person with the debt problems and the people they owe money to (their "creditors").
- The process is the same for both traders and consumer credit debtors, although the types of arrangement they will offer will be different. Companies can use a similar process called a Company Voluntary Arrangement ("CVA").
- A typical IVA will involve either the re-mortgage of a person's home and/or a monthly payment towards the debts, usually for 5 years.
- It may be possible to agree to leave the family home out of the arrangement where substantial contributions from income are offered as an alternative.
- Creditors may agree to accept a lump sum from a third-party (often a family member) in full and final settlement.
- There is no "minimum amount" that creditors will agree to. What they will be prepared to accept will vary depending upon the circumstances of each case.
- Creditors get an agreed % of the amount owed to them and any balance of the debts is written off.
- You will need to instruct a Licensed Insolvency Practitioner to help you set up the IVA (called acting as "Nominee").
- Once an IVA is agreed, the Insolvency Practitioner will make sure both sides of the arrangement stick to it (called acting as "Supervisor").
- To get the IVA started, a lengthy proposal document needs to be prepared.
- The proposal document is then sent to all of the creditors and a meeting is called at which they get a chance to vote.
- The IVA will be approved if 75% of those creditors that do vote say "yes". The others are then automatically part of the IVA, on the same terms, whether they want to be or not.
- An IVA must treat the creditors fairly and evenly and it is unlikely to be agreed by them unless it offers a better return than they would get by making a person bankrupt.
- The costs of an IVA are typically lower than a bankruptcy, making them attractive to creditors, providing they are happy the deal is realistic and feasible.
- It is very difficult for a bankrupt to raise a mortgage, which can result in repossession. An IVA is often used by people facing bankruptcy to save the family home, as a re-mortgage will be easier to obtain.
- The restrictions of bankruptcy do not apply in an IVA, making is easier to trade or to continue within a profession.
- **An IVA may be the best option where a person has a lot to lose by bankruptcy, BUT should always be discussed first with a qualified and licensed practitioner.**

For further information or advice call PCR on 0208 841 5252