

IVA guide



*Free, Impartial
Debt Advice*

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Introduction

How this guide will help you

StepChange Debt Charity is a registered charity that helps hundreds of thousands of people with debt problems every year. We give free, realistic debt advice and can assist with a range of debt solutions.

If you're struggling to keep up with your debt repayments and looking for a way to regain control of your finances, you might be wondering if an individual voluntary arrangement (IVA) is the best way forward for you. This guide is here to answer some of your questions about IVAs.

The guide explains:

- What an IVA is,
- How an IVA works,
- Who an IVA is for,
- How having an IVA could affect you,
- How we can help, and
- How you can contact us.

IVAs are not suitable for everyone. It's very important that you get professional, impartial advice before taking on an IVA, because there may be a more appropriate debt solution available.

Our online StepChange Debt Remedy tool can give you an anonymous assessment of your situation and tailored debt advice to help you decide which is the best debt solution for you.

If an IVA is the best debt solution, StepChange Voluntary Arrangements, our own IVA service, can help you through the whole process.



Free anonymous debt advice

Free debt help online from StepChange Debt Charity at www.stepchange.org



IVAs

About IVAs

IVA stands for individual voluntary arrangement. An IVA is a type of insolvency designed to help people with unsecured debts that can't be paid back in a realistic time.

An IVA is a legally binding agreement between you and your creditors. With an IVA, your creditors agree to accept an affordable monthly payment towards your debts over a set period: usually 5 or 6 years. In some cases, you might be able to make a lump sum payment toward your debts instead, or a combination of monthly payments and a lump sum.

During the period of your IVA, providing you keep to the terms of your agreement, your creditors are prevented from contacting you, pursuing you for the debt, or adding further charges or interest to the amount you owe. At the end of the specified period any remaining unsecured debt will be written off.

You cannot arrange an IVA by yourself, you will need the help of an Insolvency Practitioner. IVAs are not suitable for everyone and we strongly recommend that you get professional, impartial advice before taking on an IVA. Our debt advisors and online StepChange Debt Remedy tool can give you the free, realistic advice you need to find out which is the best debt solution for you.

If an IVA is the best debt solution for you, StepChange Voluntary Arrangements, our own IVA service, can help you every step of the way.



Free debt advice

Free debt help from StepChange Debt Charity
call **0800 138 1111**



IVAs

How an IVA works

If an IVA is the best solution for your particular circumstances, you will need an Insolvency Practitioner (IP) to set one up on your behalf.

IVA proposal

Your IP will look at your finances and help you to draw up a proposal to send to your creditors. You need to check the proposal carefully.

This proposal will recommend that your available surplus income (in other words, money you have left over after paying your essential living expenses) is used to repay your debt. The arrangement will last for an agreed, fixed period: usually 5 or 6 years. After the fixed period has ended, any debt that you haven't repaid will be written off.

In some cases, you may also propose that you pay a lump sum towards your IVA. If your IVA proposal is accepted, there will be a fee to pay, but this will be included in the agreed monthly payment you are making towards your debts.

IVA vote

Your IP will send your IVA proposal to each of the unsecured debts held by your creditors. A creditors' meeting will then take place during which your IVA proposal will be accepted or rejected. The majority of your creditors will need to vote in favour of the IVA for it to go ahead. This means that among those voting on the day (some may not vote), creditors holding over 75% of the total value of your debt must agree to your IVA.

Creditors may put forward modifications to the proposal but they cannot impose these on you – you can decide whether or not to accept them.

Once your IVA is agreed it becomes legally binding. None of your creditors (even those who did not vote or who voted against the IVA) will be able to pursue you for the unsecured debt or add further interest or charges to it, as long as you keep to the terms of your IVA.

Completion of your IVA

Your IP will review your finances once a year and send an annual report to both you and your creditors. Your IP will also let you know when your IVA has been completed.

When your IVA is completed, any remaining unsecured debt will be written off.

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IVAs

Why an IVA?

For many people struggling with repayments, an IVA can be a good solution to their debt problems.

More affordable

An IVA can make repaying your debts easier and more manageable because your current, multiple debt repayments will be combined into one, reduced and affordable monthly payment.

Your Insolvency Practitioner will take all your essential living expenses into account so you will only pay what you can afford towards your debts.

Less stressful

An IVA can reduce much of the stress associated with your debt problem. As long as you keep to the terms of your IVA, your unsecured lenders are prevented by law from contacting you.

This means all letters and telephone calls will stop. Your creditors will not be able to take any further court action against you to recover the debt. They will also not be able to add any further interest or charges to your debts.

What's more, under an IVA, you may be allowed to keep any property you own, making it a more favourable alternative to bankruptcy for many homeowners.

Fresh start

Once you have completed your IVA, your remaining unsecured debts will be written off, so you can make a fresh financial start.

Free debt advice

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call **0800 138 1111**



IVAs

How will an IVA affect me?

We recommend that you get some professional, impartial advice before taking on an IVA, as there are several restrictions and obligations that you need to consider.

Eligibility

Not everyone will qualify for an IVA. IVAs are generally suitable for people with a sustainable regular source of income. People with a lump sum to pay towards their debts may also qualify for an IVA.

Only your unsecured debts can be included. Examples of unsecured debts include credit cards, personal loans and overdrafts. Secured debts (like mortgages or secured loans) and some other debts (including student loans, fines and child support) will still have to be paid separately outside of the IVA.

Restrictions

An IVA should be carefully considered because of the possible consequences for your personal, professional and financial life.

These include the following:

- Your credit rating will be affected for six years, starting from the date the arrangement is agreed.
- You will have to keep to a budget for the full term of your IVA: usually 5 or 6 years.
- An IVA may affect the terms of your employment; you should check your contract or speak to your HR department.
- An IVA can also affect any hire purchase agreements you might have.
- Over the term of the IVA you must declare any inheritance, bonuses or windfalls. It is likely you will have to pay these into your IVA.

- Your IVA will be recorded on the Insolvency Register. The register is maintained by the Insolvency Service and is available for viewing by the general public. It contains all details of current IVAs.

Your home

Under an IVA it is unlikely that you will have to sell your home. However, depending on the amount of equity in your home, you may have to remortgage your property six months before the end of your IVA.

The level of remortgage is restricted and should not usually take your secured borrowing above 85% of the value of your home. Any money released from this will be used to pay into the IVA.

Your Insolvency Practitioner (IP) will discuss this with you in more detail and will include anything related to the remortgage when they help you to draw up the IVA proposal to be sent to your creditors.

The role of the insolvency practitioner

The IP becomes the supervisor of the IVA after it has been approved. Their role is to act even-handedly between you (the debtor) and your creditors to ensure that the terms of the IVA are fulfilled.

Default

If you don't keep to the terms of your IVA - for example, because you miss your monthly payments - you may ask your creditors to vary the terms of your IVA. If this is not possible your IVA may be terminated.

If your IVA is terminated, the supervisor may petition for your bankruptcy but rarely does so. If your IVA is terminated, any costs of your IVA will be included within your total debt.

IVAs

Our IVAs

We can help you set up your IVA through our own individual voluntary arrangement company: StepChange Voluntary Arrangements.

Realistic IVA advice

There are many debt solutions available. We will only recommend an IVA if it is the most appropriate debt solution for you. Our debt advisors will look carefully at your situation and circumstances and advise you on all the solutions available to you.

IVA with StepChange Debt Charity

If you do decide to go ahead with an IVA, StepChange Voluntary Arrangements can help you through the process. We have our own Insolvency Practitioner who can review your finances and help you to put forward the IVA proposal to your creditors.

Because our IVA recommendations are realistic, the vast majority of our proposals are accepted by creditors. There are no set-up fees to be paid in advance of your IVA being agreed. You will have to pay fees once your IVA is in progress, but these will be paid as part of your monthly repayments towards your debts. You are under no obligation to take up an IVA with StepChange Voluntary Arrangements. We will give you impartial and realistic advice about whether an IVA really is suitable for you and can support you through the process.

In some cases, we refer our clients to our IVA partner Grant Thornton, for example if you live in NI or if you're self-employed.

Free debt advice

Free debt help from StepChange Debt Charity
call **0800 138 1111**



StepChange Voluntary Arrangements facts

- Established in 2007
- Wholly owned by our umbrella charity – the Foundation for Credit Counselling
- Shares the same ethics and values as our charity
- Thousands of StepChange Voluntary Arrangements clients have their IVAs approved by creditors every year

IVA Summary

We recommend that you get some professional, impartial advice before taking on an IVA, as there are several restrictions and obligations that you need to consider.

- Suitable for those with unsecured debts and a regular sustainable income or for those able to offer a lump sum payment
- Arranged by an Insolvency Practitioner (IP)
- Your IVA proposal must be agreed by the majority of your creditors who vote, for it to go ahead
- Programme of affordable monthly contributions for a fixed period; usually over 5 or 6 years
- Sometimes there can be a lump sum to pay instead of, or as well as, making monthly payments
- During your IVA, creditors cannot pursue you or add interest or charges to your debt
- At the end of your IVA, any remaining unsecured debt is written off
- Fees are payable but will be taken from your regular monthly payments
- You may have to release any equity in your home towards the end of your IVA
- StepChange Voluntary Arrangements can support you through every step of your IVA

Other debt solutions

Everyone's situation is different and it may be that an IVA is not suitable for your particular debt problem.

There are a number of other debt solutions available, and it is possible that one of these will suit your situation much better than an IVA. This is why we recommend you get impartial, professional debt help to determine the best solution for you.

Our online StepChange Debt Remedy tool can help you with this. In the meantime, this part of the guide will summarise some of the other debt solutions available, including:

- Debt management plan (DMP)
- Debt relief order (DRO)
- Bankruptcy

Debt management plan (DMP)

A debt management plan (DMP) allows you to make a single, affordable monthly payment towards your debts. A DMP is suitable for people who have some money left over each month, but don't have enough to cover all their debt repayments.

How does a DMP work?

A DMP is normally arranged through a third party. The third party will work out how much you can realistically afford to pay towards your debts each month.

They will then contact your creditors asking them to accept a reduced monthly payment. The third party will also manage the distribution of the money between all your creditors, so that you don't have to deal with them.

How much does a DMP cost?

Many private debt management companies will set up a DMP for you, but will charge fees for their services.

There is no need to pay for a debt management plan. Charities like ourselves can set up your DMP free of charge, with no hidden fees attached. We will also make sure that you only pay what you can afford, so you can keep up with your day-to-day living costs as well.

- It will take longer to repay your debts
- Interest and charges may mean the total paid may be higher
- It will impact on your credit rating

Free DMP advice

If you are considering starting a DMP, make sure you get impartial advice from a debt management charity, like ourselves. We can advise you on whether a debt management plan is suitable for your needs.

We have a high success rate with DMPs because we only ever recommend them in the right circumstances.

Free anonymous debt advice

Free debt help online from StepChange Debt Charity at www.stepchange.org



Other debt solutions

Debt relief order (DRO)

A debt relief order (DRO) freezes your debts for 12 months, after which time they are written off.

Who qualifies for a DRO?

To apply for a DRO you must owe less than £15,000 (£20,000 after 01/10/2015) in unsecured debts. You must also have no more than £50 in available monthly income, in other words, no more than £50 left each month after paying your essential living expenses.

You cannot apply for a DRO if you are a homeowner. DROs are also not suitable if you have assets that are worth more than £300 (£1000 after 01/10/2015), with the exception of one car, which can be worth up to £1,000.

How does a DRO work?

You cannot apply for a DRO by yourself. A third party must submit your application to the official receiver. There is a fee of £90 and this sum is not refundable if your application is unsuccessful.

You must stick to the conditions of your DRO for a 12-month period. During this time, your creditors cannot pursue you for your debt. At the end of the 12 months, as long as you have kept to the terms of your DRO, your debt will be written off.

A DRO will appear on the public register and will affect your credit rating.

Free DRO help

Our professional debt advisors will advise you on whether a DRO is suitable for you. We can talk you through the processes involved and, should you decide to go ahead, we are one of the few organisations that can apply for a DRO on your behalf.

Bankruptcy

Bankruptcy is suitable for people who are unable to pay off their debts within a reasonable time. It's a form of insolvency, so your assets will usually be sold. This means bankruptcy is unlikely to be a suitable option if your assets are worth more than your debt.

How does bankruptcy work?

Bankruptcy writes off all your unsecured debts, allowing you to make a fresh financial start. However, you'll be subject to a number of restrictions during the term of your bankruptcy (usually 12 months).

To file for bankruptcy, you must apply to court and pay a deposit of £525 and any court fees. You may be exempt from paying the court fee if you receive certain welfare benefits.

You may also have to make monthly payments towards your debts as part of an Income Payment Agreement for up to three years.

How could bankruptcy affect me?

Bankruptcy could have significant consequences for both your personal and professional life. You may have to sell your home and there could also be an impact on your job, business, car and bank account. Bankruptcy will also seriously affect your credit rating for six years from the date you are made bankrupt.

Free bankruptcy advice

Bankruptcy is a big step to take with serious implications. If you are thinking about making yourself bankrupt, talk to us first and we will help you decide if it really is the best solution for you.

Our debt help

We know debt. We understand how stressful debt problems can be.

It's important to remember that you are not alone; millions of people in the UK are worried about their debt problems. Each year we help hundreds of thousands of people with all sorts of debt problems, both big and small.

Act now

There's no point burying your head in the sand. The longer you wait before taking action to resolve your debt problem, the worse it is likely to get.

Act now and begin your journey towards becoming debt free. Once you have started to tackle the problem, you will feel much better and much of the stress and worry you have been feeling will begin to reduce.

What you can do

Here are some steps that you can take today to stop your debt problem getting any worse:

- Don't take on any more loans,
- Don't consolidate your debts into a debt consolidation loan without getting advice from us first,
- Never secure any of your debts against your home,
- Stop using your credit cards, and
- Seek some free, professional debt advice as soon as you can.

Free anonymous debt advice

Free debt help online from StepChange Debt Charity at www.stepchange.org



How we can help

If you are worried about your financial situation, it's very important that you get free, professional and impartial debt advice as soon as possible.

We recommend that you consult a debt help charity, like ourselves, to be sure of getting the realistic advice that you need.

Every year we help thousands of people with their debt problems. We provide free debt help and impartial advice on the best debt solutions available to suit you.

If you would like an instant, anonymous assessment of your situation, try StepChange Debt Remedy, our online tool. StepChange Debt Remedy will ask you some straightforward questions about your situation and you will get a personal budget, tailored debt advice and a recommendation on the best debt solution for you.



Our debt help

Contact us

As the UK's leading debt help charity, you can be sure that all our advice is free, confidential and impartial.

StepChange Debt Charity online advice

Our online StepChange Debt Remedy tool is available 24 hours a day to give you free, anonymous and personalised debt advice.

StepChange Debt Charity telephone advice

If you would prefer to talk to someone, please call our freephone number: 0800 138 1111* to arrange a telephone appointment. Our lines are open from 8am to 8pm, Monday to Friday and Saturday 9am to 3pm. If you have hearing difficulties, call us using text relay.

* Calls may be recorded and monitored for quality and training purposes. Calls from mobiles are free.

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