Family Finance

What is an IVA?

- An Individual Voluntary Arrangement (IVA) is a formal alternative for individuals wishing to avoid bankruptcy. It freezes your debts and allows you to pay them back over a set period.
- Any money you still owe after the set period is then written off.
- You can apply for an IVA if you can afford to pay something towards your debts but not necessarily the full amount your creditors want.
- Typically, this is around £70 a month after you’ve taken care of essential costs but will vary between IVA providers.
- You will need to show you have a regular long-term income, as the repayments will usually cover a period over 60 or 72 months (five to six years).
- The IVA is set up by a qualified professional called an Insolvency Practitioner. They will work with you to put together a proposal to take to your creditors for approval.
- Your creditors will consider your circumstances before deciding whether to agree to the plan.
- If at least 75% of your creditors agree to the proposal, an IVA is likely to be approved – even if some creditors disagree.
- An IVA is a legally binding agreement between you and the people you owe money to. This means when you have signed it, it can be difficult for you or your creditors to back out. If you do back out, there are likely to be hefty penalties.

Family Finance

What if I have an IVA?

- You may be prohibited from applying for future credit without the approval of your Insolvency Practitioner.
- If you inherit money whilst under an IVA you must notify your Insolvency Practitioner immediately.
- Your credit score is likely to be negatively impacted for the duration of the IVA and a period afterwards.
- If you start to draw your pension whilst under an IVA you may be required to notify your Insolvency Practitioner.

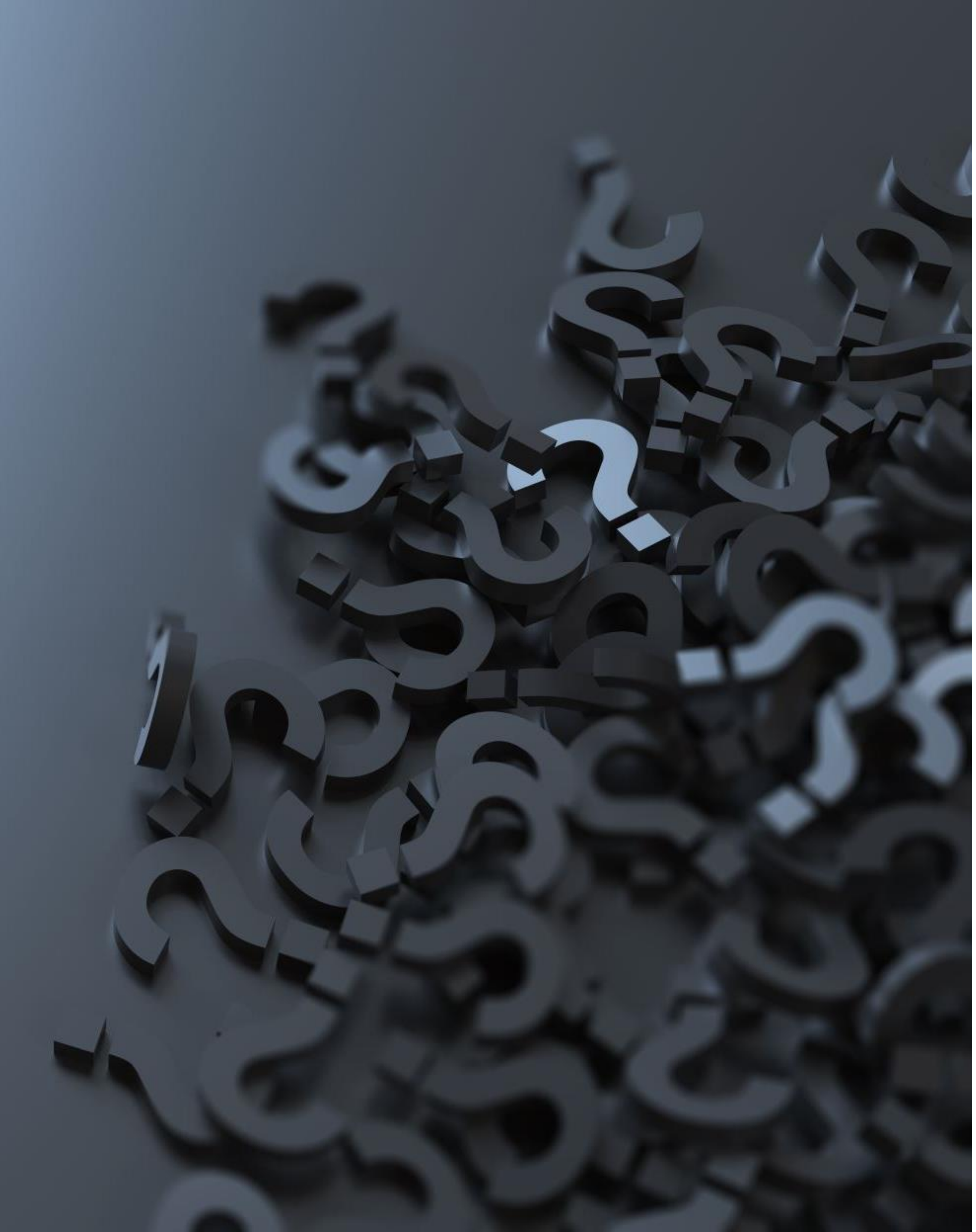
What can be included in a IVA?

Can be included	Cannot be included
Overdrafts, payday loans, unsecured loans, doorstep loans	Mortgages and secured loans
Credit cards, charge cards, catalogues, credit unions	Rent and property service charges
Unsecured debts that have CCJ or attachment of earnings	Current utility bills
Arrears from utility providers from previous properties	Current service providers
Arrears from service providers from previous properties	Hire purchase agreements
Debts secured against an asset that has been repossessed	Student loans
Debt to family & friends	Child maintenance
Council tax (previous years & current years if in arrears)	Council tax (current year of not in arrears)
HMRC Vat & National insurance	Court fines

Bankruptcy and Debt Relief Orders

Bankruptcy

- Bankruptcy is one way for you to help deal with debts you cannot pay.
- The process makes sure your assets are shared among those you owe money to (known as creditors).
- Bankruptcy can help you make a fresh start free from debt (with some restrictions).



Who can be made bankrupt?

A bankruptcy order can be made for one of three reasons:

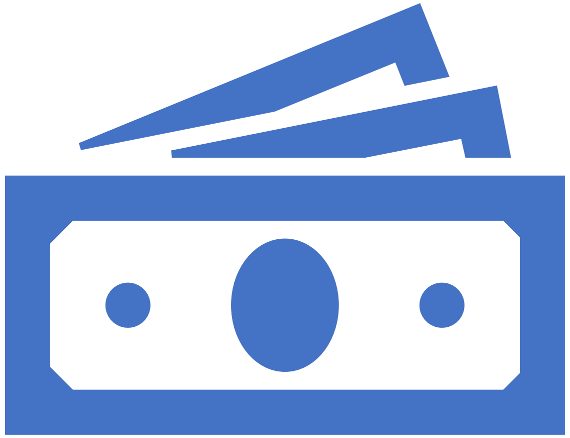
1. You cannot pay what you owe and want to declare yourself bankrupt.
2. Your creditors can apply to make you bankrupt because you owe them £5000 or more.
3. An insolvency practitioner can make you bankrupt if you've broken the terms of an individual voluntary arrangement (IVA).

How can I apply for bankruptcy?

If you are unable to pay your debts and feel that bankruptcy may help you deal with your financial circumstances, you can apply to make yourself bankrupt online via the UK government gateway website https://www.gov.uk/apply-for-bankruptcy.

If someone else has applied to make you bankrupt, you'll get a copy of the petition so you're aware of the situation. You can ask the court not to make you bankrupt but you will most likely need to pay the debt or prove to the court that you do not owe the money.

If you are worried about not being able to pay what you owe us, please call our customer support helpline on **01495 717 171** where one of our helpful and friendly advisors will endeavour to help you.



Debt Relief Order (DRO)

What is a DRO?

- A Debt Relief order is another way of dealing with your debts if you owe less than £30,000 (this is changing to £50000 from 28th of June 2024) and have no assets.
- A DRO is suitable for you if you do not have much spare income (usually less than £75 per month) and you do not own your own home.

Changes to your DRO application from the 28th of June 2024:

- The debt threshold for DRO acceptance is being increased from £30000 to £50000.

What happens if I have a DRO?

- You will stop making payments towards your debts (including interest) for 12 months
- You need to follow certain rules (‘restrictions’) during that time
- You will not need to pay the debts or follow restrictions after 12 months

How do I apply for a DRO?

- You will need to contact an approved debt advisor to apply for a DRO
- The debt advisor will offer free, confidential advice and will go through your situation with you to help you find the best solution. There are many 3rd party organisations that offer a free debt advisory service and details of which can be found on the UK Government’s website https://www.gov.uk/debt-advice.
- The debt adviser will help you find other ways of dealing with your debts if a DRO is not suitable.

IMPORTANT: A DRO can be cancelled if your financial circumstances change. It can be extended if you do not follow the restrictions.