

IVA - Pros and Things to Consider

An IVA is a legal agreement between you and your creditors. It enables you to prepare an offer of what you can realistically afford to repay over an agreed period of time, typically five or six years. This offer needs to be agreed/approved by 75% of your creditors (by value) in order to be put into place; your creditors do not have to agree. On completion of the IVA, your remaining debts are written off. It is a formal insolvency procedure.

Pros

- No upfront payment is required. A nominee fee and supervisory fee are both payable once the solution is active. These are taken from the monthly contributions and any assets you pay into the arrangement.
- When entering an IVA, a full 'budget' review of your income and outgoings will be completed with you to work out how much you can actually afford to pay towards your debts each month, regardless of what you are currently paying. Once your IVA is approved, you will pay this single, affordable monthly payment to your IVA company each month, who will then distribute shares of this to your creditors.
- You will usually be able to keep your property (as long as you keep up with the mortgage/any secured loan payments), but will be expected to try to remortgage towards the end of your term to pay funds into your IVA. If this is not possible the IVA term may be extended by a further 12 months
- Your creditors will not be able to continue with or start any legal action against you relating to your debt once your IVA is approved. Apart from sending you annual/regular statements, your creditors will not be able to call or send you any post regarding your debts. Until the IVA is approved if you existing recovery or legal action against you this may not be suspended or withdrawn. If legal action starts to recover debts prior to the approval of the IVA this may result in further cost to you.
- Outstanding personal tax liabilities can be included in an IVA.
- An IVA can be varied to meet your needs (subject to creditor agreement) should circumstances change.

Worth considering

- In most cases, the term of an IVA is five years. However, if you are a homeowner but cannot remortgage at the end of your IVA (see below 'Asset protection' point), you may need to extend your term for a further 12 months.
- There are expenditure restrictions on an individual entering into an IVA. This means that you will have to live to a budget whilst in the IVA.
- An IVA must be approved by your creditors (75% by value of your creditors). In instances where creditors do not approve your IVA proposal alternatives solutions will be considered with you.
- An IVA may impact your employment; we always recommend checking your employment contract. Until you have successfully completed your IVA, you will not be permitted to hold certain public offices. If you have concerns regarding the specifics of your employment contract please seek independent advice on this matter.
- If you are self employed the adverse affect on your credit rating of an IVA (See below 'Impact on credit rating' point) may consequently impact on your business.
- An IVA is a matter of public record - details of your IVA are listed on the Insolvency Service website, which the public can access.
- The IVA will negatively affect your credit rating for 6 years from the date that the IVA is approved.
- You will have limited access to credit until your IVA has completed, which could mean that you pay higher rates of interest until your credit rating is restored.
- IVAs do not cover mortgages and other secured debts, magistrate court fines, debts payable after personal injury claims and debts to a student loans company.
- Only debts included in the IVA will be discharged at the end of the arrangement. Any other debts will remain outstanding.
- If you fail to maintain your IVA repayments or obligations, your IVA could fail and your creditors may decide to order bankruptcy proceedings.
- If you are a homeowner, you will be expected to try to remortgage towards the end of your IVA and if affordable, release additional funds to be paid into the IVA. This remortgage may attract higher interest rates than your previous mortgage rate. If a remortgage isn't possible, the term of your IVA may be extended by one year, during which you may be required to make additional payments.
- There are risks of failing to continue to pay priority bills which could result in loss of access to essential goods or services or repossession of, or eviction from, your home. A list of these bills and potential consequences of non payment is given below:

Priority Bill Type	What if you don't pay?
Mortgage or secured loan	Lose your home
Rent	Lose your home
Council Tax	Visit from Bailiff, money taken from wages, imprisonment, bankruptcy, debt secured against your home (homeowners only), money taken from benefits
Child maintenance	Visit from Bailiff, money taken from wages, imprisonment, money taken from benefits
TV licence	Fine
Magistrate's Court fine	Visit from Bailiff, money taken from wages, imprisonment, money taken from benefits
Tax, VAT or National Insurance	Visit from Bailiff, money taken from wages, bankruptcy, County Court judgment (CCJ)
County Court judgment	Visit from Bailiff, money taken from wages, debt secured against your home (homeowners only)
Gas or electricity	Disconnection, County Court judgment (CCJ), money taken from benefits
Water	County Court judgment (CCJ), money taken from benefits
Hire purchase or logbook loan	Lose your goods, County Court judgment (CCJ)
Telephone	Disconnection, County Court judgment (CCJ)

- There are potential consequences of not continuing to make repayments under credit agreements or consumer hire agreements. This could include County Court judgements (CCJ), a visit from bailiffs, money taken from your wages or benefits, debt secured against your home (homeowners only) or a creditor petitioning for your bankruptcy (if you owe more than £5,000 to a single creditor).
- You should not ignore correspondence or other contact from lenders, and those acting on behalf of lenders, as this may result in the consequences listed above or lead to you incurring further costs