This fact sheet tells you how an individual voluntary arrangement (IVA) can be used to deal with your debts.

Use this fact sheet to:

- find out if you may be eligible to apply for an IVA to help you deal with your debts;
- see when we can help you to apply for an IVA;
- understand how an IVA is set up; and
- find out the main advantages and disadvantages of an IVA.

The National Debtline IVA panel

National Debtline can refer you to an insolvency practitioner (IP) from our special panel. After reading this fact sheet, if you think that an IVA is the best option for you, see the later section Finding an insolvency practitioner.

Do I have to use an IP recommended by National Debtline?

You do not have to use one of the IPs that we work with. If you prefer, we can give you advice on how to find one yourself.

Is an IVA for me?

An IVA may be a suitable option for you if you have:

- money available every month to pay towards your debts;
- a lump sum or assets that could be included; or
- a combination of spare money each month and assets or a lump sum.

For an IVA to be a realistic option, you would normally need:

- to have at least £80 spare income each month to pay towards your debts;
- to have two or more different debts; and
- to be able to pay back at least 5p for every £1 of the debt that you owe to them.

Extra advice:

do a budget

Complete a personal budget to see how much spare income you have to pay into an IVA. You can use our online budget and our self-help pack contains a paper budget. Contact us for a copy.

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Individual voluntary arrangements (IVAs)

These criteria are a guide only. You may still be able to consider an IVA when your circumstances fall outside of these guidelines. But, even if you do meet these criteria, an IVA is not always possible. Contact us for advice.

Extra advice:
benefit only income
If your only income is state benefits, think very carefully about the options to deal with your debts. An IVA may not be a suitable option. Contact us for advice.

Information:
assets
Assets are valuable things that you could sell to help pay your debts. In most cases, if your assets are worth more than the total amount of your debts, an IVA is not a suitable option. However, if the value in your home (after any mortgage and secured loans have been taken off) is greater than the total amount of your debts, an IVA may still be possible. Contact us for advice.

We may be able to help you set up an IVA, using an insolvency practitioner from our panel. See the later section Finding an insolvency practitioner.

If you and your partner meet these criteria by taking into account both of your circumstances, you may be able to do an IVA together. This is known as an ‘interlocking IVA’. Contact us for advice.

Debt you can include
You can include most types of debt in your IVA proposal, but bear in mind that your creditors may object. See the next section The IVA procedure.

You can include priority debts such as council tax arrears, tax debts, energy debts and so on. However, you cannot include:

- maintenance, or arrears of maintenance, ordered by a court;
- Child Support Agency or Child Maintenance Service arrears;
- magistrates’ court fines;
- mortgage, secured loan or rent arrears unless your lender or landlord agrees (which is unlikely); and student loans (for IVAs made on or after 6 April 2010).

If you are unsure what debts you can include in your IVA, contact us for advice.

Extra advice:
hire-purchase agreements
Be careful if you have a hire purchase agreement you want to include in your IVA. Check your agreement carefully to see if there is a clause which allows the creditor to end the agreement if you enter into an IVA and contact us for advice.

My Money Steps is our free, independent and confidential online debt advice service. My Money Steps will help you work out a budget and give you a personalised action plan setting out practical steps to deal with your debts.

www.mymoneysteps.org

Freephone 0808 808 4000
www.nationaldebtline.org
Information:

interim orders

You can put forward an IVA proposal without applying for an interim order first. This may reduce your costs, but means your creditors can still take enforcement action against you until the IVA is agreed.

Extra advice:

personal and workplace pensions

If you have a personal or workplace pension that you can claim during the proposed term of your IVA, your creditors may agree to exclude it as an asset. If they don’t agree to this, the pension fund could be at risk. Check the terms and conditions of your IVA agreement and contact us for advice.

The IVA procedure

An IVA has to be set up by an IP. An IP is usually an accountant or solicitor who is authorised to set up IVAs.

Once an IP has agreed to make an IVA proposal for you, they can apply to the County Court for an ‘interim order’. This stops your creditors from starting bankruptcy proceedings against you. It also stops any other enforcement action without the court’s permission whilst the interim order is in force.

- The IP sends the IVA proposal to your creditors and arranges a formal meeting called a ‘creditors meeting’.

- Check with the IP to make sure that all your creditors have been contacted. If a creditor comes to light after the IVA is agreed and they had no notice of the meeting, they can claim the amount they would have received if they had been included in the IVA from the start.

- At the meeting creditors have to vote on whether to accept the IVA. Often creditors send their vote to the IP and don’t actually take part in the meeting.

- The proposal has to be accepted by more than 75% ‘by value’ of the voting creditors for it to become legally binding on all your creditors. ‘By value’ means voting creditors who hold more than 75% of your total debt, not the number of creditors you have.

- This means that if the creditors to whom you owe the highest amount vote against the proposal, the IVA may not go through.

- Sometimes creditors will ‘haggle’ about the terms of the IVA and ask you to agree to pay more every month, or include assets you do not want to lose. They may ask you to make payments over a longer period. However, your agreement is needed before these changes are made.

- If the IVA is agreed, your IP will supervise the arrangements and make sure you make the payments.

If the IVA does not go through, then you are back to the same position as you were in before you made the application.

You will have to negotiate with all your creditors separately. You also may have lost money in fees and costs for the IVA application. Think carefully before you decide what to do next. It may not be a good idea to apply for a new IVA unless your circumstances have changed and you can improve on the proposal you made before. Contact us for advice.
**Warning:**

**give complete information**

If you do not give complete information to your IP about your assets and debts when you apply for an IVA, you could be committing a criminal offence.

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**Information:**

**interim orders**

Bear in mind that if you have applied for an interim order, you have to wait **12 months** before you can apply for another interim order. However, you don’t usually need one to apply for an IVA.

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**The IVA protocol**

The IVA protocol is a set of voluntary guidelines which many insolvency practitioners (IPs) follow. The guidelines cover how a straightforward consumer IVA should be put together and how the IP should behave. The protocol has been set up to make the IVA process quicker and simpler for IPs, creditors and for you as the applicant.

The IVA protocol covers the following areas.

- What the IP should do to check your income and outgoings.
- That your creditors should normally accept your figures if they fall within the set limits.
- How any equity in your home should be dealt with (see the next section, **What about my home?**).
- Your IP should make sure you have had full information on different ways to deal with your debts.
- What to do when your income and outgoings go up or down, and what should happen if you miss any payments.

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**Important:**

**ask about the IVA protocol**

Not all IPs use the IVA protocol and, because each IVA can be very different, not all IVAs can follow the protocol. Make sure you ask about the IVA protocol before you agree an IVA proposal with your IP. If your IP says that your case is not straightforward and you cannot have an IVA that follows the protocol, make sure you understand why. If you are not sure about this, **contact us for advice.**

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**What about my home?**

If you are a home owner, your IP will normally want to include a special section within your IVA proposal called an ‘equity clause’.
This means that during the IVA (normally in year four) you would be expected to apply for a secured loan or re-mortgage to pay back some of the debt. If you cannot do this, your IP may want you to sell your home instead.

- However, if your IVA follows the IVA protocol, there is some protection. If you are able to re-mortgage or get a secured loan, then the repayments should be affordable. You should be left with equity of at least 15% of the value of your share of the property. For example, if you are the sole owner of your property and it is worth £100,000, you should be left with at least £15,000 equity after remortgaging. Also, the new mortgage should finish by the end of your existing mortgage or your state retirement age (whichever is later).

- The protocol says that, if you are unable to get a re-mortgage or secured loan, you can keep paying instalments under the IVA for an extra 12 months rather than selling your home. Alternatively, a third party such as a family member or friend could pay a lump sum to the IP. This lump sum would need to be 85% of the value of your share of the property (after the value of your share of any existing mortgages and secured loans has been taken away).

Extra advice: re-mortgaging
You need to be careful when looking at taking out a new mortgage or secured loan. It may be difficult to find a loan from a reputable lender at a good rate of interest because your credit rating may not be good enough. You must discuss this with your IP and get advice to make sure you can afford the new payments, or you could be putting your house at risk. Contact us for advice.

If you are unable to maintain the payments on your IVA there is a risk that you may be made bankrupt, which could result in you losing your home.

Finding an insolvency practitioner
Before deciding to go forward with an IVA, consider all the options available to you for dealing with your debts. See the later section Other options. If you do decide that an IVA is the right option to pay back the money you have borrowed, you will need help from an insolvency practitioner (IP). National Debtline could refer you to an IP on our special panel, or you could contact an IP directly yourself.

The National Debtline IVA panel
Our panel of IPs have agreed the following.

- Any IVA that National Debtline refers will follow the IVA Protocol.

Remember: value in your home
If the value in your home (after any mortgage and secured loans have been taken off) is greater than the total amount of your debts, an IVA is not always a suitable option. Contact us for advice.

Remember: always check how an IVA affects your home
It is very important to understand how an IVA will affect your home before you sign any agreement. If you are unsure, contact us for advice.
• You will not be charged up-front fees and you will not be asked to make any payments until the IVA proposal has been agreed by your creditors.
• You will be able to take further independent advice from National Debtline whenever you want to.
• Your IP should keep you fully informed about your IVA and should make sure you fully understand what the IVA will mean for you.

How do I qualify?
If you want to be considered for an IVA under our IP panel scheme, you usually need:

• to have at least £80 spare income each month to pay towards your debts;
• to have at least two different debts; and
• to be able to repay at least 5p in every £1 to your creditors over the term of the IVA.

What do I do next?
If you are interested in setting up an IVA through National Debtline, contact us for advice. We will be able to discuss an IVA with you, as well as advising you on what other options you may have for dealing with your debts.

What if I want to contact an IP myself?
The Insolvency Service provides a searchable directory of IPs. Go to www.gov.uk and search for 'Individual Insolvency Register'. The directory gives the contact details of each IP and those of their authorising body. If you are unable to access this website, contact us for advice.

Before you agree to use the services of any IP, check their terms and conditions carefully including what fees may be charged. See the next section, IVA charges. Check to see whether they follow the IVA Protocol and make sure you shop around different IPs to compare their services and fees.

IVA charges
All IPs will charge fees for setting up and supervising an IVA. Fees vary between different firms, but typical fees can be £4,000 or more. These fees are usually taken from the monthly payment you have agreed you can afford to make to your creditors.

Remember:
IVA not guaranteed
Even if you meet these criteria, it does mean that you will automatically get an IVA. The criteria are only a guide. Contact us for advice about whether an IVA is a suitable option for you.
Many IPs will offer a free initial meeting to look at whether an IVA is suitable in your situation. Some IPs will demand an up-front fee before putting forward the IVA proposal. This could mean that if the proposal is refused by your creditors, you will lose the money you have paid to the IP up until that point. Other IPs may still charge you some fees if you start the process but then decide not to go ahead in the end.

You may be asked to pay some form of payment protection insurance to cover you against death, unemployment and so on. Your IP should tell you about any insurance cover they have arranged and how much this will cost you. It will usually be built into the initial fees you have to pay to your IP.

If you use an IP from National Debtline’s special panel, we will receive part of the fee they will charge you. This is for the work we have carried out collecting information about your circumstances. We will use any payments we receive to support our ongoing charity work of giving help and advice to people with debt problems.

Change in circumstances

If your circumstances change, you must tell your IP. If you are unable to keep up with your payments, your IP can ask the creditors to accept lower payments and agree a ‘modified’ IVA. The IP may charge you a fee for doing this.

If you cannot make any payments or your creditors refuse to accept lower payments, your IVA may fail. If this happens, the IP may allow you to consider other options. There may be additional fees to pay to the IP if your IVA fails. They can take court action to get these back from you.

The IP is able to petition for your bankruptcy, but this will not happen in all cases. If your IP decides not to make you bankrupt, then your creditors can take action against you instead. It is very important to agree payment arrangements with each of your creditors separately to stop this happening.

Advantages of an IVA

- Repayments stop at an agreed date and you will usually pay less than the full amount you owe.
- You may be running a small business which would be difficult to keep going if you were bankrupt.
- You may be in a profession where you could lose your job if you go bankrupt such as accountancy, the police or armed forces. But be careful, in some professions your employment may be affected by an IVA. Check with your professional body and check your contract of employment.
- You may have access to a large lump sum and want a formal arrangement with your creditors to accept the lump sum and write off the rest of the debts.
- You will not automatically lose your house or other assets. See the earlier section What about my home?.

Remember:

check fees

Always check what fees an IP will charge before signing any agreement or starting the process to set up an IVA. You will need to check what the fees cover and whether the IP will charge any up-front fees.
Disadvantages of an IVA

- If you do not keep to the terms of the IVA then the insolvency practitioner (IP) or your creditors can take further action against you, for example by making you bankrupt.
- If creditors do not accept the IVA proposal, you are back to square one and your creditors can carry on trying to pursue you for your debts.
- If you paid an up-front fee for your IVA and it is not accepted, then you will have lost the fee and may be in a worse position than when you started.
- If you own your house, the IP and creditors may make you agree to re-mortgage your home as part of the IVA. If you are unable to do this you may lose your home. See the earlier section What about my home?.
- If you rent your home, check the terms and conditions of your tenancy agreement. It may say that your landlord can end your tenancy if you enter into an IVA. Even if your tenancy agreement does say this, your landlord may choose not to end your tenancy, especially if you are up to date with your rent payments.

- There is a risk that the IVA is agreed on the basis of monthly payments that you cannot afford over a long time. You must be very careful that the payments are set at a realistic amount in the first place.
- If your circumstances change and you can no longer afford the payments, your IVA may end if the IP cannot persuade the creditors to accept a new agreement.
- The IVA will be recorded on your credit reference file for six years and can affect your ability to get further credit. See the later section Where are IVA details kept? for more information.
- When you set up an IVA, you will need to open a basic bank account which is separate from all your debts. A basic account does not offer any credit facilities, such as an overdraft. Some banks may not allow you to continue to operate a basic bank account whilst you are in an IVA. Contact us for advice.

Extra advice:

bank accounts

Check the terms and conditions of your bank account to make sure that it cannot be affected by an IVA in any way.

Information:

future statements from creditors

Under the rules of the Consumer Credit Act 1974, your creditors will usually have to keep sending you annual statements, as well as arrears and default notices in a set format. This will happen even when you are in an IVA but should stop once your IVA is completed. Don’t worry. This does not mean that there is a problem with your IVA. If you receive other letters demanding payment, you should take this up with your IP or contact us for advice.

Where are IVA details kept?

Public register

Records of IVAs are kept on a public register called the Individual Insolvency Register. You can search this for free. Go to www.gov.uk and search for 'Individual Insolvency Register'. Alternatively, you can search the register by visiting your local official receiver’s office. You can find out the location of your nearest official receiver’s office by checking your local phone book or by calling the Insolvency Service on 0845 602 9848. Your IVA will remain on the register until it is completed or terminated.
Credit reference agency files

Records of IVAs are normally held on credit reference agency files for six years from the date the IVA began. This can significantly affect your ability to get further credit. If the IVA lasts longer than six years, it will remain on your credit file until the date the IVA ends. The IVA is marked ‘complete’ by the credit reference agency when they are informed of this by the Insolvency Service. Make sure you send a copy of the letter from your IP to the three credit reference agencies so that your credit file is updated.

You may continue to find it difficult to get credit even after the IVA has been removed from your credit file. This is because some lenders may ask if you have ever had an IVA or been bankrupt in the past. This will depend on the lender’s policy.

Complaints

Put your complaint in writing to the insolvency practitioner (IP). Set out the facts as clearly as you can. There are additional guidelines that an IP should follow when dealing with your IVA. Contact us for advice about these.

Say why you are not happy and what you want them to do about it. Include any evidence that you feel supports your complaint. If you are not happy with the IP’s response, you can usually send your complaint to the Insolvency Service. The Insolvency Service will then pass your complaint on to the IP’s authorising body.

The IP’s authorising body cannot change the terms and conditions of your IVA or any decision your IP has made. However, they can use the information you provide in your complaint to help them decide whether they should take further action against the IP. Also, a complaint will not stop any bankruptcy action being taken against you if your IVA has failed. For more information about making a complaint, see the Insolvency Service’s website. Go to www.gov.uk and search for ‘Complain about an insolvency practitioner’. Alternatively, contact us for advice.
Other options

There may be alternative options for you to deal with your debts. For example, you may wish to consider a debt-management plan. This is an informal arrangement which involves paying your surplus income to a debt-management company. The debt-management company then negotiates reduced repayments with your creditors.

Bankruptcy could also be suitable for you. Bankruptcy is an official order which ends liability for most debts. However, it involves your assets being sold to raise money to pay to your creditors. There are advantages and disadvantages to each option. It is important to consider these carefully before you make a decision about which option is best for you. If the order is made you will then have an appointment to see the official receiver who deals with your bankruptcy.

Sometimes this will take place over the phone. They will want to go through a long questionnaire with you to look at all of your personal and financial details, such as your National Insurance number and pension policy details, income, outgoings and assets.

10 ways to clear your debt

In the Debt topics area of our website, we have a section which sets out 10 ways to clear your debt. You can compare:

- how big or small your debts must be to use each of these options;
- what type of debt you can repay using each option; and
- how long each option might last before you are debt-free.

Find out more

National Debtline endeavour to keep our fact sheets as up-to-date as possible, however, we cannot be held responsible for changes in legislation or for developments in case law since this edition of the fact sheet was issued.