

My-Debt: IVA FAQ's

- **What is an IVA?**
 - An IVA is a formal agreement that helps a person with large unsecured debts, who is unable to afford their contracted monthly repayments, reach a new agreement with their creditors. An IVA normally consist of 60 monthly repayments, calculated by establishing what the debtor can actually afford to repay, once all the debtor's essential living costs have been taken into account, and will replace the original agreed monthly payments for the debts. Once the IVA has been successfully completed the debtor will be debt free even though they may not have repaid all their original debts, with the creditors being legally obliged to write-off any outstanding unpaid debt.
- **Who can qualify for an IVA?**
 - Anyone who lives in England, Wales or Northern Ireland who has total debts of more than £15,000, owed to more than 3 creditors, who is struggling to afford their monthly debt repayments, could qualify for an IVA. They should also be employed, self employed, or at least not have an income solely dependent on benefits.
- **How much will my IVA repayments be?**
 - The IVA repayments are calculated by assessing what is affordable to the debtor, rather than what had been previously agreed. Therefore each IVA will have its own specific repayment, taking into account the personal circumstances of the individual concerned. However, there is a minimum repayment level, below which creditors will reject the proposed IVA.
- **Who pays for the IVA?**
 - An IVA's administration costs form part of the IVA arrangement, with creditors having control over the level of fees being charged by the Insolvency Practitioner for doing the work on the IVA case. The debtor pays money into his IVA fund each month for the benefit of his creditors and the IVA fees are deducted from this IVA fund. Therefore, the IVAs costs are paid for by the creditors.
- **How will your creditors react to an IVA?**
 - Nowadays, creditors are becoming very familiar with IVAs and normally they have a well documented company policy which outlines their stance on IVA proposals. Whilst the IVA is in the process of being drafted, you will be instructed in the correct protocols to follow, so as to give your IVA the best chance of success.
- **What is the legal position of an IVA?**
 - An IVA forms part of the 1986 Insolvency Act and is designed to offer itself as an alternative to Bankruptcy for people who are insolvent. Qualified professionals, Armed Service Personnel, serving Prison Officers and Police Officers who otherwise may damage their career prospects by declaring themselves bankrupt can apply for an IVA to deal with a serious debt problem. Once accepted, the IVA legally binds all parties to the terms offered in the IVA proposal, even those creditors which rejected the IVA proposal.

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- **If I enter an IVA will I be made to sell my house?**
 - No, unlike Bankruptcy, an IVA protects the equity in your house and you will not be required to sell it. There will be an assessment made on value of your equity and your creditors will want the assurance from you that you will release any equity that may be available at a pre-arranged time during the IVA. However, your creditors will have restrictions placed on their expectations and as much as 25% of the equity in your home can be protected from being passed over to creditors.
- **IVA or Debt Management Programme (DMP)?**
 - This decision will be based on personal circumstances and depending on what assets you have, whether or not you have a career you are trying to protect and your future earning potential. Assessing this decision can be very difficult and complex, we can offer you guidance, but ultimately, it will be your decision.