

Knowledge Bank 7



INDIVIDUAL VOLUNTARY ARRANGEMENT (IVA)

An Individual Voluntary Arrangement (IVA) is a legally binding agreement between an individual and their creditors.

The arrangement will be set for a specific period of time – normally three or five years.

During this time, the agreement sets out a payment plan to repay creditors, in full or an agreed percentage of their debts.

OBJECTIVES OF AN IVA

- To give an individual the opportunity to make a formal proposal to settle their unsecured debt within a reasonable timeframe
- To give creditors a better financial return than if the individual was to be declared bankrupt
- To freeze interest and charges, and prohibit creditors demanding additional payments.

WHO CAN INSTIGATE AN IVA?

- The individual must approach an insolvency practitioner to put the IVA proposal to creditors. It is usual for the insolvency practitioner to assist with the preparation of the proposals.

When the proposal is approved by creditors, the insolvency practitioner will act as supervisor.

PROCEDURE FOR AN IVA

- The individual must declare all unsecured debts in an IVA and discuss the proposal they feel capable of with the insolvency practitioner
- The proposal includes details of the individual's income and expenditure with a statement of assets and liabilities and a comparison to the expected outcome in bankruptcy
- The proposal is produced and sent to unsecured creditors together with a date for a creditors' meeting – held no sooner than 14 days after the proposal is issued and normally within 28 days
- Creditors vote for or against the proposal either by proxy form or attendance at the meeting
- For the arrangement to go ahead, more than 75% of creditors must vote to approve the proposal.

FOLLOWING APPROVAL AND APPOINTMENT OF SUPERVISOR

- The supervisor is responsible for receiving the proposed payments and distributing them to creditors in line with the terms of the proposal
- The supervisor will normally review the personal circumstances of the individual on an annual basis to see if there have been any changes in their financial situation that could lead to a variation being presented to creditors
- In the event that the individual does not maintain agreed payments, the IVA will almost certainly fail and open up the individual to potential bankruptcy action
- Upon the successful completion of an IVA, the individual will be considered debt free and any outstanding balances in excess of the agreed contribution are written off.