

# Individual Voluntary Arrangements Pros & Cons

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Individual Voluntary Arrangements, or IVAs were first introduced by the government under the Insolvency Act 1986 as an alternative to bankruptcy. The purpose of an IVA proposal is to help people in financial difficulty settle their debts in a more structured and manageable way. The use of an IVA as a way to solve your debt problems is available to anyone. Your ability to undertake an IVA is based on your financial circumstances and not your job or profession.  
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What is an IVA?

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Why use IVA?

{bot\_wrgoogle}If you abide by the terms of your IVA proposal it really can be your "Light at the end of the Tunnel".

An IVA lasts for a fixed, sensible period of time – most commonly 5 years. The terms of the agreement are fixed at the outset which means that creditors cannot suddenly demand changes to it and once agreed, creditors are bound so they can't change their mind and take their own action against you. You and your creditors agree that you will make a single, manageable payment each month. Once agreed, the law prevents creditors from continuing to charge interest on outstanding balances.

Informal debt solutions may not offer you such peace of mind as it is often questionable whether informal agreements with creditors are legally binding (potentially allowing individual creditors to independently continue with enforcement action against you).

If an informal debt solution is utilised creditors may require you to continue to make contributions from your income for however long a period as may be required to settle your liabilities in full. Creditors may also continue to charge interest throughout the period required for repayment of your indebtedness.

What are the advantages and disadvantages of an IVA?

IVA Advantages

**Debt Free** - An Individual Voluntary Arrangement lasts for a fixed period of time, normally no longer than 5 years, so after this time you could be debt free.

**Payment Demands Stopped** - Once the IVA is agreed, your creditors are bound by the agreement and by law are unable to demand payments from you either by telephone or letter.

**Interest and Charges Frozen** - Once the IVA is approved, creditors cannot add further charges or interest on to any of your accounts covered by the agreement by law.

**Single Monthly Payment** - At the beginning of the arrangement, you agree an affordable monthly payment with your creditors. In some cases, proposals may be based on payment of a one-off lump sum.

**Repaired Credit Rating** - Once you have successfully completed your arrangement, you are issued with a Certificate of Completion. This will have a beneficial effect on your credit rating.

**Fixed, Legally Binding Agreement** - The IVA is legally binding on you and all your creditors. You will know exactly where you stand and how long it will take before you are debt free.

**A Private Agreement** - An IVA is a private matter between yourself and your creditors. Unlike bankruptcy, there will not be public notice in the local papers.

**Professional Status Unaffected** - You can continue in your current profession (e.g. doctor, solicitor or accountant) whilst undertaking an IVA without any adverse effects to your job.

**Lower fees** - IVA fees tend to be less in comparison to the court costs and Official Receiver fees involved in a bankruptcy.

#### IVA Disadvantages

**Possible Release of Equity in your Home** - If there is any equity in your property or any other significantly valuable asset, you may be required to release some or all of this as part of the IVA agreement.

**Minimum Level of Debt** - Normally an IVA is only suitable for people with a minimum level of unsecured debt around £15,000 or more. Additionally, you will need to be able to afford a monthly payment of at least £200.

No Unsecured Borrowing while the Arrangement is in place - You will not be able to obtain and use store or credit cards. Any cards you have at the time the IVA is approved must be cut up and returned to the financial institution which issued them. However, it may be possible to change an existing mortgage or apply for a new one while you are in an IVA. Your IP can advise you on this.

Monthly Payments must be affordable - IVAs are only suitable if you or another person can afford the monthly repayments to your creditors.

Creditors must agree - Your creditors have to agree on the arrangement through a vote.

You must maintain your monthly payments - If you do not make your regular payments to the IVA it is likely that the Arrangement will fail and your creditors will be at liberty to take other action against you. It may also result in your bankruptcy.

Michael Chamberlain is a leading IVA specialist at Debt Help Line in advising individuals in financial distress requiring help and advice with debts. Further Individual Voluntary Arrangement information can be found at Debt Help Line website ([www.debthelpline.com](http://www.debthelpline.com)).