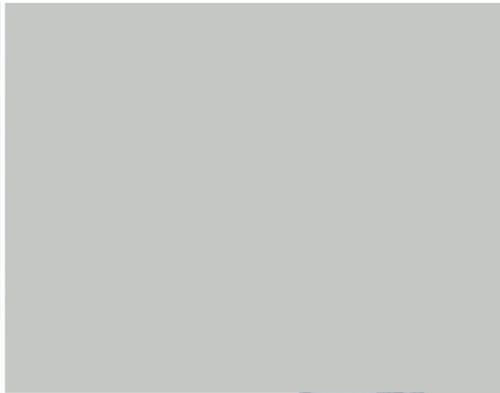


Personal Insolvency



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ICAEW
LICENSED INSOLVENCY
PRACTITIONERS (UK)

The Insolvency Act 1986

Personal Insolvency

Individual Voluntary Arrangement (IVA)

An IVA is an alternative to Bankruptcy. It is a contract between a debtor and his/her creditors that offers a better return than Bankruptcy. The 'Proposal' is approved by 75% of creditors in value voting. It is suitable for financial problems arising from personal expenditure and business matters and for trading situations (sole traders and partnerships).

Bankruptcy

A Bankruptcy Order can be obtained online by a debtor on payment of fees/costs of £650. Submission of the Bankruptcy application may be by the debtor or by a Court application from a creditor who must be owed more than £5,000. The Official Receiver (OR) is appointed to deal with the debtor's estate (assets and liabilities) or an IP may be appointed. Generally, the debtor's assets will be realised and after costs distributed to creditors. Surplus income over reasonable domestic expenditure may be requested by the OR/Trustee for up to three years. Discharge from creditors in Bankruptcy occurs after one year in most cases automatically. The Bankruptcy Administration may continue for more than one year and unsold assets at the date of discharge remain available to the OR/Trustee to meet costs and creditors.

Informal Arrangements with Creditors (IAC)

Debtors may make an informal offer of payment to creditors based on a pro-rata distribution of net disposable income. Usually there will be a request to freeze interest and costs, but creditors are not obliged to agree to this. There is no moratorium against future action by creditors who may still enforce their debts.

Consolidation Loans

A debtor may apply to a lender for a loan to consolidate existing debts/loans/credit cards. The debtor will then have one large creditor as compared to many creditors. The total cost/repayment may often be greater than the original debts.



Debt Management Plan (DMP)

In a DMP debtors must have a minimum amount of net income (often £100/month quoted) and at least three creditors. A single monthly payment is made to DM Companies (DMCs) who distribute it to debtor's creditors. The DMC negotiates with creditors and may seek to freeze interest.

Debt Relief Order (DRO)

DROs are available only for debtors where debts are less than £20,000 in total, where assets do not exceed £1,000 (excluding a low value vehicle and pension funds). Surplus domestic income must not exceed £50/month. Applications are made through Recognised Intermediaries (e.g. CAB) to the Official Receiver who makes a DRO. DROs last for one year after which the debtor is free from debt.

County Court Administration Order (CCAO)

A debtor must have a CCJ or a HC3 and owe less than £5,000 owing to two or more creditors. On application a County Court order is made and a single monthly payment made to court. The court then distributes pro rata. Can last for more than one year.

Charitable Assistance

There may be Charities and Trusts that exist to help debtors but mostly only in emergencies.

For more in
depth advice,
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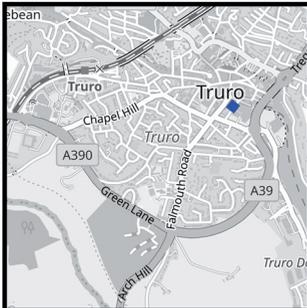
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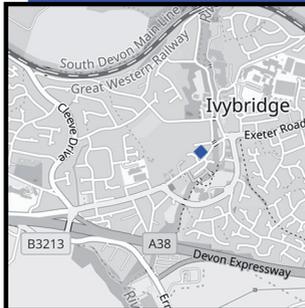
good reasons to contact us first:

- 1** Consultation up to one hour free of charge at either our Truro or Ivybridge or Exeter offices or at your or your client's premises
- 2** Complete independence
- 3** Confidentiality
- 4** Comprehensive experience in all insolvency matters
- 5** Competitive fees
- 6** Established local practice

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