

“Rescue failing at the last hurdle”

Many individuals who have taken out individual voluntary arrangements in order to reduce their debt have been unable to stick to their agreements threatening their finances even further.

IVAs are legal arrangements hammered out between the individual debtor and creditors such as banks or credit card companies, and usually run for five years.

Commenting, Phil Wood of Staffordshire based licensed insolvency practitioners, BCR said, “If an individual voluntary arrangement fails, monies spent on setting up the plan goes to the insolvency practitioner to meet costs thus leaving the borrower saddled with the original debt imparting both a significant financial and human cost.”

Most arrangements are taken out as a last-ditch attempt to avoid bankruptcy and if they fail can leave an expensive bill to be picked up. Most IVA providers do not charge the client any fees up front. Instead, the cost of the arrangement is paid by the creditors out of the debtor's repayments.

“A high failure rate suggests that people are getting into difficulties simply because an individual voluntary arrangement was not an appropriate remedy in the first place. This is why it is so important that people obtain independent advice on all options available,” added Phil.

ENDS

15th December 2009.