

## E-mail News Release

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### “The downside of IVAs”

An Individual Voluntary Arrangement is undoubtedly an exceptionally effective process for an individual to obtain relief from an unbearable burden of debt. However, there are downsides.

An IVA is a formal and legally binding agreement between debtor and creditors. It provides both parties with certain legal protections whilst solving debt problems over a period of usually five years. However, the first hurdle to overcome in an IVA is to get it approved. Normally an Insolvency Practitioner, who is legally entitled to act as the Nominee and Supervisor in an IVA, would not allow anybody to put forward a proposal that he did not believe the creditors would accept.

Under present legislation, for an IVA to be binding on creditors it has to be approved by a majority of 75% in value of the creditors who actually vote. In proposing an IVA it is a prerequisite that only the best deal possible is offered.

*“Most consumer debt IVAs are proposed to include monthly contributions into a fund for the benefit of creditors, over a five year period. However, five years is a long time and a lot can happen. Often events can occur that mean the debtor cannot continue making payments in which case the creditors will simply file for bankruptcy. This is the very reason why so many fail within a year or so,” said Phil Wood, managing director of chartered accountants and licensed insolvency practitioners, Barringtons.*

For many people an IVA continues to be the best solution for their debt problems.

*“Before embarking upon any course of action, it is of paramount importance for debtors to know what the downsides might be. There are indeed many potential pitfalls in the current climate during the lifetime of an IVA. The Insolvency Practitioner needs to know everything before he can advise on these. The debtor must then consider all the necessary factors before making a final decision on which route to follow,” added Phil.*

**ENDS**

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