

WHAT IS AN INDIVIDUAL VOLUNTARY ARRANGEMENT (IVA)?

Find out more about how an Individual Voluntary Arrangement (IVA) works and which debts it covers. Then talk to a free debt adviser about whether it's the best way to pay off or clear your debts.

A debt adviser will:

- treat everything you say in confidence
- never judge you or make you feel bad about your situation
- suggest ways of dealing with debts that you might not know about
- check you've applied for all the benefits and entitlements available to you.

Three quarters of people who get debt advice feel more in control of their finances afterwards.

What is an IVA?

An Individual Voluntary Arrangement (IVA) freezes your debts and allows you to pay them back over a set period.

Any money you still owe after this period is then written off.

Who can apply for an IVA

You can apply for an IVA if you can afford to pay something towards your debts but not the full amount your creditors want. The amount of disposable income you need depends on the provider that you use.

You'll need to show you have a regular long-term income, as the repayments will usually cover a period over 60 or 72 months (five or six years).

If you have a lump sum to pay towards your debts, you might also qualify for an IVA.

Which debts can I pay off with an IVA?

You can use an IVA to help pay off many common debts, including:

- overdrafts
- personal loans
- catalogue debts
- Council Tax arrears
- hire purchase debts
- mortgage shortfalls
- credit and store cards
- money you owe to HMRC, such as Income Tax or National Insurance contributions.

Which debts can't I pay off with an IVA?

You cannot use an IVA to pay off:

- student loans
- magistrates' court fines
- certain types of car finance
- Child maintenance or Child Support arrears
- Social Fund loans
- TV Licence arrears.

Mortgage and rent arrears

Unless your creditor agrees, you often cannot include loans secured against your property – such as mortgage or rent arrears.

Check with a debt adviser what you can and cannot include in an IVA. If you have mortgage or rent arrears, see if there are other debt solutions available to you to deal with these repayments.

How an IVA works

The IVA is set up by a qualified professional called an Insolvency Practitioner. They'll work with you to put together a proposal to take to your creditors for approval.

It very much depends on what your circumstances are as to whether your creditors will agree to the plan. But if at least 75% of your creditors agree to the proposal, an IVA is likely to be approved – even if some creditors disagree.

An IVA is a legally binding agreement between you and the people you owe money to. This means when you've signed it, it can be difficult for you or your creditors to back out. And if you do back out, there are likely to be hefty penalties.

If you're a homeowner, in the second to last year of the IVA, you might be asked to re-mortgage your house and use the extra funds towards repayment. If you do this, the IVA term would then finish a year early or after you've re-mortgaged.

How to set up an IVA

You have to set up an IVA through an insolvency practitioner.

There might also be up-front charges to pay before your IVA has been set up. These can differ a lot between IVA providers. You'll also pay a monthly payment to oversee the IVA.

There are also fees to pay to the insolvency practitioner, which are usually taken from your monthly payments.

It's always best to get advice from a free debt adviser. They should also be able to recommend an IVA provider and help you understand the different fees and charges.

What if you can't keep up with payments into an IVA?

If you can't keep up with payments, the insolvency practitioner can cancel your IVA and apply to make you bankrupt. It's important to be aware, however, that not all cancelled IVAs lead to bankruptcy – this is purely an option that individual creditors may consider if the IVA fails.

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