

# **Debt Free Direct**

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## **My IVA has not been approved**

### **What does this mean?**

When the IVA proposal is drafted, we assess the latest requirements of the creditors involved before putting forward the proposal - we do not wish to offer you an IVA if we think it will be rejected by creditors. Debt Free Direct have been assisting debtors through the IVA process for over 10 years with a consistently high success rate.

Whether or not an IVA is accepted depends on how creditors vote and at least 75% of voting creditors must be in favour of your proposal.

Creditors can also suggest changes to your proposal, known as [modifications](#), and you can choose whether to accept them or not. If you choose not to accept them then that creditor's vote is considered to be a rejection.

If the IVA proposal is rejected then we will review the situation with you and advise what steps should be taken. This may involve re-drafting the IVA proposal or considering alternative options available to you.

What are my options if my IVA is not approved?

If your creditors don't agree the terms of your proposal then we will consider the options available to you.

### **This could include**

- Re-considering the terms of the IVA proposal and whether any aspects can be changed to reflect creditors' concerns;
- An informal arrangement with your creditors;
- A non-fee paying debt management agreement; and
- Bankruptcy

## **My IVA has been approved**

### **I have agreed to modifications – what does that mean?**

Creditors can propose changes to your IVA prior to acceptance and these are known as modifications. You may or may not choose to accept these proposed modifications, however if you do not accept them then this may impact on whether your IVA is approved. The impact of the modifications and the effect of rejecting them will have been explained to you.

If you did not agree to the modifications and your IVA was accepted then your obligations are limited to what was in the original proposal document. If you have agreed to the modifications then you will have to ensure that you adhere to the changes.

**What do I need to do next?**

- D**on't forget to advise us if you have any changes in your circumstances
- E**nsure that you put aside your contingency money
- B**udget – keep a regular check on your bank account
- T**ake time to read through your Chairman's Report.
- F**orward copies of your Chairman's Report to any creditors still pursuing you.
- R**emember - you have a monthly contingency for car maintenance, etc.
- E**nsure that the full monthly contribution reaches us by the agreed date.
- E**njoy knowing that you are now in control of your debts.

**How will my monthly contributions be taken?**

You will be required to set up a standing order to make your monthly contributions to the IVA. If the terms of your IVA requires a change in the level of contributions during its duration then a revised standing order mandate will be sent out to you.

The mandate will provide details of the duration of the payments and the date in the month that payments will be made.

Under the terms of the IVA it is your responsibility to ensure that contributions are made on time and in accordance with the agreement. If you have any concerns regarding this please contact us immediately.

**What will happen to my home?**

An IVA will not normally require you to sell your home but your agreement may include the release of equity to help pay off your creditors. This usually occurs towards the end of the IVA so that you can afford to make the monthly payments into the arrangement.

Following approval your Supervisor will normally seek to register a 'restriction' over the property. The relevant form will be sent to you for signing and returning. The restriction is lodged at the land registry.

The purpose of the restriction is to make parties aware that the property is subject to the IVA. Such parties could include people wishing to purchase the property or lenders wishing to advance secured loans. This restriction provides some protection of the equity, as any potential dealings with the property will be notified to the Supervisor. Should you wish to sell the property or undertake any other transactions that affect the property you should contact us to discuss any impact upon the IVA.

We will contact you when it is necessary to undertake the remortgage of your property and will be able to assist you in this process.

The restriction would be removed following [successful completion](#) of the IVA.

**My proposal included the provision that I had to sell/realise other assets – what do I need to do?**

Sometimes the agreement requires the sale of certain assets or the surrender of insurance policies etc.

It is your responsibility to ensure that this process is undertaken. You will normally have 3 months to sell or realise these assets but you should check the agreed terms to ensure that you comply with the timing obligations.

In relation to the sale of assets you would be advised to commence the process as soon as possible since failure to hand the proceeds to the Supervisor could result in a default of the arrangement. If at any stage it appears that you will be unable to meet the commitment you should contact us as soon as possible so that the impact on the IVA is minimised.

For surrender of financial products you should contact your provider and they will be able to advise you of the process.

Upon receipt of these funds they should be sent to us as soon as possible and no later than the date set in the IVA.

**I am receiving mail from organisations offering me ‘better solutions’ to my debt problem – what are these solutions?**

Whilst in your IVA you may receive mailshots from organisations encouraging you to get out of your IVA and opt for a ‘better solution’ to your debt problem. They may make statements such as:

- *...your current IVA provider has given you bad advice – the IVA is not the best advice for your circumstances.*
- *... most people in IVAs cannot keep up their monthly payments and their IVAs are failing*
- *...your IVA provider will allow Creditors to make further claims than agreed in your original proposal*
- *...if your IVA fails in the final year you will be back to square one, still owing all the money to your Creditors*
- *...you are paying thousands of pounds in fees*

The main aim of these mailers is to cause anxiety to the clients, leaving people feeling they have been misled by their provider and have no option but to contact the sender immediately.

Please contact our specialised [Customer Care Team](#) directly if you do receive any mailers. We will address any concerns you may have as a result of the information you received.

We would advise you to ignore these unsolicited letters, bin them or better still send them to us and we will challenge any that are out of line. (We have already had some success with the Office of Fair Trading).

Debt Free Direct has always given free best advice to callers and our aim is to suggest effective debt solutions using our sophisticated Best Advice Model – a model that has been independently validated. We will only ever suggest a solution such as an IVA when it's appropriate.

Please note, We NEVER divulge your details for marketing purposes. Your IVA is noted on the Insolvency Register, held by the Insolvency Service. Any member of the public can access the Insolvency register via the Internet. Approved IVAs are also published in Stubbs Gazette, a magazine that can be requested by Insolvency Practitioners, finance companies and banks etc. These details are available to be used for direct marketing purposes. We see this as a misuse of information and have and will continue to lobby the Insolvency Service to stop this practice.

### **What changes will I have to make?**

You will have to make some lifestyle changes to ensure that you are able to make your monthly payment into the IVA - it is important that you keep to your agreed budget for all household expenditure.

There are also many ways of saving money. The following are a few websites that could help you save money on anything and everything.

[www.moneysavingexpert.com](http://www.moneysavingexpert.com)

[www.uswitch.com](http://www.uswitch.com)

[www.moneysupermarket.com](http://www.moneysupermarket.com)

It is usually easier to manage your bank account if you pay your utilities by standing order or direct debit and this also often results in a cost saving.

You may also benefit from opening an account to transfer monies set aside for contingency, car maintenance and car tax. Therefore when you get those unexpected bills you already have the money saved.

### **The date I get paid has changed so my contribution will be late – do you need to know?**

On occasion standing order mandates need to be amended due to salary dates changing, change in circumstances etc. However changing the date your standing order mandate can result in arrears on your arrangement. If you need to change your contribution date and you are unsure how this will affect you contribution, then call us. We can check to see if the change in your standing order date will affect your arrangement and often offer a solution.

### **What changes do I need to tell you about?**

If there are any changes to your circumstances that could affect your ability to meet your obligations under the IVA then you should [contact us](#) immediately. You should also [contact us](#) if you receive any unexpected large payments such as inheritances as these could affect your IVA.

You should also ensure that you notify us of any address or telephone number changes.

### **How do I deal with my creditors once I'm in an IVA?**

Once your IVA has been approved you may still receive letters and phone calls from your creditors.

A 'Chairman's Report' outlining the outcome of the creditors' meeting will be sent to all creditors you have told us about. This will confirm that your IVA has been approved.

Sometimes however, your creditors may take time to update their records and they may still try to contact you. If you receive telephone calls and letters from creditors, advise them that your IVA has been agreed and that they should have received a copy of your Chairman's Report. It may be necessary for you to send another copy to them.

### **How to deal I deal with additional creditors?**

It will have been explained to you during the process of drafting and obtaining approval of the IVA that it is vital that all of your creditors are included in the list and circulated with the proposal.

However if a creditor does come to light that was not originally included check that you agree with the amount of the debt and forward the letter onto us. Please also include a covering letter informing us why this debt wasn't originally included.

New debts added into the IVA after it has been approved would potentially decrease the dividend payable to your creditors.

Each case is reviewed individually and a decision made by your Supervisor as to how the case should progress and whether any additional action is required.

### **What is an annual review?**

During your IVA we will undertake regular reviews of your circumstances. These are normally conducted once a year around the anniversary of the arrangement.

If during these reviews, it is agreed that your circumstances have not changed, then you will continue to make your monthly IVA payment as normal. If however, your circumstances have changed for the better, you may be asked to increase your monthly payments accordingly.

If during the period of your IVA your circumstances change for the worse and you cannot maintain the agreed payments then we will assist in establishing how to resolve the issue. This could involve proposing a [variation](#) to your creditors to reduce the monthly payment.

### **When do my creditors receive payment?**

During the course of your IVA we continually review the position and make payments to your creditors. Funds are not distributed on a monthly basis – they are normally paid in the form of an interim payment, known as a dividend, when there is £5,000 or more in the IVA account.

Upon [completion](#) or [failure](#) of the IVA the remaining funds will be distributed to your creditors in the form of a final dividend.

## I am having problems with my IVA

### What happens if I miss a payment?

When considering an Individual Voluntary Arrangement (IVA), it is necessary to have a stable income that will last for the duration of the IVA, typically five years. When you enter into an IVA, you agree that your creditors will be paid with regular contributions, over a fixed period of time. If you fail to pay your contributions, and there is no reasonable explanation for the failure, your arrangement may fail.

The IVA proposal often includes a clause that states that if you miss in excess of 2 payments over the duration of the IVA then it will be deemed as a failure. This generally is designed to cover the scenario of a client just refusing to make contributions as a matter of choice, and not people suffering with an honest problem with payments.

Missed contributions can happen for a multitude of reasons, and its fair to say that some are due to more avoidable problems than others. However by informing us when the problem arises, (i.e. as soon as possible), you offer yourself the best opportunity of keeping 'on track'.

If for any reason monthly payments cannot be maintained for a short period, it may be possible to agree with the Insolvency Practitioner to catch up the missed payments over a period of time by increasing the monthly contributions. If this is not possible, extending the term of the IVA may also be an option for the Insolvency Practitioner and creditors to consider.

If the problems are permanent or could result in several missed payments then it may be possible to change the terms of the arrangement to reflect these changes through what is known as a [Variation](#). This would normally only be undertaken if there is a change in circumstances and requires the creditors' agreement. It is important that such a variation to the terms doesn't happen too quickly after the start of your IVA because you won't have had the chance to demonstrate your commitment to the process and the creditors may question your judgment at the start of the IVA.

If you have any doubts regarding the affordability of your payments it is vital that you contact us immediately so that the consequences can be managed effectively and the risk of your IVA failing minimised. Once you contact us we will normally require you to complete a missing contribution form and provide us with additional information.

### The bank has not made the payment – what do I do?

#### In such circumstances you should inform us of this situation straight away

**Sometimes there are errors at the bank and contributions are not made.** The IVA is an agreement between you and your creditors, and it is your obligation to ensure payments are made in a timely fashion. **A standing order is your instruction to the bank so you will need to contact the bank immediately to ascertain the reason why**, you can then instruct the bank to make the payment

straight away. **Do not** spend the funds, you have committed to contributing to the IVA and you need to adhere to the terms and conditions.

### **What happens if I do not inform you that I can't make the contribution?**

If you miss payments without permission this may be deemed as a default of the IVA. Serious defaults can result in the [failure](#) of the IVA and may lead to the Insolvency Practitioner commencing bankruptcy proceedings against you. If contributions are not resumed or an agreement is not reached to resolve the issue, the IVA will ultimately fail.

It is therefore important that you contact us as soon as you become aware that there could be a problem in making your monthly payments.

### **I'm struggling to make the monthly payment what should I do?**

If the situation is temporary you may be allowed to make a reduced payment and make additional payments in the future to rectify the position.

In the event that this is likely to be a permanent problem then the situation would have to be reviewed. As for [missed payments](#) it may be possible to vary the arrangement with the approval of your creditors to allow a lower monthly contribution.

If you are struggling to make payments it is important that you contact us immediately so that we can review the position and advise on an appropriate solution. This will minimise the risk that your IVA will fail.

### **I've received a 'Notice of Breach' – what does this mean?**

You will be deemed in breach of the IVA if you fail to comply with any of the obligations set out in your proposal. A 'Notice of Breach' is issued to you when at any time it appears that a breach has occurred. This notice is sent only to you and outlines the details of the breach.

You will normally be given one month to provide a proposal to remedy the breach and to provide a full explanation why the breach has occurred before the supervisor takes any further action.

If, within the one month period, you are able to remedy the breach or provide an explanation for the breach then it may be possible to continue the IVA or seek to vary its terms so that the issue is resolved.

A failure to respond to the notice within the one-month period will result in the [failure of the arrangement](#). The Supervisor of your IVA will then would issue a Certificate of Termination and may need to present a petition for your bankruptcy.

### **What happens if I've missed payments or received a notice of breach and there is no solution?**

Once we receive all of the information regarding your revised financial position then we will be able to advise on appropriate solutions.

If you cannot meet your payments through hardship, we will always strive to [vary](#) or settle the arrangement, rather than fail it. If you find you cannot maintain your payments, we can ask creditors to agree to a reduced payment or a payment holiday.

Your IVA proposals will be drafted to include the power to put revised proposals to creditors.

In the event that no solution can be agreed then the IVA may [fail](#).

Following failure creditors will no longer be bound by the arrangement and may resume collection efforts to obtain the full amount of their debt. Failure of the arrangement could also mean that the Supervisor has to petition for your bankruptcy.

## I want to finish my IVA early

### Is it possible to finish my IVA early?

Within the proposal of an IVA there is the provision to allow a suitable offer of early settlement to be presented to your creditors. Your Supervisor has a duty to ensure that any such offer presented to creditors is in both their and your interests and fair to both parties.

In assessing any such offer your Supervisor will consider many factors including how much you are offering, the level of your debt, the level of return to your creditors and the conduct of the IVA.

Unlike loans there will not be any penalty for paying off an IVA early. In fact, if an early completion of payments can be managed, creditors may allow the final sum to be reduced in return for getting their money sooner. It is worth remembering however, that Creditors are legally entitled to 100% of the debt back until the IVA is successfully completed.

### How can I settle my IVA early?

Most IVAs run for a period of 5 years, but it is possible to end your Arrangement early by making a reasonable offer to your creditors through your Supervisor. There are three main ways to offer your creditors an early settlement:

**Re-mortgage:** As house prices have risen in recent years, there may be more equity in your property than you realise, thus making a re-mortgage a realistic way of ending your IVA early. In this case, you may be able to make a proposal to introduce equity early in full and final settlement of your IVA.

We have our very own in-house broker, DFD Mortgages, who specialise in matching clients like you, who may find it hard to get approval of a re-mortgage due to a bad credit history, to an increasing number of lenders offering competitive terms based on many factors such as income and affordability.

**Sale of Property:** As with a re-mortgage, there may be significantly more equity in your property than when you first entered into your IVA. Selling your home may seem drastic, but for many people it means a fresh start in life and being totally **debt free**. You **may** be able to retain a sum of equity to enable you to start over and offer the balance in full and final settlement of your IVA.

**Introduction of 3<sup>rd</sup> Party Funds:** Sometimes a family member or friend will offer a lump sum in order for you to make an offer of early settlement to your creditors via your Supervisor. This is perfectly acceptable and most creditors will accept a reasonable offer presented to them in order to conclude your IVA early.

## What is the Process Involved when Offering an Early Settlement?

Any change to the original terms of your IVA proposal would be dealt with as a ['Variation'](#). This will involve sending out a revised proposal to creditors and holding a meeting to determine whether they agree to it.

If accepted you normally have 3 months to introduce the monies and once this is received your case will be passed to our Closures Team to begin their process of finalising your IVA and paying your creditors the required dividend due to them.

### I wish to vary the terms of my IVA

#### Why would I vary the terms of my IVA?

You may wish to vary the original terms of your IVA if your circumstances have changed or wish to offer an early settlement to your creditors.

#### What does the process involve?

As with any change to the original terms of your IVA proposal, your Supervisor must assess the viability of your offer before presenting it to your creditors to get their approval. Once it has been agreed that the offer can be put forward, a member of our Variations Team will draft a new proposal, which will then be sent to you for your acceptance. This must then be signed and returned by you to show your wish to put your new offer forward to your creditors.

A meeting must then be convened giving your creditors at least 28 days notice so that they may vote on the acceptability of your offer.

As with the original proposal more than 75% by value of those creditors that vote must agree to the revised proposal for it to be effective.

If you feel you are in a position to make an offer of early settlement, or you just wish to discuss the options available to you please [contact our Customer Care Team](#).

#### My variation has been approved by creditors – what happens now?

Following approval, creditors will be notified of the agreed change and you will be expected to adhere to the revised terms.

#### My variation has been rejected by creditors – what happens now?

Your original IVA will continue to be effective until such a time as it is [completed](#) or it [fails](#).

If the variation was proposed as a result of a breach in the arrangement then the circumstances will need to be reviewed to establish what steps need to be taken.

If you have not defaulted on your obligations then you continue to make the originally agreed payments into the IVA until it reaches its originally agreed completion date.

### Successful completion of my IVA

**How does my IVA end?**

Following the introduction of your final payment and/or full and final settlement figure the subsequent closure process can typically take up to 3 months before a certificate of completion is issued. During this time numerous administration matters are undertaken to ensure that all the terms of the proposal have been complied with and all funds have been received in accordance with the proposal or any subsequent modifications. Your case will be handled by a member of the closures team who will answer any queries or questions you may have regarding the closure of your individual case, and advise you when to expect your certificate of completion.

It is during this stage that any restriction registered on your property is removed and any disputes, such as any additional claims, are resolved.

Once all assets have been realised and all terms of the proposal or variation have been complied with, any claims not yet received will be requested from your creditors. This is a lengthy process during which time we allow the creditors a minimum of 25 days in which to respond and submit a formal proof of debt to us. If the requested information is not provided by your creditors within the given timescale, they may be excluded from the arrangement.

Once all claims are received and confirmed the final payment to your creditors is made (known as a final dividend). This means all of the remaining funds held by us are divided between the unsecured creditors included in your arrangement based on the level of their formal claim. The dividend cheques are then attached to the certificate of completion, final report and the receipts and payments account (see below) and sent out to your creditors. This marks the closure of your Individual Voluntary Arrangement.

**Will I receive any correspondence when my IVA has closed?**

When you have successfully completed an Individual Voluntary Arrangement you will be issued with a certificate of completion, a final report and a receipts and payments account. The receipts and payments account will detail what funds have been received from you over the course of the arrangement, how much of those funds were taken in fees and other costs, and how much of those funds were paid to your creditors.

You will need to keep this copy safe for your records and for future reference if you apply for any further credit or need evidence that the arrangement you entered was successfully completed.

Once the certificate of completion is issued you are debt free.

As well as being sent to you and your creditors, copies of the certificate, final report and receipts and payments account are sent to the county court the IVA was agreed in and to the Insolvency Service. The Insolvency Service will then update their website to show the IVA as completed and satisfied.

**If one of my claims has been excluded am I liable to pay the debt after the IVA has closed?**

If we do not receive a formal claim from any of your creditors when requested throughout the closure process they may be excluded from the arrangement for

dividend purposes. As a result they may not receive a payment in respect of the amount they are owed.

Even in this scenario the debt is written off in full and you are no longer liable to pay them. The creditor cannot pursue their claim against you for the balance owed to them.

### **When does a creditor claim have to be received by?**

Your creditors can submit a formal claim at any time throughout the 5-year term of your IVA but we must receive all formal proofs of debt by the end of the closure process when we have requested them. As long as claims are received by the time your final dividend is paid out at the closure of your arrangement your creditors will get the funds they are entitled to.

### **What if any additional claims have been received during the closure process?**

Occasionally during the closure of an IVA additional claims are received on a case. Additional claims are outstanding balances that we have not been informed about when you first entered into the IVA and, as such, have not been accounted for in the original dividend calculation.

Every case is reviewed on its own merits as different cases will have different modifications or terms and conditions relating to additional claims. However, the general rule is that if the additional claim is more than 5% of the total debt it is a breach in the terms of the arrangement and as such could potentially result in its failure. Therefore it is vitally important that when setting up an IVA you make us aware of ALL debts you have.

### **How do my creditors get their money and what are dividends?**

The essence of an IVA proposal is that the debtor puts forward whatever they can afford in order to repay their creditors. This means that the funds that need to be contributed into the IVA will vary on a case-by-case basis depending on what assets the individual has, and how much money they can afford to put towards their finances each month (i.e. monthly income minus monthly expenditure).

Once the IVA is approved, the Insolvency Practitioner (IP) will take on the role of Supervisor for the five-year period. This will mostly involve ensuring that the monies are handled correctly and that the appropriate payments (or dividends) are made to the creditors.

Funds are not distributed on a monthly basis, as creditors prefer to receive lump-sum payments, which are normally paid in the form of an interim dividend when there is £5,000 or more in the IVA account. A final dividend is then made to creditors immediately prior to the closure of the IVA to distribute any remaining funds. As part of the closure process, once empty, the IVA account is then closed.

### **Does the money accrued in my IVA account earn interest and if so where does that interest go to?**

Funds in the IVA account do attract interest, which then forms part of the funds distributed to creditors in order to maximise the return to them.

### What about my credit rating?

Once the IVA has been successfully completed and closed you will be issued with a certificate of completion showing that you have fulfilled the requirements of the IVA. Your creditors must write off any outstanding balances. This leaves you **debt free** and at liberty to make a fresh financial start.

The surplus income you have left each month is now yours to spend on what you wish.

Along with issuing you with a certificate of completion, a final report and a full receipts and payments account of the funds received and paid out during the term of the IVA, the Insolvency Practitioner will also notify the required authorities such as the court and the Department of Trade and Industry that your IVA has been successfully completed and that you are now **debt free**.

Once your IVA ends, the Insolvency Service will inform the credit reference agencies. The agencies will then update the IVA entry on your credit report to show it has been completed. The entry then stays on your credit report for six years from the date the IVA began. You might continue to experience difficulties getting credit and other financial services because you were in an IVA in the past, however, when your IVA concludes successfully, your credit rating is likely to be repaired more quickly than if it fails.

Generally, you are better able to obtain credit once your debt problem has been resolved. Having entered into an IVA, the last thing you should be thinking about is more credit, however, there are many lenders who will look at your ability to pay, and successful completion of an IVA, rather than just your credit file.

A successfully completed IVA is an excellent example of a good payment history.

Your credit report should be updated within 28 days of the closure of the IVA. However, if you obtain a copy of your credit report and it has not been updated to reflect completion of your IVA you can request that they do so. To do this, send them a copy of your certificate of completion attached to a letter asking them to update your credit report. If you have misplaced your original copy of the certificate and final report it is possible for us to send a second copy out to you if you request one.

### Failure of my IVA

#### How does an IVA fail?

If you fail to adhere to the agreed terms of your IVA then you will be issued with a ['Notice of Breach'](#). This will normally give you 30 days to rectify the default.

We will try to work with you to resolve the problems and if you cannot meet your payments through hardship, we will endeavour to resolve the situation through a [variation](#) to the terms of the agreement.

However if you are unable to rectify the problems and there is no other solution then it may be necessary to fail the IVA. In this event a Certificate of Termination is issued to you, your creditors, the court and the DTI.

#### What is the effect of failure?

Issuing a Certificate of Termination brings the IVA to an end. As a result your creditors are no longer bound by its terms and can pursue you directly for their remaining debt.

### **What happens next?**

It may be a term of the IVA that the Supervisor presents a petition for your bankruptcy in the event of failure.

If your Supervisor is not required to, then your creditors may seek to make you bankrupt. At this stage it is possible to avoid bankruptcy through other methods of dealing with your debts. This could include:

- An informal arrangement with your creditors; or
- A non-fee paying debt management agreement.

### **What is bankruptcy?**

Bankruptcy is a process that an individual may face if they cannot pay their debts as they fall due or do not comply with the terms of their IVA.

To commence the bankruptcy a court makes a bankruptcy order on the basis of a bankruptcy petition. A petition is effectively an application for that person's bankruptcy and is usually made by a Supervisor of an IVA following default, the individual themselves or by an unsecured creditor who is owed more than £750..

The Official Receiver has responsibility of administering the bankruptcy and protecting the assets from the date of the bankruptcy order. An Official Receiver is appointed by the Secretary of State and is an officer of the court. The Official Receiver will also act as Trustee of your bankruptcy estate unless an Insolvency Practitioner is appointed.

The Trustee in bankruptcy's role is to realise the value from your assets and to distribute these fairly between your creditors.

The bankruptcy process releases the person from their debts (subject to a few exceptions) so they can make a fresh start. A first time bankrupt will generally receive their discharge one year after the date of the bankruptcy order although there is the possibility that in some cases the bankruptcy discharge period will be less than one year.

### **The effects of bankruptcy**

Once made bankrupt all assets belonging to that individual come under the control of the Official Receiver or Trustee, including the individual's home.

If the bankrupt lives with a partner and/or children then a period of twelve months may be allowed for other living arrangements to be made. At the end of the twelve-month period, the property will almost certainly have to be put up for sale, enforced by a Court order if necessary. If the property is co-owned with someone else they may be able to make an offer to buy out the bankrupt's interest in the property from the Trustee.

In addition the Trustee may sell other assets belonging to the bankrupt to help repay the debts.

The Trustee may also require the individual to contribute a proportion of their surplus income for a period of 3 years from the date of the bankruptcy order through what is known as an Income Payments Order or Income Payments Agreement.

Other effects of bankruptcy on the individual include:

- The possibility of losing their job as in some professions bankruptcy is not tolerated. Included in these are the Police Force, the Armed Forces and any occupation that involves the handling of money;
- The stigma of being bankrupt - the order is publicly advertised in the individual's local area;
- The [restrictions](#) placed upon all bankrupts until they are [discharged from bankruptcy](#); and
- The impact on the individual's credit rating, affecting the ability to obtain financial services and other services where such a file is checked.

### **The restrictions of bankruptcy**

Individuals who have been made bankrupt are subject to restrictions on their activities until they are [discharged from the bankruptcy](#). Breaching these restrictions may constitute a criminal offence. Restrictions include:

- Obtaining credit of £500 or more, either jointly or alone – the fact that the individual is bankrupt must be disclosed;
- Carrying on business in a different name than in which the individual was made bankrupt;
- Promoting, forming or managing a limited company or acting as director; and
- Holding office as trustee of a charity or a pension fund.

### **Becoming free from bankruptcy**

A first time bankrupt will be automatically discharged from bankruptcy after a 12 month period from the date of the bankruptcy order. This period may be shorter if the Official Receiver concludes his enquiries into the individual's affairs and files notice in Court. If the individual has not co-operated with the Official Receiver/Trustee or has been made bankrupt previously this period may be extended.

The effect of the discharge from bankruptcy is to release the individual from the [restrictions of bankruptcy](#). The discharge does not effect the assets that the individual owned at the date of bankruptcy – these remain under the control of the Trustee and can be dealt with/sold at any point in the future.

### **How should I contact you?**

Existing clients can contact our Customer care team on 0845 296 0117 to discuss any aspects of their IVAs.

Alternatively we can be contacted by email at [supervisory@debtfreedirect.co.uk](mailto:supervisory@debtfreedirect.co.uk) or if your query relates to a variation at [variations@debtfreedirect.co.uk](mailto:variations@debtfreedirect.co.uk).