



IVA.CO.UK: REAL LIFE IVA STORIES

Real life tips from the largest online IVA community in the UK

by Andy Davie

EXCERPT THREE: Finishing the IVA...

Once the last payment for your IVA has been made, it is the Insolvency Practitioner's job to officially conclude the arrangements and issue you with a certificate of completion. This might seem like a formality, but it is a vital part of the process and must be done quickly. The issue here is that the case does not go off the register until it is officially closed. In such a case, the real danger is that the 'windfall provision' is there for as long as the case is open. Even though the IVA may be completed, if it hasn't been closed by the Insolvency Practitioner and removed from the register, the creditors still have the right to grab any windfall that might come your way, even though they no longer have the right to demand monthly payments from the client any more. That puts you in an extremely vulnerable position, and if money were to suddenly turn up the creditors would be able to seize it. It is important to be aware of this issue, and to ensure that your Insolvency Practitioner concludes the IVA quickly.

When an IVA is concluded, the debtor experiences a mixture of emotions and a sharply defined change in circumstances. On the one hand, you will be debt free for the first time in many years. There is no longer anyone to hassle you for money, and this can be a strange experience. Sometimes it can actually be hard to deal with, since the removal of such familiar pressure leaves a substantial gap behind. Whereas the debtor has previously been accustomed to spending a certain degree of mental energy on worrying about debt and struggling to cope with it, suddenly all this is removed. At this point it is important to keep one's feet on the ground; it can be tempting to get another credit card and simply re-offend, as despite all the suffering associated with debt in the past, the debtor often feels a sense of reliance on the stress of unmanageable debt. In a bizarre way, you can become dependent on the adrenaline rush.

On the other hand, even after the IVA has finished there may be some consequences. If you are a homeowner, then you will be left without any available equity in your property, and after the equity release you may be on a more expensive mortgage. Your credit rating will have been damaged by the IVA, and will remain in this state for another twelve months before it starts to repair. This means that it is not possible to effect a 'quick break' at the end of the IVA period, as elements of the IVA are still present in your life for a good while longer. This overhanging shadow can sometimes temper the positive aspects to the IVA, and can take a good deal of getting used to.

My Story

After my IVA had been running for three whole years, due to a stroke of luck my house rose in value and I was able to remortgage it. My Insolvency Practitioner managed to negotiate an early settlement of the IVA using my equity release, which was to the value of twenty-three thousand pounds. Suddenly that was it – game over.

All that remained was for the Insolvency Practitioner to officially conclude the IVA and send us our certificates of completion. But for some reason this didn't happen for three months! I now know that most Insolvency Practitioners seek to conclude IVAs much sooner than that. What this highlights is a point that I keep coming back to: research your Insolvency Practitioner thoroughly, and make absolutely sure that you find the right person for the job before you sign up with them.

Nevertheless, when my IVA was finally concluded, I was so overjoyed – my paycheck came in and all the money was mine to spend, every last penny, without the creditors getting their hands on any of it. It was an exhilarating moment. The first thing that I did was to go out and buy some clothes for my family. It felt like such an extravagant thing to do, as we had not bought any nice clothes for more than three years. The strange thing is that even as I handed over the plastic – it was a debit card, obviously, not a credit card – I had a feeling deep down that this was a wrong, bad thing to do. Over the period of the IVA I had become so conditioned to tight budgeting that when the IVA finished I actually found it difficult to spend normally again.

Yet despite this feeling of guilt associated with spending money, I felt in some way compelled to spend a lot in the weeks following the conclusion of the IVA. It was as if part of me felt that I deserved to indulge myself after such an extended period of frugality, while the other part of me was shocked at the waste of money. This, in a sense, is a good illustration of what it is like to finish the IVA. You are overwhelmed by a mixture of emotions, from an extreme sense of relief to a deep-seated feeling of guilt associated with money.

It is easy to underestimate the pressure that an IVA can put you under, and the turbulence of being released from it. When an IVA comes to an end the debtor does not phase out the payments; they simply stop, from one month to the next. This can be a very sudden transition. In my experience the period following the conclusion of the IVA can be compared to a convict being released from prison; often they have become so accustomed to functioning within the structure of the prison that they are unable to cope with life outside, and re-offend soon after their release. There are no statistics available for the amount of debtors who 're-offend' having gone through an IVA, but I do believe that this is a real danger.

Getting into debt in the first place provides a certain kind of adrenaline rush, and then living within the financial structure of an IVA lends a certain sense of order to one's life. These two factors combined can become an explosive cocktail, once the constraints of the IVA are lifted and the financial horizon widens again; you can feel like a coiled spring that has suddenly been set free. To make matters worse, if you are a homeowner you will find yourself the owner of a property devoid of significant equity. This can cause feelings of frustration and resentment to build up towards your creditors; it can feel as if they have 'robbed' you of all of your financial security. In a similar vein, when your IVA comes to an end you still need to suffer another twelve months of a damaged credit rating. This can cause you to feel as if the IVA is 'lingering', and many people find this state of affairs frustrating. This sense of anger can sometimes cause people to behave recklessly, and exacerbates the danger of impulsive spending sprees. This must be avoided at all costs.

The best advice for getting through this period is to take things slowly and gently. Try to resist the temptation to go out on a 'splurge'. If you want to, treat yourself to a nice dinner in a restaurant or a trip to the cinema, but don't go overboard. Allow yourself to go through a period of re-adjustment, and keep as

flexible as possible. Don't beat yourself up for spending money, but don't be reckless with your cash either. Try not to apply for any further credit for as long as possible; I would suggest a year at the very least. In this sense, your damaged credit rating may be more of a blessing than a curse.

Keep telling yourself that there is no need to spend all your extra money at once, there is time to spend it in a sensible manner, and on things you really need. Gradually the transition period will pass, and you will be in a stable financial position; then you will look back and be grateful that you managed to get yourself out of the hole with the aid of the IVA. You will be rehabilitated as a spender, having gained money management skills that are far beyond those of most people, and will feel a definite sense of satisfaction and order in your life. This has got to be the best part of the IVA journey.

IVA.co.uk Forum Members' Stories

Dominic Corby, London

'To my delight, I never had the slightest problem with my Insolvency Practitioner from the beginning of the IVA process until the end. My provider worked very quickly, and to get from the initial phone to the creditors' meeting took just six weeks. My Insolvency Practitioner was easily available, and from the beginning I could see that he was knowledgeable and confident of success. I felt that I was in safe hands, even though I never had a face-to-face meeting with the Insolvency Practitioner.'

'Throughout the IVA I contacted my Insolvency Practitioner by either phone or email and always had a prompt response. When the IVA was finished I was not even aware that some people experience delays in getting their certificate of completion; mine was issued within a couple of weeks. On the whole I am extremely happy with my experience, and feel fortunate that I chose the right IP.'

IVA.co.uk Forum Experts' Advice

Melanie Giles

Melanie Giles is an independent Insolvency Practitioner and has been working in the debt solutions industry for over twenty years.

'You should expect your Insolvency Practitioner to close the case for you as soon as possible. Insolvency Practitioners can, on occasion, be somewhat inefficient and as a client there is not too much you can do about it apart from chasing them regularly. Personally I have a rule where I don't pay myself until the case is closed, to give me and my team an incentive to do it as soon as possible. It might be worth discussing the strategy for concluding the IVA right at the beginning when you are still deciding which Insolvency Practitioner to commit to. Even though it seems a long way away, it is an important issue and you may thank yourself one day for bringing it up.'

Mark Allen

Mark Allen is a partner in the accountancy firm Grant Thornton, and is responsible for the National IVA Service Line. He is a chartered accountant, licensed Insolvency Practitioner and a regular panel member on the televised IVA.co.uk Debates.

'At all times, from the point of view of the Insolvency Practitioner, customer service is paramount. Insolvency Practitioners have a great deal of power over their clients' quality of life, and they do have a duty of care to them throughout the IVA period. From the client's point of view, you should be able to get a feel for the quality of the Insolvency Practitioner's customer relations from your initial dealings with them. While it can often be the case that they put a special effort in when touting for new business, if there are bad tendencies running through the company they should become apparent fairly early on. If you have any concerns, see if there is any feedback about them on the Internet forums.'

Essential Advice

- Discuss and plan the end of your IVA during one of the initial meetings with your Insolvency Practitioner.
- If there is a delay in getting your certificate of completion, chase your Insolvency Practitioner regularly and be aware of your rights.
- Treat yourself once the IVA has finished, but don't be reckless. Avoid taking out credit wherever possible.
- Get in the habit of saving the money that was previously being spent on the IVA each month to build up your savings.