

Managing business finances

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If you are experiencing business debts there is an alternative to bankruptcy that works for some people. This is called an IVA (Individual Voluntary Arrangement).

Sometimes, if you apply to go bankrupt, the court may suggest that you go for an IVA instead.

An IVA is a legal process for people with unsecured debts. It is arranged by an Insolvency Practitioner who'll help you throughout the process. The Insolvency Practitioner holds a creditors meeting and, if 75% by value of those creditors who vote accept the proposal, then an IVA is created which is binding on all parties, including you and the creditors. Your available income is used to make affordable monthly payments off your debt over an agreed period of time, usually 5 years. At the end of the IVA any money you still owe is usually written off, though this isn't automatic.

By agreeing to an IVA, your creditors consent to take no further action to recover the debt, providing you keep to the agreed repayments. An IVA can be expensive to set up but if you use an Insolvency Practitioner who works under the IVA Protocol there are no up-front fees (their fees are taken from what you would have paid to the creditors anyway). National Debtline and Business

Debtline have a panel of Insolvency Practitioners who all comply with the IVA Protocol.

If you are self-employed, and a creditor is threatening to make you bankrupt, then an IVA may be a good idea.

It may give you a chance to save your business and your home. Creditors may go along with the idea because you'll be able to continue to make money in your business, and this will generate profits for the creditor.

Debt Relief Orders (DRO)

DROs are suitable for people who don't own their own home, have no more than £50 left over each month after paying essential living costs, have assets of less than £1,000 (excluding one car up to the value for £1,000) and less than £20,000 of debt. An order lasts for 12 months. In that time, creditors named on the order cannot take any action to recover their money without permission from the court. At the end of the period, if your circumstances, haven't changed you will be freed from the debts that were included in your order. DROs do not involve the courts.

They are run by The Insolvency Service in partnership with skilled debt advisers, called

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approved intermediaries, who will help you apply to The Insolvency Service for a DRO. You will have to pay a fee of £90 to apply for a DRO. You can pay in instalments over a six-month period. However, the Official Receiver won't consider your application until you have paid the fee in full. You must be living in England or Wales, or at some time in the last 3 years have been living or carrying on business in England or Wales.

- You must not have been subject to another DRO within the last 6 years.
- You must not be involved in another formal insolvency procedure at the time you apply.
- If you still have any queries regarding DROs you can call The Insolvency Service Enquiry Line on **0300 678 0015**.

Debt management plans

If you're reluctant to go bankrupt or take out an IVA or there is a specific reason why you can't, a Debt Management Plan (DMP) may work for you. A DMP helps people who have some money left over at the end of the month, but not enough to pay all their debts.

It's normally arranged by a third-party for example a charity like StepChange Debt charity. The organisation which arranges your DMP will draw up a proposal for your creditors, asking them to accept reduced payments and to put a stop to interest charges. With a DMP you only pay one monthly payment which the debt management organisation will divide between your creditors.

Useful links: Where to go

for help with debt problems

If you are experiencing any of the issues covered in this factsheet, in the first instance call our free helpline on **0808 801 0550**. Our Advisors will listen without judging and will work with you as best they can to achieve a positive outcome. If you prefer you can email:

helpline@ltcharity.org.uk

Visit our website:

www.licensedtradecharity.org.uk It's full of useful information about the kind of issues we know people who work in the licensed trade face.

Business Debtline

www.bdl.org.uk

Freephone: 0800 197 6026

Free telephone debt counselling service for self-employed people and small businesses. Business Debtline is a charity – part of the Money Advice Trust.



Citizens Advice

<http://www.adviceguide.org.uk>

Freephone: 0800 197 6026

They give free, practical, up-to-date advice. They do not judge or criticise anybody, and what you tell them is completely confidential. You can find their address and phone number in your local phone book.

StepChange

www.stepchange.org

Freephone: 0800 138 1111

8am to 8pm Monday to Friday.

This is a registered charity to help people who are in financial difficulty. They provide free, independent, impartial and realistic advice. They can help you wherever you live, no matter how much debt you owe.



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The Insolvency Service

www.gov.uk/insolvency-service

0845 602 9848

9am to 5pm Monday to Friday.

This is a government agency, with offices throughout the country. They provide information about bankruptcy, and copies of official forms needed. But they can't give individual advice.



The Insolvency
Service

National Debtline

www.nationaldebtline.org

Freephone: 0808 808 4000

9am to 9pm Monday to Friday.

9.30am to 1pm Saturday

24-hour voicemail, please leave a message to request an information pack. This is a national telephone helpline for people with debt problems in England, Wales and Scotland. It is free, confidential and independent.

