Case Study 3

The **Personal** Insolvency Bureau

Individual Voluntary Arrangement avoiding Bankruptcy – following a company liquidation

Note: certain names and details have been changed to protect the privacy of the persons involved.

Mr Foster ran a business, which ended up in liquidation. He had given some personal guarantees and had also accumulated outstanding credit card debt. He was in regular employment but had no savings. His only asset was his interest in the family home, with his share being worth £30,000. His Wife had also jointly guaranteed one debt. Mr Foster was being pressed for settlement of his guarantee liabilities. He contacted us to ask what he could do as he was anxious not to have to sell the family home.

From a review it was clear that Mr Foster had a good level of ongoing income and that his financial difficulties had arisen simply because of his company's failure. We suggested that he propose a voluntary arrangement whereby he would make contributions over five years from that income which would ideally be a little more than would be realised if the family home would be sold.

We discussed the idea with Mr Foster's largest creditors and having received a favourable response, put Mr Foster in touch with an insolvency practitioner who assisted in the preparation of the voluntary arrangement proposals. In the meantime, we wrote to creditors to explain Mr Foster's intentions, helping to prevent creditors from applying further pressure in the meantime.

We also contacted the one creditor where Mrs Foster was jointly liable and negotiated a separate settlement with that company, which meant Mrs Foster was protected from the threat of insolvency proceedings.

A meeting of creditors was held and the voluntary arrangement was approved. Mr Foster will pay £32,000 in to the arrangement over 5 years, which will settle all claims against him. Creditors will receive more funds than would otherwise be available in bankruptcy and Mr and Mrs Foster's home is protected.

COMMENT

Mr Foster contacted us once he realised he was in financial difficulties with his bank and credit card companies. He had a good income but no immediate funds to settle his debts. He did not want to lose the family home, which was his only asset. By entering into a voluntary arrangement which was a formal agreement between Mr Foster and his creditors he was able to protect the family home whilst paying creditors a fixed total sum in full and final settlement of his debts. At the same time through negotiation, the joint debt of Mrs Foster was settled.

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