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# **An IVA Explored In Very Basic Terms**

IVA stands for Individual Voluntary Arrangement - it is a legally binding contract between a debtor and creditors. Conceptualized and passed on by legislation in 1986, it protects a debtor from future legal actions brought by his unpaid liabilities. An IVA is suited for individuals with an accumulated debt from several creditors and has a permanent employment. This legally binding agreement is supervised a debt management company. With this agreement, a debtor will be able to repay his loans in single monthly payments over a fixed period of time, usually five years, and the amount depending on his current income.

An IVA is arranged seeking help from a debt management company as [looked at here](#). With their guidance, the debtor will draft a proposal of the terms he wishes to repay his debts, indicating his present capabilities and will be presented in court. Copies of the proposal will be sent to the creditors together with an advance notice for a proposal meeting. All creditors must be present in the meeting to ensure that all will be covered by the agreement once it is approved. In the meeting, the proposal will be discussed and creditors will have to agree, at least 75% of them, to approve the IVA. Once approved, the terms and conditions in the IVA shall be executory and will cover all creditors present, either by person or by proxy, in the meeting. Those who are absent are exempted from the terms covered by the IVA.

An IVA is an alternative of declaring personal bankruptcy saving a person from the traumatic experience. With an IVA, a person's unsecured debt will be reconstituted depending on his present capability to repay his debts. All other interest rates and charges will be frozen. After the set period of time, provided that the terms and conditions were strictly adhered to, any remaining debt will be written off, absolving the debtor from further responsibilities. With an IVA, a debtor will have a better control of his assets unlike in bankruptcy. He will be able to save his house and other assets from being liquidated. Successful completion of the IVA will merit an individual with a good credit rating due to good compliance. However, secured debts cannot be covered by an IVA like mortgages but these are taken into consideration as part of your expense when computing for the monthly payment rates.

For an IVA to be successfully completed, the debtor should religiously adhere to the terms and conditions especially on the promptness of payment. Failure in the part of the debtor might trigger the creditor to declare bankruptcy and will result in the collapse of the IVA. For those people that really do not want to have to go down the bankruptcy route, keeping up the IVA payments is very much a must.