HERE'S HOW WE HELPED SOME PEOPLE

JULIE

Julie had a small retail shop - selling confectionery, cakes and bread. Business had dropped off in recent years but was still generating enough profit to make a living. Unfortunately, too much of the profits were being eaten up by debt commitments. Julie called us when her major creditor threatened bankruptcy proceedings and distraint action on the business stock and equipment. The debts were; trade suppliers £10,000, HMRC £20,000 and credit cards/loans £35,000.

Julie was 38, recently divorced, with two children aged 15 and 12. As part of the divorce settlement Julie retained the family home (which had around £20,000 equity), which she was desperate to keep. We agreed with the creditors that the business continue and £500 monthly was payable to creditors for five years. The home was to be retained and the modest amount of equity would remain with Julie.

"I thought I was going to lose my stock and business. My accountant recommended that I went to Griffin & King and they immediately came up with a plan that would work. I should not have waited so long".

DAN

Dan had a small engineering business. The business suffered a number of bad debts and this put pressure on the cashflow. Dan tried to borrow from the bank but was declined so he increased borrowing on his credit cards and used this to finance the business. Cashflow became tighter and HMRC threatened to issue a bankruptcy petition over unpaid taxes. Dan was 58, married to Ann and they owned their home with £60,000 equity. Ann did not work due to health problems.

The business equipment was worth £10,000, there were debtors of £7,500, trade creditors of £20,000, HMRC of £27,000, potential employee claims of £25,000, bank overdraft of £17,000 and credit card/loan debt of £40,000.

We agreed with the creditors that the business continue and five people, including Dan retained their jobs. Dan was to pay £600 per month for five years which would be increased by one year if the equity in the property could not be released by remortgage or third party loan in the final year of the arrangement. Based on this agreement, the creditors would receive a dividend of at least 30p in the £. Dan was relieved "I wouldn't have known where to start if I'd have had to close the business. It's all I've known for 35 years. At least we have a plan now where we can still live in our home and, thanks to Tim and his team, we can see how we can make ends meet".

WHAT TO DO NEXT?

At Griffin & King we understand it is a traumatic time for anyone with financial difficulties.

We have over 30 years experience of helping people find the right solutions - have a look at our testimonials to see what our clients have to say about us!

www.griffinandking.co.uk

Call us now and see how we can help!

Tim Corfield & Cheryl Gray

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INDIVIDUAL VOLUNTARY ARRANGEMENT
BUSINESS DEBT

INDIVIDUAL VOLUNTARY ARRANGEMENT (IVA) BUSINESS DEBT

When a self-employed person carries on a business, he/she is personally liable for all the business debts. Two or more people may be self-employed within the same business which is called a partnership. When such a person or trader is unable to pay the debts of the business he/she may have to dispose of his/hers assets to pay the debts due to creditors.

A business can get into financial difficulties for many reasons - a large bad debt, or loss of a major contract, for example. Personal issues can also often have a serious impact on the business - illness or family break up. There is no distinction between “business” or “personal” debt. Borrowing may have been extended on credit cards or personal loans to support the business. There is unlimited personal liability for any debt of a self-employed person.

An IVA deals with unsecured debt (exemptions are fines and student loans) it does not apply to secured debt. Mortgage repayments for a home will need to be kept up to date to avoid any action being taken by a secured lender. An IVA is a formal legal process to help self-employed people with financial difficulties take charge of their finances and proceed with a carefully thought out plan.

INDIVIDUAL VOLUNTARY ARRANGEMENT (IVA) - WHAT IS IT?

The person making the offer (or proposal) to his creditors is called the debtor. An IVA is a unique tailored proposal by a debtor to his/her creditors to pay all or some of his/her debt over a period of time. The amount that may be written off on a completion will depend on all of the circumstances of the debtor and will need to be carefully thought out.

The debts to be included in the IVA will be both business debts and any other unsecured borrowing such as credit card debt or bank loans. Trade or certain trade suppliers can be excluded from the arrangement.

An IVA has to be prepared through a Licensed Insolvency Practitioner. Up to the date of the creditors’ meeting he is known as the ‘Nominee’. From the creditors’ meeting date he is called the ‘Supervisor’.

- A detailed proposal will be forwarded to the creditors. In practice, this is prepared by the Insolvency Practitioner.
- A meeting of creditors will be called - approximately 6 to 8 weeks from the first contact with us.
- An IVA needs the approval of 75% of creditors voting at the creditors’ meeting to be successfully implemented. This will bind all creditors (stops creditors taking further legal action).
- Immediately, the payment of unsecured creditors will stop. A manageable budget is agreed. A regular monthly sum that can be afforded is paid to the Supervisor.
- An IVA is not a bankruptcy - the bankruptcy restrictions do not apply. For example, a director of a limited company can continue to act as such through an IVA.
- The trade can continue - however, it is vital to assess the reasons for the financial problems - there is little point in continuing to trade a loss making business.
- Any unpaid debts after completion of the IVA will be written off.
- Court protection from creditors can be obtained.
- An IVA only deals with unsecured creditors. Secured creditors such as a mortgage provider will need to be paid as normal.
- In most IVA’s it will not be necessary to sell the family home.

WHAT IS THE PROPOSAL AND WHAT SHOULD IT CONTAIN?

The proposal is the debtor’s offer, based on his/her personal position, to creditors to satisfy all of his/her unsecured debts. This proposal is a lengthy and detailed document which is likely to be around 20 to 30 pages long. This can be prepared by Griffin & King.

The main contents of the proposal are:

- A brief explanation behind the financial difficulties, giving particular attention to reasons why the trade can be successfully continued should that be the debtor’s intention.

Trading background.

- The precise proposals put forward by the debtor. For example, what instalments are proposed or how any equity in the home is to be dealt with.
- A summary of the debtor’s financial position, identifying the business debts and assets.
- Trading budgets and cashflow forecast.
- An indication of dividend payments to creditors and the timing of those payments.
- A monthly income and expenditure account detailing the debtor’s household income and expenditure.
- A comparison between the outcome of the IVA compared to bankruptcy.
- Valuation of the home where appropriate.

In practice, of course, Griffin & King can draft these proposals following detailed discussions with the debtor.

WHAT HAPPENS AT THE CREDITORS’ MEETING?

The meeting of creditors is the formal opportunity for the creditors to accept or reject the debtor’s proposal. The creditors ‘vote’ at the meeting.

In practice, it is unlikely that any creditors will attend the meeting in person.

Creditors will vote by proxy (in writing) prior to the meeting.

Sometimes ‘modifications’ will be put forward by the creditors - which is a change to the original proposal, usually to the creditors’ benefit. These need to be agreed by the debtor and may be the subject of negotiation, by telephone, on the day of the meeting. Griffin & King conduct any such negotiations on behalf of the debtor.

To assist with the approval of the proposals the Nominee can allow up to 14 days adjournment of the meeting.

INDIVIDUAL VOLUNTARY ARRANGEMENT
BUSINESS DEBT