**Annex 3 – Example letter to consumer enclosing protocol documents and/or paragraphs for inclusion in a firm’s letter with draft proposal**

[Address]

[Address cont]

[Address cont]

Our ref:

Your ref:

Date:

Dear XXXXX

[Opening introduction from the insolvency practitioner]

I have enclosed a copy of the following documents with this letter.

1. Your **IVA proposal** – the document which sets out the agreement between you and your creditors.
2. The **terms and conditions** of your IVA.
3. The **IVA protocol** – the industry agreed standard which sets out both what you can expect from your supervisor and creditors, and your obligations to them.
4. XXXX [anything else that particular insolvency practitioner sends out].

It is important that you continue to provide accurate information to your nominee when they set up your IVA. This includes full and accurate details of your income and expenditure so that your payments will be based on what you realistically can pay.

Your IVA has been prepared based on the information you have given us and should be accurate to the best of your knowledge. You must continue to give us accurate information about:

* all of your assets
* your income and expenditure

If we find that you’ve given incorrect or inaccurate information in your proposal, we’ll have to report this to the Insolvency Service and your arrangement could fail.

Your IVA is expected to last for XX months, subject to any changes by variation after your proposal is agreed.

We have advised you that an IVA would be a suitable solution for you to manage your debts. If you are not sure about entering the agreement, we suggest you seek further independent debt advice on your options.

**Your debt options**

We discussed with you all of your options for dealing with your debts and found that the following are available to you [delete as appropriate]:

* Individual Voluntary Arrangement
* Bankruptcy
* Debt Management Plan
* Other (to be specified)

A Debt Relief order is **not** available to you because [insert at least one]:

* you are a homeowner.
* your debts are more than £20,000.
* you have more than £50 of spare income every month.
* You own a car worth more than £1,000 and it’s essential you keep it .
* Non-essential things that you own are worth more than £1,000.

You told us that the following options are unsuitable for you because:

* Bankruptcy [e.g. you own your home which is worth more than your mortgage and it would have to be sold to pay your creditors]
* [Insert option and reason]

**How an IVA will affect you**

Entering into an IVA will affect your credit reference file, and this could make it more difficult for you to get credit in the future. Entries onto your credit reference file will stay there for six years. Your name and address and a public record of your IVA will appear on the [Individual Insolvency Register](https://www.insolvencydirect.bis.gov.uk/eiir/).

**Your payments** [delete as appropriate]

You have agreed to pay **£XX a month for xx months.**

You have agreed to pay a **lump sum of £XX.**

We will look at your income and expenditure with you each year, on the anniversary of your IVA being accepted by your creditors and your payments could go up or down depending on what you can afford to pay into your IVA.

**Your home** [delete for non-homeowners]

You have had your home valued and we have told you that your share of its value, after your mortgage and any secured loans have been repaid (the equity) is too low to include in your IVA.

**Or**

You have had your home valued and we have told you that your share of its value, after your mortgage and any secured loans have been repaid (the equity), is enough to include in your IVA, however it is unlikely you will be eligible (based on current lending practices) to be able to release that equity via a remortgage or a secured loan. Therefore, your nominee will propose an IVA for XX months.

**Or**

You have had your home valued and we have told you that your share of its value, after your mortgage and any secured loans have been repaid (the equity), is enough to include in your IVA, further details of this will be explained by your supervisor.

This means that:

* you won’t be asked to sell your home, but you might have to use its value to raise some extra money to pay into your IVA.
* you will need to have your home valued again in year four of your IVA.
* you might be asked to try to remortgage your home or take out a secured loan and pay some of the equity into your IVA. You will be able to keep at least 15% of your share of the value of the property. The equity calculation will be based on 85% of the value of the property when the property position is reconsidered in Year 4 of your IVA
* if you're not able to remortgage or take out a secured loan, you may be be asked to pay into your IVA for another 12 months.

**Other assets**

If during your IVA, you come into any extra money (like an inheritance or a compensation payment) you will be expected to pay this into the arrangement.

**Your debts**

All of your debts [apart from those listed below] will be included in your IVA (if it is accepted by your creditors) and your creditors **must freeze interest and** **cannot take any action** against you as long as the IVA is in place.

The following debts have **not been included** and you must continue to pay these debts out of your income:

* Court fines
* Student Loans
* Child maintenance arrears
* Secured lending
* [other]

If you have any joint debts, or debts where someone has acted as a guarantor, the joint borrower or guarantor will still be liable to pay these.

You must also continue to pay your ongoing household bills like your gas, electricity, council tax and water.

**Fees**

You have agreed to pay a fee for your IVA application and also to pay fees throughout the term of your IVA. We have included with this letter a table, which shows you how much you can expect to have paid off your debt at the end of each year of your IVA. If your IVA fails, you will be liable to pay any outstanding costs (see below).

**If anything changes for you**

You must tell your supervisor about any changes to your finances for example, if you get a pay rise or lose your job. If you are not able to keep up with your payments, you must let me know straight away, as we might be able to agree to a payment holiday or lower monthly payments.

**If you don’t pay**

If you miss more than three monthly payments and don’t contact me to try to sort this out, you will have broken your agreement and your IVA may fail.

If your IVA fails, you will probably be liable for all your debts plus the costs of the IVA. Your creditors will add all the frozen interest and charges back in again. You could therefore be in more debt than when the IVA started.