Personal Insolvency Arrangement

McCambridge Duffy
Accountancy & Insolvency

Personal Insolvency Arrangement

What is a Personal Insolvency Arrangement (PIA)?

The main purpose of a Personal Insolvency Arrangement (PIA) is to make your secured and unsecured debts affordable, whilst helping you remain in your home.

A PIA is a formal debt solution designed to help people who cannot afford to repay their secured debts (such as a mortgage) and unsecured debts (such as loans, credit cards etc...). If you are currently experiencing difficulty with mortgage repayments, or arrears, or vulture funds and any other debts, then a PIA might be a possible solution for you.

How does a PIA work?

A PIA restructures your secured debts and writes off some of the unsecured debts.

Exactly how your secured debt is restructured depends on your circumstances, so it is essential that a thorough assessment is carried out. This can only be done by a qualified professional known as a Personal Insolvency Practitioner (PIP). They will be able to determine if a PIA is suitable and what the best approach is for dealing with the debts. They are also responsible for submitting your various paperwork for your PIA application and overseeing your PIA if/when it is approved.

Most PIAs consist of manageable monthly payments that go towards your mortgage and debts, usually for a period of up to 6 years. At the end of the PIA, you may be released from the secured debt, or continue paying it as agreed in the arrangement. Any remaining unsecured debts are written off, allowing you to start over.

Criteria for a PIA

A PIA is only suitable for people in certain circumstances. You must:

- Be classed as insolvent (unable to pay your contractual secured / unsecured debts).
- Have debt owing to at least 1 secured creditor.
- Not have gained 25% or more of your unsecured debt within the past 6 months.
- Not have had a Debt Relief Notice (DRN) in the past 3 years.
- Never have had a PIA before.
- Not currently be Bankrupt or discharged from Bankruptcy within the past 5 years.
- Not have a Protective Certificate issued in respect of a PIA within the last year.

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What happens to my mortgage in a PIA?

Your mortgage can be restructured in several different ways in a PIA. Your PIP will be able to determine the best method of restructure and will discuss this in detail with you during consultation. We've briefly outlined some of the most common examples of restructure below.

Principal Reduction (Write off)

This involves reducing the overall outstanding mortgage balance to a more affordable amount.

The reduction cannot go below the current market value of the property.

Interest Rate Reduction

This involves reducing the interest applied to the mortgage.

It can help improve affordability substantially.

Term Extension

A term extension can allow for a reduction in mortgage payments, which can ease financial strain.

This can be beneficial for people with large unaffordable unsecured debts.

Split Mortgage

This puts part of the mortgage to one side in order for it to be resolved at a later date.

It can be a suitable method for people that are expecting their income to improve in the short to medium term, or if they are expecting a lump sum payment in the future.

Split Mortgage (Hybrid)

This is an alternative to the split mortgage, where some of the mortgage is warehoused and some of the mortgage is written off.

Call 01 539 57 90 today

For more information on any of these types of restructure in regards to a PIA, please get in touch for free, confidential, no obligation advice.

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Less common restructure methods

There are also some less common methods of restructure. These are outlined below.

- **Fixed Payments**
  Mortgage payments are fixed at a reduced rate to allow payments to be made towards unsecured creditors.
- **Interest only or Interest only Part Capital**
  Mortgage payments could be reduced to interest only, or interest only and part capital, to allow money to be diverted towards unsecured creditors.
- **Debt for equity swap**
  This is a very rare type of restructure and doesn't happen very often. A lender may agree to write off a portion of the mortgage in exchange for a percentage share in the property.
- **Mortgage to rent**
  A housing association or county council can agree to purchase the property. This does result in loss of ownership, but allows you to stay in your home.
- **Deferred payments**
  This allows a suspension of mortgage payments for a period of time (not exceeding the timeframe of a PIA), so that funds can be paid to unsecured creditors. When payments are finished and unsecured debts are cleared, this allows for prioritisation of the mortgage.
- **Capitalisation of arrears**
  This allows for any mortgage arrears balance to be added to the overall mortgage. This can improve income because arrears will be paid down over the mortgage term instead of a shorter period.

We understand that it can be quite overwhelming reading about a PIA and how it might affect your secured assets or mortgage. Please do get in touch if you have any questions. We are always happy to discuss any queries you might have. All advice is free and confidential.

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Example of a PIA

Below is an example of one of our client PIA cases, which will give you an idea of how a PIA might work for you.

Clients
A married couple with 3 children.

Story
Clients ran into financial difficulty after a period of incapacity and unemployment. They struggled to maintain contractual payments on the mortgage and other debts. Unable to address any arrears outstanding, they got in touch with us to see how we could help. After assessing their situation, it was evident that they were eligible for a PIA. They decided to proceed with this option and their PIA was successfully approved.

The PIA
In the PIA, their mortgage interest rate was reduced, lowering the monthly repayments to an affordable amount. The mortgage balance was also reduced in the PIA, with €165,647 debt written off on completion.

The mortgage payments were lowered to a manageable amount of €474 per month, down from €1,436 per month, for the duration of the PIA (6 years). On completion, the mortgage payments will be set at €582 per month.

Monthly unsecured debt payments were also lowered to an affordable amount for the duration of the PIA. Any remaining unsecured debt will be written off on completion of the PIA (€82,900).

Mortgage amount outstanding

€285,647

Before PIA

Mortgage amount written off

€165,647

New mortgage amount

€120,000

After PIA

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Pros and Cons of a PIA

- ✔ Restructure your mortgage to make it more affordable.
- ✔ Reduce your unsecured debts to an affordable amount.
- ✔ Write off some of your unsecured debts on completion of the PIA.
- ✔ A PIA is designed to protect your home.
- ✔ Complete protection from your creditors/lenders.
- ✔ Creditor pressure is stopped. Your creditors must deal with your PIP.
- ✔ All interest and charges are frozen on your unsecured debts.
- ✔ A PIA can be completed a lot sooner if you can gain access to a lump sum amount to be put towards the debt.
- ✔ You will be guaranteed a reasonable standard of living during your PIA.

- ✖ Your credit rating will be impacted during the PIA.
- ✖ You cannot obtain credit above the value of €650, without disclosing that you are currently in a PIA.
- ✖ If you have a change in circumstances, we will try and have the terms amended on your behalf. If creditors do not agree to the amended terms, your PIA could fail.
- ✖ Details of your PIA will be entered on a public register.
- ✖ You can only do a PIA once in your lifetime.

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Process of a PIA

If you decide to proceed with a PIA, the PIP will be responsible for working out the best approach to take, in drafting your plan. Below, we've outlined a general guide to the steps involved in PIA set up, management and completion.

STEP 1 - Prescribed Financial Statement (PFS)

After consultation, the PIP will complete a Prescribed Financial Statement (PFS), which summarises your assets, liabilities, income and expenditure. The PIP will advise as to what debts will be included and not included in your solution.

You must make a declaration that everything is true and accurate in the PFS. The PFS allows the PIP to determine which, if any of the solutions are suitable for you. They will explain all options to you and make a note in writing of what they think is the recommended course of action for you to take and that in their opinion everything in the PFS is true and accurate.

STEP 2 - Protective Certificate

If you and your PIP are happy with the PFS, then the PIP will submit your application to the ISI and the Court. If the ISI and the Court are happy with your application then they will grant your Protective Certificate.

A Protective Certificate stops your creditors from taking any legal proceedings against you. It usually remains in force for 70 days, but it can be extended in some circumstances. Once a Protective certificate has been issued, another cannot be issued for at least 12 months, without order of the Court.

STEP 3 - Proposal and Creditor Negotiation

After the Certificate has been issued, your PIP will engage with your creditors during the preparation of your PIA proposal, culminating in a meeting with your creditors to decide if they will accept your PIA proposal.

Proposals may vary hugely between clients, but they usually contain an element of debt write-off as well as your offer of repayment of the balance of your debt.

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At least 65% of your creditors must vote in favour of your proposal (50% of both secured and unsecured) in order for it to be approved.

STEP 4 - Final Review

If your proposal is accepted by the creditors, the ISI and Court carry out a final review. Once approved, your Insolvency Arrangement will become legally binding and you can start your new agreed repayments and plan for addressing your debts.

If your PIA proposal is rejected, you may be eligible to appeal for a Court review, where the rejection could be overturned and your PIA granted.

STEP 5 - Supervision and Completion

The final role of the PIP is to supervise your PIA for the agreed term, ensuring payments are made and distributing funds to creditors as outlined in your arrangement. They will retain any funds as agreed, to cover PIP fees and expenses.

Your PIP's post approval duties are extensive with a high level of oversight and administration. The operation of the arrangement is reviewed regularly and reports issued to creditors at least annually.

You will have a case manager for the duration of the PIA. If at any time the arrangement needs to be varied due to changes in your financial circumstances the PIP will convene further meetings with your creditors and report the outcome to you, your creditors, the ISI and the Court.

On successful completion of your PIA, your PIP reports to the ISI, your creditors and you to state that all the terms of your arrangement have been complied with, that all dividends to creditors have been distributed, and that you are now debt free. You can start to repair your credit file and resume normal financial activities.

You will be discharged from your unsecured debts. Any remaining debts will be cleared allowing you to start over. You may be released from a secured debt or the secured debt may continue to be payable (depending on the terms agreed in the PIA).

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What our clients think

Have a look at what some of our clients think of the services we provide. These reviews are collected on independent review site TrustPilot, from clients that are currently in plans or have completed plans with us and are now debt free.

Given us our lifes back

McCambridge duffy have given us our lifes back after years of debt from the recession. Very professional and understanding and non judgemental. I would recommend them without hesitation if your are struggling with debt . There is light at end of tunnel.

| Christopher

Expertise

McCambridge Duffy's expertise allowed us to breath again after years of financial strain. A fantastic team lead by Ronan Duffy, an expert in PIA.

| Anon Customer

Professional Understanding People

When we were under constant pressure from debtors, threatening letters, calls etc causing life to be hell I was advised to contact McCambridge Duffy. I never looked back, so helpful understanding and professional, from then on all nasty calls stopped, they dealt with everything. Now 5 years later all debts cleared. Was reluctant to tell anyone about my financial problems for ages, what a fool I was not to contact them sooner. Highly recommend contacting them if you have financial debt issues.

| J Lonergan

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Fees and costs

Initial Consultation Fees

Some PIPs charge a fee for initial consultation and some PIPS offer a free consultation service. At McCambridge Duffy, we do not charge any upfront fees and you will never receive a bill from us. Only if your PIA is accepted will we receive any payment. If your PIA is not approved, you will not be charged for the work done on your proposal.

PIA Application Fees

The Insolvency Service of Ireland (ISI) have waived application fees for a PIA, so there is no cost for this.

PIA Arrangement Fees

If and when the PIA is approved, any PIP fees for managing the plan are usually built into the arrangement. Our fees for managing the arrangement will vary from case to case and will be built into the monthly PIA payment.

It is your creditors who will determine what fees can be charged for the work we do. We cannot draw any fees without their approval.

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Why choose McCambridge Duffy?

Free Confidential Advice / Consultation

Unlike some Insolvency companies, we offer free & confidential advice to people who are experiencing financial difficulty.

No upfront Fees

We never charge upfront fees to our clients for setting up your plan.

If your PIA is not approved, you will never receive a bill from us.

Highly Regulated

We have 5 full time highly regulated PIPs authorised by the Insolvency Service of Ireland.

We also have a dedicated team of staff who possess a wealth of knowledge and experience in insolvency.

High Acceptance Rate

We will only put forward a proposal if we believe it has a good chance of being accepted.

We also fight very hard for every client to make sure their proposal is carefully considered by the creditors with the best outcome for all.

Excellent Customer Service

We are a long-standing family run company that has been in the industry for well over 80 years.

We have a good reputation with both debtors and creditors and our advisors are knowledgeable, friendly and non-judgemental.

Insolvency Experts

Ronan Duffy, one of our PIPs has had input in the drafting of the legislation for the Insolvency Solutions in Ireland.

He has also been involved in recommending ways of streamlining the new processes to improve the current Insolvency Solutions.

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Want to discuss a PIA? We offer free, confidential, no obligation advice

Click here to fill in a form and speak to an advisor

Contact us

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