

IVA still a useful alternative to bankruptcy



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Industry: [Financial](#)

Press Release Summary: Responding to statistics from the Ministry of Justice showing a marked rise in bankruptcy petitions, Insolvency Practitioners Freeman Jones have commented that IVAs remain a very useful alternative that can avoid many of the negative consequences associated with bankruptcy.

Press Release Body: Responding to new statistics showing a rise in the number of people in debt applying for bankruptcy, Insolvency Practitioners **Freeman Jones** have highlighted the importance of addressing debt problems early, especially with a recession looming, and have pointed to the [IVA](#) (Individual Voluntary Arrangement) as a useful alternative to bankruptcy that could lessen the blow of insolvency.

The statistics, compiled by the Ministry of Justice, showed a total of 13,653 petitions for bankruptcy in the three months between July and September – 7% more compared with the same time last year, and a 1% increase on the previous quarter.

In the same time, creditors themselves filed 5,499 bankruptcy petitions against borrowers – 2% less than the previous quarter, but 10% more than July-September 2007.

In an earlier report, the Insolvency Service reported a 3.3% rise in individuals taking up IVAs in the third quarter of 2008, although the number had actually fallen by 3.1% compared with the same period last year.

A spokesperson for **Freeman Jones** commented: *"Bankruptcy can be the best way out of debt for some people, but in many cases an IVA is a*

preferable alternative, as it can avoid a lot of the negative consequences associated with bankruptcy.

"Unlike bankruptcy, an IVA almost always allows borrowers to keep hold of their home – although they will be expected to release some of the equity in their home in the fourth year – and it does not carry the publicity or social stigma that [bankruptcy](#) does. It also does not prevent people from running a business or taking other positions, like bankruptcy does.

"There are some people who feel that bankruptcy is a more appropriate way out of insolvency than an IVA," continued the spokesperson. "That's mainly because bankruptcy is over more quickly – normally after a year – and it typically results in less of the overall debt being paid off by the borrower.

"However the restrictions placed upon borrowers by bankruptcy can sometimes outweigh the benefits, and although an IVA lasts for longer, it will do less damage to the borrower's future prospects in the long run.

But the Freeman Jones spokesperson was quick to acknowledge that bankruptcy can sometimes be the better option. "Since an IVA requires regular monthly payments for a number of years, people with a low or unpredictable income may find that bankruptcy better suits their needs," she said.

"Likewise, if the borrower does not have much in the way of assets, and their circumstances are unlikely to improve, then bankruptcy may be their best choice.

"It can often be difficult for people in debt to decide whether bankruptcy or an IVA is the best option – and as always, we advise anyone facing debt problems to seek expert debt advice."

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