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IVAs and the slowing economy

Responding to the ONS report of 0% growth in Q2, DebtAdvisersDirect.co.uk remind borrowers that an IVA (Individual Voluntary Arrangement) can represent a straightforward, reliable solution to their financial problems.

MANCHESTER, UK, October 12, 2008 **/24-7PressRelease/** -- In response to economic data from the Office for National Statistics (ONS), debt experts DebtAdvisersDirect.co.uk remind consumers that the right debt solution can help them regain control of their debts, despite the unpredictability of the UK's finances.

On 30 September, the ONS confirmed that GDP growth (Gross Domestic Product - a measure of economic activity) had been 0.0% in the second quarter of 2008, down from the 0.3% reported for the first quarter.

In other words, although the UK economy isn't in recession (usually defined as two consecutive quarters of negative growth), nor is it experiencing growth - the usual state of affairs under 'normal' circumstances. More worrying yet, the economy would have to decline only slightly for the remaining six months of the year to be officially classed as 'in recession'.

"It may be hard for people to see such macro-economic statistics as relevant to them as individuals," stated a spokesperson for DebtAdvisersDirect.co.uk, "but the impact is all too likely to make itself felt in the average UK citizen's daily life. In general, a slowing economy means everyone has less money: not just employees and employers, but the government itself. Given the rapid rises we've seen in the cost of living, any threat to a household's income should be taken extremely seriously.

"People with high levels of debt, struggling to keep up with their debt repayments, are particularly likely to worry about the effects of a slowing economy. There may be little they can do to influence their utility bills, the price of food, or even their job security, but there may be something they can do about their debts - whatever debts an individual is facing, if they become unmanageable, there are a range of debt solutions available that could help reduce their payments and bring their debts under control."

For people with unsecured debts of around 15,000 or more, an IVA (Individual Voluntary Arrangement) may be the most appropriate debt solution. An alternative to bankruptcy, an IVA is a form of insolvency that helps people bring their monthly debt repayments back down to an affordable level and - in the longer term - clear those debts entirely.

"An IVA is a legally binding agreement between an individual and their creditors. In brief, the individual agrees to make fixed monthly payments for a set period (normally five years), based on what they can afford to pay after taking essential living expenses into account. If they own their home, they may also be required to free up equity in their home (towards the end of the IVA) to increase the amount they can pay their creditors.

"It's a big commitment, but their creditors will, in return, agree to freeze interest, not to take any legal action (such as pushing for bankruptcy) and to write off any outstanding debt once the IVA has successfully concluded. So an IVA can deliver clear benefits to borrowers and creditors alike.

"Finally, should the borrower's circumstances change during the course of the IVA, they can request an 'IVA variation' - it's in the creditors' interests as well as the individual's to make sure the IVA succeeds, so they may well agree to alter the terms of the agreement if this is clearly the best way to bring the IVA to a successful conclusion."

About Debt Advisers Direct

Debtadvisersdirect.co.uk helps people with financial difficulties, providing free advice and tailor-made debt solutions.