

Case Study 1

Mrs D had recently been made bankrupt by her local Council for non payment of council tax in the sum of £3,000. She had other debts consisting of credit cards, a bank overdraft and a bank loan totalling £15,000. Mrs D owned a property in her sole name worth £150,000 with a mortgage of £50,000. However, she had been unable to raise finance in time to pay off the petitioning creditor and was now faced with the following scenario:

- Much to her concern, the bankruptcy order had already been advertised.
- She was worried about a forthcoming interview she had to face with the Official Receiver.
- She had been told not to use her bank account and that it would be frozen.
- She had contacted her local Citizen's Advice Bureau and various other government funded advice agencies but they were unable to help. Her local solicitor wanted £2,500 cash up front on account of their initial fees for preparing the necessary papers to seek an annulment of the bankruptcy order.
- She had received numerous letters from various firms who offered to provide bridging finance and to instruct a separate firm of solicitors to make an application for annulment followed by a re-mortgage. However, they were unable to prevent creditors from appointing an independent insolvency practitioner as Trustee in place of the Official Receiver and the substantial additional costs that would arise as a result.

Mrs D contacted us and we advised that she should obtain an interim order and stay of the bankruptcy proceedings by making an application for an Individual Voluntary Arrangement ("IVA"). We were able to obtain agreement from the Official Receiver to allow a two week period for drafting and submitting IVA proposals.

The IVA proposals were on the basis that creditors would be paid in full shortly after the approval of the IVA, bankruptcy annulment and re-mortgage. Re10, insolvency practitioners, acted in relation to the IVA and Turnaround Finance, mortgage brokers, raised funds for the requisite re-mortgage.

The Official Receiver was provided with a copy of the IVA proposals in advance of them being filed in court and he consented to the orders being sought and advised that he would not attend the court hearing. The proposals were filed and the requisite orders obtained without the need for anyone to attend court in person. The appointment of an independent Trustee was completely avoided saving potentially several thousand pounds of costs.

The IVA proposals were subsequently approved and this was shortly followed by obtaining an annulment which left Mrs D free to re-mortgage and pay off the debts, costs and expenses of the bankruptcy.

By acting quickly and following our recommended course of action we estimate Mrs D saved in excess of approximately £13,000 by avoiding incurring independent trustee's fees, Secretary of State fees (at 17% of realisations), solicitors fees and expensive bridging finance.



Case Study 2

Mr B was made bankrupt by H M Revenue & Customs in February 2007 with total debts of £40,000. He was self employed and owned a property in joint names with his wife worth £250,000 with a mortgage of £50,000. His half share of the equity was therefore worth about £100,000.

He had instructed a firm of solicitors to make an application to court for an annulment of the bankruptcy order, however, they were unable to stop the Official Receiver from convening a meeting of creditors at which it was decided that an insolvency practitioner from a large firm of accountants should be appointed to act as Trustee. The new trustee had obtained agreement from creditors for his fees to be on a time cost basis. The hourly charge out rates of the trustee and his staff ranged from £80 to £500 per hour.

The trustee had contacted Mr B's wife to ascertain whether she could raise funds to buy his half share interest in the property. The trustee now required £70,000 to pay off the debts which included some £30,000 as a result of costs, expenses and fees that had arisen in the bankruptcy. Mrs B's income was insufficient to afford to borrow this amount in her sole name and Mr B could not borrow any money whilst he remained an undischarged bankrupt. The trustee had asked that the property be voluntarily sold failing which he would seek an order for possession from the court and substantial further costs.

We were able to implement an Individual Voluntary Arrangement ("IVA") for Mr B on the basis that the debts, costs and expenses of the bankruptcy be paid in full. This was achieved by obtaining an annulment of the bankruptcy order shortly after the approval of the IVA which left Mr & Mrs B free to re-mortgage at normal rates and raise the requisite funds. Further, the total cost for achieving this was reduced to £59,700, a saving of over £10,000.

Had Mr B contacted us sooner, we could have prevented an independent trustee from being appointed which would have resulted in an additional saving of some £7,500 plus VAT.

