Guide to Personal Insolvency Arrangements

O'Hanlon Tax Limited, 6 City Gate, Lower Bridge Street, Dublin 8 Tel: 01 604 0280 Fax: 01 604 0281 Eml: info@ohanlontax.ie

What is a Personal Insolvency Arrangement?

A Personal Insolvency Arrangement (PIA) is an arrangement between a debtor and one or more creditors to repay an amount of both secured and unsecured debt over a period of 6 years (with the option of extending the period to 7 years).

Who can get a PIA?

The PIA is aimed at individuals who have difficulty repaying both secured debt (e.g. mortgage arrears) and unsecured debt (e.g. a credit card). An individual can seek a PIA if he has secured debts of €3m or less, but this cap can be waived if all of the individual's secured creditors agree. There is no cap on the level of unsecured debts that can be dealt with in a PIA.

If there is a high level of secured debt and all the secured creditors do not agree to waive the €3m cap, then a PIA is not an option and bankruptcy should be considered.

Who can not get a Personal Insolvency?

An individual will not qualify for a PIA if:

- He has incurred 25% or more of his debt during the past 6 months;
- He has been the subject of a Debt Relief Notice (DRN) now or within the past 3 years;
- He has been the subject of a Debt Settlement Arrangement (DSA) now or within the past 5 years;
- He has been the subject of a PIA previously;
- He has been bankrupt or subject to a bankruptcy measure, or have been discharged from bankruptcy in the past 5 years;

- He has been the subject of a Protective Certificate issued in respect of a PIA in the past year.

What qualifying debts are included?

The PIA is designed to deal with unsecured debts of any value such as credit cards, trade debts overdrafts, personal loans, credit union loans, and unpaid utility bills and store card credit, as well as secured debts (up to a total of €3million). It may be possible to increase the €3million cap if the secured creditors agree.

What debts are excluded?

Certain debts such as taxes & levies due to Revenue, local authority rates & charges, sums due to the HSE under the Nursing Home Support Scheme, social welfare debts and annual service charges due to the management companies re residences are excluded unless the creditor agrees to include them in the PIA.

What debts are unaffected by a PIA?

Certain debts such as Court ordered maintenance payments, fines for criminal offences, Court awards in personal injury or wrongful death claims, and loans obtained by fraud cannot be included in, and will not be affected by, a PIA.

How does a debtor get a PIA?

A Personal Insolvency Practitioner (PIP) must be appointed to set up and administer the PIA.

The PIP will assess the individual and determine if he is a candidate for a PIA. If he is eligible the PIP will prepare a report for the ISI which will then make an application to the Court for a protective notice for a period of 70 days.

During these 70 days the creditors of the individual will be precluded from taking any enforcement actions against the individual for the payment of debts.

The PIP will circulate information to the creditors and call a creditors' meeting. The PIP will prepare a PIA proposal to pay off a reasonable level of debt over the life of the PIA.

What is the effect of a successful PIA?

On successful completion of the PIA the debtor will be discharged from his unsecured debts but it should be noted that he will not be discharged from his secured debts unless such a discharge formed part of the terms of the PIA.

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Caveat: *These notes are intended as a preliminary guide to some provisions of the Personal Insolvency Act 2012. Formal advice should be obtained before any steps are taken to effect a personal insolvency arrangement.*