

# Credit Report Basics

Your credit report and individual voluntary arrangements (IVAs)



This guide explains what an individual voluntary arrangement (IVA) is and how it could affect your creditworthiness.



## Who is Experian?

Experian is the UK's largest credit reference agency. When you apply for credit, you will probably give the lender (the company you want credit from) permission to carry out a credit check through us. We do not decide who should get credit, but the information we provide (which you can see by asking us for a copy of your credit report) may help the lender to decide. This information includes details of the electoral register, court judgments, bankruptcies and IVAs and your current and past credit commitments.

## What is an IVA?

In general terms, an IVA is a binding agreement between you and your creditors to repay your outstanding debts, either in full or in part. It is often described as an alternative to bankruptcy. IVAs have to be administered by a licensed insolvency practitioner (IP), who is usually a qualified lawyer or accountant. To enter into an IVA you would submit an IVA proposal to an IP, who at this stage is called your 'nominee'. The proposal sets out details of your assets and liabilities and how they will be dealt with. A typical proposal offers affordable monthly payments for a period of five years, but this can vary.

If your nominee decides that your IVA proposal is practical, he or she arranges for your creditors to meet.

At this meeting, your creditors then vote on whether to approve your IVA proposal. They may also suggest changes, which you have to agree. If enough creditors agree (i.e. representing at least 75% of the total value of your debts), you and your creditors become bound by the terms of the proposal. Your creditors also decide who will administer the approved proposal. This person is called your 'supervisor' and may or may not be your existing nominee, but must be an IP. Details of it are then filed in court. The details are also displayed on a publicly accessible online register, the Individual Insolvency Register.

IPs must give anyone thinking about entering into an IVA a leaflet called 'Is a voluntary arrangement right for me?' You can download the leaflet from the R3 website. (Contact details are given at the end of this fact sheet.)

An IVA is not an easy way out of debt and has serious implications. Although an IVA will be a sensible way for some people to sort out their debts, it should only ever be considered after receiving professional, impartial advice. This could be from a Citizens Advice Bureau, the Consumer Credit Counselling Service, National Debtline, a solicitor, a qualified accountant, an authorised insolvency practitioner, a reputable financial adviser or a debt advice centre.



### **Does entering into an IVA cost me anything?**

An IP will charge you for setting up and supervising a IVA. These charges will vary from one practitioner to another, so it is worthwhile enquiring with several IPs before deciding which one to use. You should be absolutely sure that the person, company or organisation you choose to represent you on such a serious matter is properly qualified, is running a responsible and reputable business and will not charge you more than you need to pay. Some of the companies that advertise IVAs as a way out of debt should be avoided as they could give you poor advice and make matters worse. You can find more detailed advice about alternatives to bankruptcy and IVAs on the Insolvency Service website. (Contact details are given at the end of this fact sheet.)

### **Will entering into an IVA affect my ability to obtain credit?**

An IVA will appear on your credit report for a minimum of six years from the date of arrangement, and longer if the arrangement lasts more than six years. During your IVA, reputable organisations will certainly ask for information about your situation and will probably refuse to give you further credit.

### **What will happen to my credit report when my IVA ends?**

Once your IVA ends, the Insolvency Service will let the credit reference agencies know. The agencies will then update the IVA entry on your credit report to show it has been 'completed'. The entry then stays on your credit report for six years from the date the IVA began. You might continue to experience difficulties getting credit and other financial services because you were in an IVA in the past. If you do manage to find someone who will lend to you, it is likely that they will see you as a high-risk customer and they may charge you a higher interest rate as a result.

### **Who can look at my credit report other than lenders?**

Landlords and employers can look at the 'public' information on your credit report, such as court judgments, bankruptcy orders and IVAs. As a result, entering into an IVA may affect your chances of renting a home or getting the job you want.

### **Are IVAs available in Scotland?**

No. A Protected Trust Deed is the equivalent of an IVA in Scotland. Like an IVA, this is a legally governed procedure by which you can repay your debt over a specified period of time. Monthly payments are based on what you can afford. If you live in Scotland, you can get more information about Protected Trust Deeds and other debt repayment tools from a local money advice agency.

### Other useful guides and leaflets

Credit Report Basics is a series of guides that examine common credit report issues. We produce these under our consumer education programme and a full list of these guides is below.

- Your credit report and the electoral register
- Your credit report and bankruptcy
- Credit report myths
- Your credit report and individual voluntary arrangements (IVAs)

We also produce a series of leaflets called Credit Crossroads to help you understand how credit reports are produced and used and when they affect your life. The leaflets available in this series are listed below.

- Students and young people
- Refused credit
- Living together
- Redundancy or reduction of income
- Moving home
- Relationship breakdown
- Bereavement or serious illness

You can visit

[www.experian.co.uk/learningzone](http://www.experian.co.uk/learningzone) to read or print all our free guides and leaflets.

### Are there alternatives to an IVA?

If you are struggling to meet payments, get in touch with your creditors and tell them about your situation. Many lenders will be sympathetic and you may be able to make an informal agreement direct with them to make reduced payments for a while.

If you feel you need help contacting your creditors, contact one of the free advice agencies listed in the next section, as they may be able to negotiate with your creditors on your behalf and arrange a debt management plan for you. They will also be able to explain the various ways of dealing with your debts, including a debt management programme, a debt payment programme (Scotland), an Administration Order or bankruptcy. You do not need to pay a company to arrange a debt management plan for you, nor should you pay for help from any so-called credit repair company.

### Useful contacts

- Experian: Help and advice about your credit report  
[www.experian.co.uk](http://www.experian.co.uk) 0844 481 8000
- Insolvency Service: Information and advice about bankruptcy orders  
[www.insolvency.gov.uk](http://www.insolvency.gov.uk)
- Citizens Advice: Look in your local phone book under 'Citizens Advice Bureau' [www.adviceguide.org.uk](http://www.adviceguide.org.uk)
- Consumer Credit Counselling Service  
[www.cccs.co.uk](http://www.cccs.co.uk) 0800 138 1111
- National Debtline  
[www.nationaldebtline.co.uk](http://www.nationaldebtline.co.uk) 0808 808 4000

### Other credit reference agencies:

- Callcredit 0870 060 1414
- Equifax 0870 010 0583

