

DRN

**Debt Solutions
Scenarios
Pack**



TO HELP EXPLAIN SOME OF THE CONCEPTS CONTAINED IN THE PERSONAL INSOLVENCY LEGISLATION, THE INSOLVENCY SERVICE OF IRELAND HAS CREATED SOME POSSIBLE SCENARIOS TO ILLUSTRATE HOW EACH OF THE THREE SCHEMES MAY OPERATE IN RESPECT OF A DEBTOR, PERSONAL INSOLVENCY PRACTITIONER OR APPROVED INTERMEDIARY, CREDITORS, AND THE COURT.

THESE SCENARIOS MAY BE AMENDED OR DEVELOPED IN THE FUTURE WHEN ACTUAL CASES ARE PROCESSED TO A SUCCESSFUL CONCLUSION IN ORDER TO MORE ACCURATELY REFLECT SUCCESSFUL OUTCOMES APPROVED BY THE COURT.

IT IS IMPORTANT TO EMPHASISE THAT THESE POSSIBLE SCENARIOS ARE FOR ILLUSTRATIVE PURPOSES ONLY AS TO HOW A PARTICULAR ARRANGEMENT MIGHT WORK IN PRACTICE, AND ASSUMES A PRAGMATIC AND REALISTIC RESPONSE BY CREDITORS.

THE ISI DOES NOT PROVIDE FINANCIAL ADVICE.

APPROVED INTERMEDIARIES IN THE CASE OF DRNS, AND PERSONAL INSOLVENCY PRACTITIONERS, IN THE CASE OF DSAS AND PIAS, ARE AVAILABLE TO ASSIST DEBTORS.

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SCENARIO 1

DRN – APPLICANT ELIGIBLE

This sample scenario is designed to illustrate the basic features of a Debt Relief Notice (DRN).

1 BRIAN’S STORY

Brian is a 28 year old, single, office worker earning a net monthly income of €1,700. He lives in rented accommodation and rent is €620 per month. Over the years, Brian built up debts on his credit card totalling €9,000. He also has a credit union loan of €3,200 and has fallen into arrears with his electricity provider amounting to €800.

Brian’s only assets are a car worth €1,800, €200 cash and some household furniture and appliances worth about €3,500. Brian’s monthly debt obligations amount to €350. He recognises that he cannot pay his debts as they fall due and realises he is insolvent. He believes he might be eligible to seek a DRN and selects an Approved Intermediary (AI), which he contacts in order to discuss his current financial situation.

2 BRIAN’S CURRENT INSOLVENT POSITION

Assets		Monthly Income	
Household items	€ 3,500	Monthly Net Income	€ 1,700
Car	€ 1,800		
Cash	€ 200		
Total	€ 5,500	Total	€ 1,700
Debts		Monthly Expenses	
Credit card	€ 9,000	Total Set Costs ¹	€ 1,045.48
Credit Union loan	€ 3,200	Rent ²	€ 620
Electricity	€ 800	Reasonable Living Expenses	€ 1,665.48
Total	€ 13,000	Net disposable income prior to servicing debt (€ 1,700-€ 1,665.48)	€ 34.52

¹ The Approved Intermediary (AI) references the tables in the ISI "Guidelines on a reasonable standard of living and reasonable living expenses", available on the website (www.isi.gov.ie) to calculate Brian’s Total Set Costs. Brian’s circumstances meet those covered by Table 2. "One adult household, vehicle" of the Guide (One adult total set costs are €1,045.48).

² The AI will assess the reasonableness of rent in accordance with the "Guidelines on a reasonable standard of living and reasonable living expenses".

3 ELIGIBILITY

Brian is eligible for a DRN because

- ✓ Brian's debts are less than €20,000.
- ✓ He has less than €60 net disposable income per month prior to servicing his debt left after Reasonable Living Expenses have been deducted.
- ✓ His car is worth less than €5,000.
- ✓ The value of his necessary household items does not exceed the €6,000 limit.
- ✓ His other assets are less than €400 in value.

Assuming Brian meets all of the other eligibility criteria as set out in page 5 of the Guide to a [Debt Relief Notice](#); he can apply for a DRN covering his debts.

4 NEXT STEPS

- a) Brian applies for a DRN through an Approved Intermediary (who will not charge a fee) who sends his application, along with the required supporting documentation, to the ISI for processing.
- b) Assuming the ISI is satisfied that the application is in order, it will issue a certificate to that effect and forward the application to the Circuit Court.
- c) Assuming the Circuit Court is satisfied with the application, it will issue a DRN to Brian. Brian's name, address, year of birth and the date of issue of the DRN will be added to the Public Register of DRNs on the ISI website.
- d) A 3-year supervision period will apply to Brian's DRN. During that time, Brian is not required to make any payments to his specified creditors and none of his specified creditors can pursue him for the money he owes.
- e) Brian must advise the ISI of any change to his circumstances during that period.

5 BRIAN'S POSITION AFTER MEETING HIS OBLIGATIONS UNDER THE DRN

Assuming Brian's situation remains the same and he adheres to the statutory requirements of the Debt Relief process, at the end of the 3 years:

- Brian will be free from the debts contained in the DRN.
- Brian's details (name, address, year of birth, and the date of issue of the DRN) will be removed from the Public Register of Debt Relief Notices.
- Brian will be solvent.

DRN- CHANGE OF CIRCUMSTANCES

This sample scenario is an extension of Scenario 1 (Brian’s story) and is designed to illustrate how an improvement in the financial position of a debtor during the lifetime of a DRN is dealt with.

1 BRIAN’S STORY

Three months into the three-year supervision period, Brian gets a promotion and his net income increases by €500 per month.

As set out in the Personal Insolvency Act 2012, a debtor engaged in a DRN whose net monthly income increases by €400 or more per month is obliged to surrender half of the increase to the ISI for onward distribution to his/her creditors. Where the debtor has paid 50% of the total debt contained in the DRN before the three-year period comes to an end, the DRN will be terminated.

Due to Brian’s change in circumstances two things will happen:

1. Brian’s net monthly income has increased by €500; therefore, the payments made to the ISI will increase from €0 to €250 per month.
2. After 26 months, when Brian has paid instalments amounting to €6,500 (50% of the total amount owed) his DRN will be terminated. His name will be removed from the Register of Debt Relief Notices and the remainder of his debts (named in the DRN) will be discharged.

Payments Made During Supervision Period

PAYMENTS	YEAR 1	YEAR 2	YEAR 3
Month 1		€ 250	€ 250
Month 2		€ 250	€ 250
Month 3		€ 250	€ 250
Month 4	€ 250	€ 250	€ 250
Month 5	€ 250	€ 250	€ 250
Month 6	€ 250	€ 250	
Month 7	€ 250	€ 250	50% of total debt, representing € 6,500 now repaid therefore DRN is terminated.
Month 8	€ 250	€ 250	
Month 9	€ 250	€ 250	
Month 10	€ 250	€ 250	
Month 11	€ 250	€ 250	
Month 12	€ 250	€ 250	
Total	€ 2,250	€ 3,000	€ 1,250

SCENARIO 2

DRN– APPLICANT NOT ELIGIBLE

This sample scenario is designed to illustrate why an insolvent debtor may not be eligible to apply for a DRN.

1. SUSAN’S STORY

Susan is a 40-year-old shop assistant living in shared, rented accommodation. Her rent is €350 per month. Eight months ago, Susan’s employment pattern changed and her hours were reduced. She now earns €1,330 per month.

In the past months, Susan has accumulated further debts on her credit card of €6,000 as she relied on it to bridge the gap between her current wage and the wages she previously earned in the hope that she would eventually get more hours and be in a position to repay her credit card debt. However, Susan’s debts are now €18,000 and there is no prospect of her getting more hours in the shop. Her only assets are a laptop and a few pieces of furniture worth a combined €1,500. Susan also owns a gold ring worth €2,000.

Susan is unable to repay her debts as they fall due. She is insolvent. Susan believes she might be eligible to seek a DRN and selects an Approved Intermediary (AI), which she contacts in order to discuss her current insolvent situation.

2. SUSAN’S CURRENT INSOLVENT POSITION

Assets	
Household items	€ 1,500
Gold ring	€ 2,000
Total	€ 3,500

Debts	
Credit card (of which €6,000 incurred in the past 6 months)	€ 18,000
Total	€ 18,000

Monthly Income	
Monthly Net Income	€ 1,330
Total	€ 1,330

Monthly expenses	
Total Set Costs ¹	€ 933.14
Rent ²	€ 350
Reasonable Living Expenses	€ 1,283.14
Net disposable income prior to servicing debt (€1,330.00 - €1,283.14)	€ 46.86

¹ The AI references the tables in the ISI "Guidelines on a reasonable standard of living and reasonable living expenses", available on the website (www.isi.gov.ie) to calculate Susan’s Total Set Costs. Susan’s circumstances meet those covered by Table 1. "One adult household, no vehicle" of the Guide (One adult total set costs are €933.14).

² The AI will assess the reasonableness of rent in accordance with the "Guidelines on a reasonable standard of living and reasonable living expenses".

3. ELIGIBILITY

Although Susan meets some eligibility criteria for a DRN because

- ✓ Her debts are less than €20,000.
- ✓ She has less than €60 net disposable income per month prior to servicing her debt left after Reasonable Living Expenses have been deducted.
- ✓ The value of her laptop and necessary household items is less than €6,000.

She fails to meet other criteria to qualify for a DRN because

- ✗ She has an item of jewellery worth €2,000, which is more than the €750 value limit allowed for one piece of jewellery.
- ✗ Her assets are not less than €400 in value as she has a piece of jewellery worth €2,000.

On the basis that Susan has not met all the eligibility criteria, she is not eligible for a DRN arrangement.

4. OUTCOME

As Susan is not eligible to apply for a DRN, there is no change to her current insolvent position. She decides to seek advice from a Money Advisor who will assist her in assessing her options.

Links to Money Advice and Budgeting Service (MABS) will be on the ISI website www.isi.gov.ie

SCENARIO 3

DRN – APPLICANT NOT ELIGIBLE DUE TO CAR LOAN

This sample scenario is designed to illustrate the impact of an outstanding loan on a DRN application under the Personal Insolvency Act, where this loan was used to finance the purchase of a car.

1. DEIRDRE'S STORY

Deirdre is a single part-time office worker earning €1,600 net monthly income. Deirdre lives in rented accommodation with her sister, which costs her €550 per month. She has a credit card debt totalling €14,000. She bought a second-hand car that she needs for work a few years ago. Deirdre financed the purchase of her car with a personal loan and the car is now worth €1,600. She still owes €2,000 to the personal loan creditor for that loan. Her current monthly repayment to this creditor is €100.

Deirdre is unable to repay her debts as they fall due. She is insolvent. She believes she might be eligible to seek a DRN and selects an Approved Intermediary (AI), which she contacts in order to discuss her current insolvent situation.

2. DEIRDRE'S CURRENT INSOLVENT POSITION

Assets		Monthly Income	
Car	€ 1,600	Monthly Net Income	€ 1,600
Total	€ 1,600	Total	€ 1,600
Debts		Monthly Expenses	
Credit card	€ 14,000	Total Set Costs ¹	€ 1,045.48
Personal loan (helped purchase the car)	€ 2,000	Rent ²	€ 550
Total	€ 16,000	Reasonable Living Expenses ³	€ 1,595.48
		Net disposable income prior to servicing the debt (€ 1,600-€ 1,595.48)	€ 4.52

¹ The AI references the tables in the ISI "Guidelines on a reasonable standard of living and reasonable living expenses", available on the website (www.isi.gov.ie) to calculate Deirdre's Total Set Costs. Deirdre's circumstances meet those covered by Table 2. "One adult household, vehicle" of the Guide (One adult with vehicle total set costs are €1,045.48).

² The AI will assess the reasonableness of rent in accordance with the "Guidelines on a reasonable standard of living and reasonable living expenses".

³ According to section 26(5)(c) of the Personal Insolvency Act, Deirdre's monthly repayment of €100 to the personal loan creditor is not an allowable expense in relation to calculating her net disposable income; therefore it is not included in the table above.

3. ELIGIBILITY

Although Deirdre meets some eligibility criteria for a DRN because

- ✓ Deirdre's debts are less than €20,000.
- ✓ She has less than €60 net disposable income prior to servicing the qualifying debt left after Reasonable Living Expenses.
- ✓ Her car is worth less than €5,000

She fails to meet other criteria to qualify for a DRN

- ✗ Due to the fact that Deirdre has a loan outstanding in respect of her car, Deirdre is ineligible for a DRN, in accordance with Section 26(6)(c)(iii)(I) of the Personal Insolvency Act.

Deirdre decides to seek advice from a Money Advisor who will assist her in assessing her options.

Links to Money Advice and Budgeting Service (MABS) will be on the ISI website

www.isi.gov.ie

SCENARIO 4

DRN – APPLICANT ELIGIBLE, EXCLUDABLE DEBT

This sample scenario is designed to illustrate the basic features of a DRN, which includes an excludable debt owing to Revenue Commissioners.

1. TOM'S STORY

Tom is an unemployed construction worker in receipt of Social Welfare income of €744 per month. He lost his job 10 months ago and now lives at home with his parents.

Over the years, Tom built up debts on his credit card totalling €7,000. He owes his mobile phone provider €800 and has an outstanding tax bill of €8,000, owed to the Revenue Commissioners.

Tom's only assets are some tools and household items worth a total of €4,300. He recognises that, since losing his job, he cannot pay his debts as they fall due and realises he is insolvent. He believes he might be eligible to seek a DRN and selects an Approved Intermediary (AI), which he contacts in order to discuss his current financial situation.

2. TOM'S CURRENT INSOLVENT POSITION

Assets		Monthly Income	
Household items	€ 4,000	Monthly Net Income	€ 744
Tools	€ 300		
Total	€ 4,300	Total	€ 744
Debts		Monthly Expenses	
Credit card	€ 7,000	Total Set Costs ¹	€ 933.14
Revenue Commissioners	€ 8,000		
Mobile Phone	€ 800	Reasonable Living Expenses	€ 933.14
Total	€ 15,800	Net disposable income prior to servicing debt (€744 - € 933.14)	€(189.14)

¹ The Approved Intermediary (AI) references the tables in the ISI "Guidelines on a reasonable standard of living and reasonable living expenses", available on the website (www.isi.gov.ie) to calculate Tom's Total Set Costs. Tom's circumstances meet those covered by Table 1. "One adult household, no vehicle" on page 37 of the Guide (One adult total set costs are € 933.14).

3. ELIGIBILITY

Tom is eligible for a DRN because

- ✓ Tom is insolvent – he is unable to pay his debts as they fall due.
- ✓ His debts are less than €20,000.
- ✓ He has less than €60 net disposable income per month prior to servicing his debt left after Reasonable Living Expenses have been deducted.
- ✓ The value of his necessary household items does not exceed the €6,000 limit.
- ✓ His other assets are less than €400 in value.
- ✓ Tom meets all of the other eligibility criteria for a DRN. Please see page 5 of the Guide to a Debt Relief Notice.

4. NEXT STEPS

- f) Tom applies for a DRN through an Approved Intermediary (AI) - who will not charge a fee. The AI notes Tom owes the Revenue Commissioners €8,000. She explains to Tom that certain debts require the prior consent of the creditor in order to be included in the DRN. Tax liabilities are one such type of debt that requires this prior consent – they are referred to as “excludable debts”. Where the creditor agrees to the inclusion of the debt in the DRN the debt becomes what is referred to as a “permitted debt”.
- g) The AI contacts the Revenue Commissioners through their dedicated insolvency email address to determine if they will allow the debt to be included in the DRN. In the event that the AI does not hear back from them within 21 days, Revenue will be deemed to have consented.
- h) The AI provides the Revenue Caseworker with the necessary information in order for him/her to make a decision as set out in Revenue’s ‘Guidance Note for Approved Intermediaries and Personal Insolvency Practitioners on Personal Insolvency Matters’. The Caseworker verifies that the record of Tom’s debt on file does not conflict with any other information held by them and satisfies himself/herself that Tom falls within that Guidance Note. Revenue consents to being included in the DRN.
- i) The AI sends Tom’s application, along with the required supporting documentation, to the ISI for processing.
- j) Assuming the ISI is satisfied that the application is in order; it will issue a certificate to that effect and forward the application to the Circuit Court.
- k) Assuming the Circuit Court is satisfied with the application; it will issue a DRN to Tom and the ISI will record Tom’s DRN on a Public Register for DRNs. This will include his name, address, year of birth and the date of issue of the DRN.
- l) A 3 year supervision period will apply to Tom’s DRN. During that time, Tom is not required to make any payments to his specified creditors and none of his specified creditors can pursue him for the money he owes.
- m) A DRN can only be granted once in a person’s lifetime. Tom will be expected to meet any future tax obligations as they arise..

- n) Tom must advise the ISI of any change to his circumstances during the 3 year supervision period.

5. TOM'S POSITION AFTER MEETING HIS OBLIGATIONS UNDER THE DRN

Assuming Tom's situation remains the same and he adheres to the statutory requirements of the Debt Relief process, at the end of the 3 years:

- Tom will be free from the debts contained in the DRN.
- Tom's details (name, address, year of birth, and the date of issue of the DRN) will be removed from the Public Register of Debt Relief Notices.
- Tom will be solvent.

