



# ISI Case Studies

2016



**ISI**

**Tackling problem debt together**

## **Insolvency Service of Ireland – Case Studies**

Set out below are summary details of seven cases dealt with by the ISI. They have been selected on the basis that they reflect the most common issues arising in the affairs of insolvent applicants and also the most common solutions identified by either an Approved Intermediary or Personal Insolvency Practitioner.

- Example 1 covers a DRN where the debtor, who was on Social Welfare, had all of their debt written off.
- Example 2 covers a DSA where a family home mortgage was sustainable but for a number of unsecured debts.
- Example 3 covers a DSA where a modest payment from a relative avoided Bankruptcy.
- Example 4 covers a PIA that kept the debtors in their home while selling Buy to Let properties in negative equity.
- Example 5 covers a PIA that kept the debtor in their home through a split mortgage solution.
- Example 6 covers a PIA that kept a single parent debtor in their home following an adjournment of repossession hearing.
- Example 7 covers an interlocking PIA that kept the debtors in their home following an adjournment of repossession hearing.

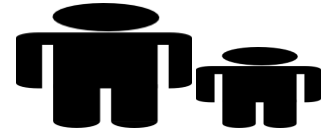
***THE DEBT RELIEF NOTICE (DRN) PROVIDES FOR THE WRITE OFF OF QUALIFYING DEBT UP TO €35,000, SUBJECT TO A 3 YEAR SUPERVISION PERIOD.***

***THE DEBT SETTLEMENT ARRANGEMENT (DSA) PROVIDES FOR THE AGREED SETTLEMENT OF UNSECURED DEBT WITH NO LIMITS INVOLVED OVER A PERIOD, NORMALLY EXPECTED TO BE 5 YEARS.***

***THE PERSONAL INSOLVENCY ARRANGEMENT (PIA) PROVIDES FOR THE RESTRUCTURING OR SETTLEMENT OF SECURED DEBT UP TO €3M AND THE SETTLEMENT OF UNSECURED DEBT OVER A PERIOD, NORMALLY EXPECTED TO BE 6 YEARS.***

***FOR MORE INFORMATION ON THE ISI'S DEBT SOLUTIONS CLICK HERE:***

***[http://www.isi.gov.ie/en/ISI/Pages/Debt\\_solutions](http://www.isi.gov.ie/en/ISI/Pages/Debt_solutions)***



## Example 1: DRN

This example covers a person who availed of the Debt Relief Notice. The individual was male, age 55, divorced, unemployed and had one child in secondary school. He had no significant assets in his name and his income was restricted to social welfare. He had several unsecured creditors totalling almost €15,000. He was living significantly below the level that the ISI would deem to be reasonable. In fact, his income could have been over €700 higher per month and he still would have qualified for a Debt Relief Notice.

<b>Assets</b>	<b>€</b>	<b>Monthly Income</b>	<b>€</b>
Cash	100	Monthly Net Income	1,053
<b>Debts</b>	<b>€</b>	<b>Monthly Expenses</b>	<b>€</b>
Retail Bank	5,200	Total Set costs	1,511
Retail Bank	4,200	Rent	220
Credit Union	1,310	Reasonable Living Expenses	1,731
Mobile Phone Provider	249		
Utility Company	725		
Money Lending Firm	1,022		
Utility Company	445		
Utility Company	163		
Utility Company	293		
Utility Company	1,091		
<b>Total Debt</b>	<b>14,698</b>	<b>Net Disposable income prior to servicing debt (€1,053-€1,731)</b>	<b>(678)</b>

The debtor is subject to a three-year period during which, if his circumstances improve, he may be required to make a contribution to his creditors up to a maximum of 50% of the amount he originally owed. In the absence of such an improvement all of his debts will be written off at the end of the three-year period.

<b>Application to ISI</b>	<b>Approved by ISI</b>	<b>DRN Approved by Court</b>	<b>DRN Finishes</b>
10/09/2014	19/09/2014	03/10/2014	2/10/2017



## Example 2: DSA

This example involves a male who is aged 39, married, employed, with one infant child and has a need for a car. This case represents a common problem whereby the debtor's mortgage would be sustainable but for the fact that they have a significant amount of unsecured debt. The debtor's family home was worth €154,000 but the mortgage was €275,000. His unsecured debt amounted to almost €35,000. In this case the family were already living below what the ISI would deem to be reasonable.

<b>Assets</b>	<b>€</b>	<b>Monthly Income</b>	<b>€</b>
Principal Private Residence	154,000	Monthly Net Income	2,082
Car	2,300		
Bank/Building Society Accounts	241		
<b>Debts</b>	<b>€</b>	<b>Monthly Expenses</b>	<b>€</b>
PPR mortgage Bank	275,900	Total Set costs	1,298
Retail Bank	7,779	Rent/Mortgage	941
Credit Card	6,183	Reasonable Living Expenses	2,239
Credit Card	931		
Retail Bank	574		
Credit Union	19,108		
<b>Total Debt</b>	<b>310,475</b>	<b>Net Disposable income prior to servicing debt</b>	
<b>Unsecure Debt</b>	<b>34,575</b>	<b>(€2,082-€2,239)</b>	<b>(157)</b>

The mortgage lender in this case agreed to suspend mortgage repayments for a period of six months and then to accept interest only payments for a further period of 6 months so that a DSA could be facilitated. This resulted in 62% of the debtor's unsecured debt being written off. Having cleared his unsecured debt, it was possible for the debtor to service his mortgage in full thereby staying in his family home.

<b>Application to ISI</b>	<b>Approved by ISI</b>	<b>Protective Certificate Approved by Court</b>	<b>PIP Proposal approved by Court</b>	<b>Arrangement Finishes</b>
29/04/2014	28/05/2014	18/06/2014	03/09/2014	04/09/2019



### Example 3: DSA

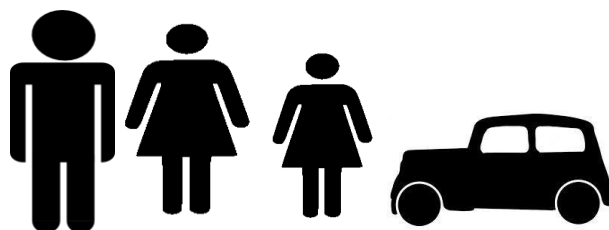
This example involves a female aged 37, married, employed on a part-time basis, with one two child in preschool and another in primary school and in need of a car. In this case the debtor had assets of little value and limited income. She had debts exceeding €30,000. She was living below what the ISI would deem to be reasonable.

<b>Assets</b>	<b>€</b>	<b>Monthly Income</b>	<b>€</b>
Car	500	Monthly Net Income	1,209
Bank/Building Society Account	348		
<b>Debts</b>	<b>€</b>	<b>Monthly Expenses</b>	<b>€</b>
Credit Card	9,590	Total Set costs	1,680
Retail Bank	7,614	Rent/Mortgage	300
Retail Bank	7,001	Reasonable Living Expenses	1,980
Retail Bank	7,329		
<b>Total Debt</b>	<b>31,534</b>	<b>Net Disposable income prior to servicing debt (€1,209-€1,980)</b>	<b>(771)</b>

In this case the applicant would typically be considered for bankruptcy. However she was able to source a lump sum of €9,500 from a relative to make available to her creditors and cover her PIP's fee. Creditors accepted this proposal on the basis that this payment would not be available to them in bankruptcy. This resulted in 77% of the debtor's debt been written off. Due to the fact that it was a single lump sum payment, the Debt Settlement Arrangement lasted just one month.

<b>Application to ISI</b>	<b>Approved by ISI</b>	<b>Protective Certificate Approved by Court</b>	<b>PIP Proposal approved by Court</b>	<b>Arrangement Finishes</b>
10/01/2014	15/01/2014	13/03/2014	02/05/2014	03/06/2014

## Example 4 PIA



This is a case of two debtors applying for interlocking relief. They are married, both aged 38, both in employment, with one child in secondary school and in the need of a car. While they had a reasonable level of income and had disposable income at the end of each month, it was insufficient to meet all of their debt obligations. They had a family home worth €145,000 (in €20,000 negative equity) and a residential investment property in significant negative equity.

<b>Assets</b>	<b>€</b>	<b>Monthly Income</b>	<b>€</b>
Principal Private Residence	145,000	Monthly Net Income	3,473
Residential Investment Property	85,000		
Credit Union Shares	1754		
<b>Debts</b>	<b>€</b>	<b>Monthly Expenses</b>	<b>€</b>
PPR Mortgage Bank	163,471	Total Set costs	1,827
BTL Mortgage Bank	220,880	Rent/Mortgage	943
Retail Bank	905	Reasonable Living Expenses	2,770
Management Company	3,286		
<b>Total Debt</b>	<b>388,542</b>	<b>Net Disposable income prior to servicing debt (€3,473-2,770)</b>	<b>703</b>

The PIP successfully agreed a six year PIA with creditors. Approximately €50,000 will be available to creditors based on the €703 per month for six years. The residential property investment property will be sold and the negative equity dealt with within the PIA. The family home was restructured to a sustainable level without the need for debt write off.

<b>Application to ISI</b>	<b>Approved by ISI</b>	<b>Protective Certificate Approved by Court</b>	<b>PIP Proposal approved by Court</b>	<b>Arrangement Finishes</b>
19/08/2014	12/09/2014	17/09/2014	22/11/2014	23/11/2020

## Example 5 PIA



This is an example of a single female, aged 38, in employment, with a car. In this case the individual had a principal private residence in significant negative equity. Despite being in employment, the individual was living below what the ISI deem to be reasonable.

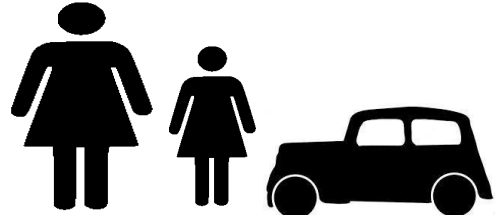
<b>Assets</b>	<b>€</b>	<b>Monthly Income</b>	<b>€</b>
Principal Private Residence (PPR)	60,000	Monthly Net Income	1,618
Car	500		
<b>Debts</b>	<b>€</b>	<b>Monthly Expenses</b>	<b>€</b>
PPR Mortgage Bank	212,612	Total Set costs	1,045
Credit Card	2,863	Rent/Mortgage	600
		Reasonable Living Expenses	1,645
		<b>Net Disposable income prior to servicing debt</b>	
<b>Total Debt</b>	<b>215,475</b>	<b>(€1,618-€1,645)</b>	<b>(27)</b>

The Personal Insolvency Practitioner was able to implement a split mortgage solution within the PIA which also dealt with unsecured creditors.

The debtor will continue to service a mortgage that is sustainable (€95,332). Further amount shall be warehoused with clear and transparent conditions applying to how and when that warehoused amount will be repaid (€19,000). The balance of the current mortgage (€98,280) will be written off.

A token payment of €150 will be made to the credit card company representing a dividend of 5%.

<b>Application to ISI</b>	<b>Approved by ISI</b>	<b>Protective Certificate Approved by Court</b>	<b>PIP Proposal approved by Court</b>	<b>Arrangement Finishes</b>
28/05/2014	12/06/2014	25/06/2014	11/09/2014	12/03/2015



## Example 6 PIA

This is an example of a single parent of one teenage child in employment with a car. In this case the individual had a principal private residence with a judgement mortgage. The debtor was working full time until being made redundant, she retrained and obtained a full time position. The debtor is currently undertaking further training. While the individual had a reasonable level of income and had disposable income at the end of each month, it was insufficient to meet all of her debt obligations.

<b>Assets</b>	<b>€</b>	<b>Monthly Income</b>	<b>€</b>
Principal Private Residence (PPR)	150,000	Monthly Net Income	2,570
Car	1,000		
<b>Debts</b>	<b>€</b>	<b>Monthly Expenses</b>	<b>€</b>
PPR Mortgage Bank	150,000	Total Set costs	1,511
Retail Bank 1	9,210	Rent/Mortgage	568
Retail Bank 2	10,010	Reasonable Living Expenses	2079
Credit Union	35,000		
Credit Card 1	7,120	<b>Net Disposable income</b>	
Credit Card 2	18,700	<b>prior to servicing debt</b>	
<b>Total Debt</b>	<b>230,040</b>	<b>(€2570-€2,079)</b>	<b>491</b>
<b>Unsecure Debt</b>	<b>80,040</b>		

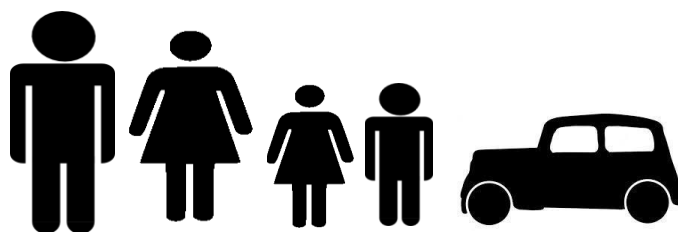
The Personal Insolvency Practitioner proposed a PIA which will last for the full 72 month term.

The debtor will continue to service the PPR mortgage with the associated payments (€568) to be prioritised over other debt payments. The mortgage arrears will be capitalized on the coming into effect of this PIA and current tracker interest rate of EBC +1.2% to be fixed for the duration of the arrangement. The creditor who holds the judgement mortgage has agreed to waive their security and be treated as unsecured debt.

Over the term of the PIA the unsecured creditors will receive a total dividend of 55%.

<b>Application to ISI</b>	<b>Approved by ISI</b>	<b>Protective Certificate Approved by Court</b>	<b>PIP Proposal approved by Court</b>	<b>Arrangement Finishes</b>
<b>15 September 2015</b>	<b>21 September 2015</b>	<b>28 September 2015</b>	<b>11 January 2016</b>	<b>10 January 2022</b>





## Example 7 PIA

This is a case of an interlocking PIA with imminent repossession avoided for two debtors who are married. They both lost their jobs in 2008, the husband is now self-employed with the wife working at home looking after the children. They have two children in primary school. After reasonable living expenses and some debt service, disposable income is approximately €20 per month. They have a family home worth €270,000 (in €400,000 negative equity), a residential investment property in significant negative equity (€215,000) and possession proceedings had commenced in Court.

<b>Assets</b>	<b>€</b>	<b>Monthly Income</b>	<b>€</b>
Principal Private Residence (PPR)	270,000	Monthly Net Income	5,033
Investment Property	40,000		
Car	6,000		
Car	5,000		
<b>Debts</b>	<b>€</b>	<b>Monthly Expenses</b>	<b>€</b>
PPR Mortgage Bank	700,000	Total Set costs	1,848
BTL Mortgage Bank	250,000	Rent/Mortgage	2,236
Retail Bank 1	145,430	Special Circumstances	397
Retail Bank 2	1,680		
Retail Bank 3	1,000		
Retail Bank 4	11,200		
Service Provider 1	800	Reasonable Living Expenses	4,481
Service Provider 2	360		
Service Provider 3	1,040		
Credit Card 1	7,500	<b>Net Disposable income</b>	
Credit Card 2	800	<b>prior to servicing debt</b>	
<b>Total Debt</b>	<b>1,116,900</b>	<b>(€5,033-€4,481)</b>	<b>552</b>
<b>Unsecure Debt</b>	<b>166,900</b>		

Debtors sought an adjournment to their family home repossession hearing to explore a PIA which was granted.

The Personal Insolvency Practitioner established that a lack of disposable income meant a regular dividend solution was not feasible. The PIP identified a possible long term sustainable mortgage restructure. The debtor sourced a €20,000 contribution from relatives. A one month (lump sum) PIA was proposed. Creditors agreed to a three-year PIA with a lump sum at commencement with three annual reviews to be undertaken by the PIP.

50% of the family home mortgage was restructured to a level sustainable for the borrowers with the other 50% warehoused at 0% until the death of the longest surviving spouse. The negative equity on the investment property was written off. The majority of the unsecured debt was written off (circa 2% return).

<b>Application to ISI</b>	<b>Approved by ISI</b>	<b>Protective Certificate Approved by Court</b>	<b>PIP Proposal approved by Court</b>	<b>Arrangement Finishes</b>
<b>7 July 2015</b>	<b>13 July 2015</b>	<b>15 July 2015</b>	<b>16 November 2015</b>	<b>15 November 2018</b>