Disclaimer

This document is not a model form of a Personal Insolvency Arrangement (a "PIA") or other guidelines for the purposes of section 137 of the Act or a Code of Practice for the purposes of section 99(3) of the Act.

The example arrangement below is not a legal interpretation or analysis of the Personal Insolvency Act 2012 as amended (the "Act"), but is published by the Insolvency Service of Ireland ("ISI") for information purposes only in accordance with the ISI's function under section 9(1)(e) of the Act to provide information to the public on the working of the Act. The layout and contents of the PIA show only one possible form of PIA.

The example sets out a sample layout and content for a PIA and is not intended to be binding. The terms and conditions will change according to the circumstances of a particular case. A personal insolvency practitioner ("PIP") is responsible for formulating a PIA and may use a different layout and text, as he or she considers appropriate to any individual insolvency case to which he or she may be appointed, subject to, and in accordance with, the requirements of the Act.

Executive Summary Table

The ISI has removed the executive summary. The ISI intends to re-examine the format of this executive summary with a view to possibly developing a document summarising the main features of a PIA, which may in time be issued under section 137 of the Act (Guidelines and Codes of Practice). Section 137 permits the ISI to publish guidelines for PIPs, which may include a model form of PIA. Under section 137(2) of the Act, PIPs would be obliged to have regard to the model form of PIA. By contrast, this sample PIA is produced for information only under section 9(1)(e) of the Act.

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1 Background

1.1 Background to Debtor’s Circumstances

The financial difficulties of Noel and Christina (each, a “debtor” and together, the “debtors”) have arisen due to a reduction in their respective salaries.

In recent years the debtors carried out a number of home improvements which were financed by unsecured credit union loans. They also incurred credit card debt to pay for holidays abroad. They are now struggling to meet their commitments. They have reduced their monthly living expenses significantly but this has been insufficient to resolve their financial difficulties. They have co-operated with their secured creditor, the Bank of Mutual Assistance, in relation to their home mortgage under the Central Bank of Ireland’s Code of Conduct on Mortgage Arrears for a period of ten months but have been unable to agree a sustainable repayment solution. They realise they are insolvent and have instructed a PIP to propose a Personal Insolvency Arrangement (a “PIA”) to their creditors on their behalf.

1.2 Background to PIA

Mr. PIP, an authorised PIP (the “PIP”), has been appointed by the debtors to make a proposal for a PIA pursuant to section 53.

On 1 September 2013, an application was made to the Insolvency Service of Ireland (the “ISI”) on the debtors’ behalf for a protective certificate which was issued by the Dublin Circuit Court on 14 September 2013.

Following the issue of the protective certificate, the PIP gave written notice of his appointment to all of the debtors’ creditors. The PIP enclosed with that notice a copy of the debtors' Prescribed Financial Statement and invited creditors to make submissions as to how their debts might be dealt with as part of a PIA.

The PIP has reviewed the submissions received from creditors and, having considered those submissions, has formulated this proposed PIA.

The PIP has formed the opinion that, in the case of the debtors, a PIA will enable the debtors to avoid bankruptcy and provide a better return for creditors than would their bankruptcy and the debtors are eligible under the Act to make a proposal for a PIA.

2 Debtor Confirmation

The debtors have confirmed to the PIP that, in their view:

- the debtors have not entered into a transaction with a person at an undervalue within 3 years preceding the application for a protective certificate that has materially contributed to the debtors' inability to pay their debts.
- the debtors have not given a preference to a person within 3 years preceding the application for the protective certificate that has had the effect of substantially reducing the amount available to the debtors for payments of their debts.
- the debtors have not by their conduct within the two years prior to the issue of the protective certificate arranged their financial affairs primarily with a view to being or becoming eligible to apply for a Debt Settlement Arrangement or PIA.
- the debtors have not made any excessive pension contributions in the three years prior to the making of an application for a protective certificate under section 93.
- aside from mortgage protection, the debtors do not have any other life assurance policies either individually or jointly which could be treated as an asset for the purpose of the PIA.
- the debtors have no contingent debts.

3 Terms of the Arrangement

3.1 Key Provisions of PIA and Payment Terms – section 100

3.1.1 Subject to the terms of the PIA and the Act, the debtors will make available from income, the sum of €19,100 (net of PIP's fee and outlay) for unsecured creditors during the continuance of the PIA which equates to a dividend of 32% of the original unsecured debts.

3.1.2 No assets of the debtors will be sold pursuant to the PIA save as required for the debtors to satisfy their obligations under clause 3.14.

3.1.3 The debtors' contributions in respect of amounts due to unsecured creditors under the PIA will be payable to the PIP in monthly instalments which may vary, depending on the debtors' circumstances as set out in clause 3.17 and Appendix 4.

3.1.4 The PIP will, subject to the retention of such sums as are necessary for payment of the PIP's fees as set out at clause 3.9, distribute available contributions to unsecured creditors by way of dividend, on a quarterly basis.

3.1.5 The debtors will pay the revised monthly mortgage payments provided for under the PIA directly to the secured creditor, Bank of Mutual Assistance, during the continuance of the PIA.

3.1.6 A schedule of dividends and the dates on which they become payable to unsecured creditors is set out at Appendix 4.

3.1.7 A comparison with the estimated outcome on bankruptcy is set out at Appendix 5.

3.1.8 There are no preferential debts or excludable debts subject to the PIA.

3.1.9 The secured creditor and the PIP have engaged with each other and considered the various options available to deal with the secured debt. The PIP has also engaged with the debtors in relation to the secured debt. The secured creditor has indicated to the PIP a preference for the payment period in respect of the secured debt to be extended by a period of 10 years as outlined in Appendix 7 of this PIA. Other than as set out in this PIA, no further changes are made to the terms of the secured debt and all existing terms and conditions affecting the secured debt are confirmed insofar as they are not affected by this PIA. The PIP considers this to be reasonable having regard to the debtors' circumstances and section 104. The PIA does not provide for a reduction of the principal sum due in respect of the secured debt.

3.1.10 The debtors' existing mortgage arrears of €15,000 will be capitalised with effect from the Effective Date by being added to the principal amount due in respect of the secured debt.

3.1.11 The new monthly payment of €1,653 (comprising principal and interest) will not increase over the term of the PIA unless it is varied in accordance with section 119 of the Act. This is intended to give certainty to the PIP in calculating dividends to be paid to unsecured creditors and the secured creditor has indicated to the PIP its agreement to this clause having regard to the particular circumstances of the debtor in this case.

3.1.12 The interest rate applicable to the secured debt is a tracker rate of 3.25% per annum above the European Central Bank ("ECB") main refinancing operations interest rate (at the date of the proposal for this PIA, 0.25% per annum). If the interest rate increases beyond 3.5% during the term of the PIA as a result of the reference ECB rate rising, such increase will not be passed to the debtors for payment during the term of the PIA. Instead the additional interest will accrue and be deferred until the final day of the term of the PIA, whereupon it will be capitalised by being added to the principal amount due in respect of the secured debt.

3.1.13 The application of the debtors' payments under the PIA shall be as follows:

3.1.13.1 <u>Unsecured creditors</u>: all payments made by the debtors under the PIA in respect of the debtors' unsecured debt are to be applied in satisfaction of the oldest outstanding payment and no obligation in respect of a payment is discharged until that payment is satisfied in full by the debtors.

3.1.13.2 <u>Secured creditors</u>: all payments made by the debtors under the PIA in respect of the debtors' secured debt are to be applied in satisfaction of the oldest outstanding payment and no obligation in respect of a payment is discharged until that payment is satisfied in full by the debtors.

3.2 Joint PIA – section 89(3)

The debtors are jointly and severally liable in respect of all of the debts to be covered by the PIA and jointly propose the PIA.

3.3 Excludable Debt - section 92

The debtors did not owe any excludable debts at the date of issue of the protective certificate. Accordingly, no such excludable debt is subject to the PIA proposal as a permitted debt.

3.4 Secured and Unsecured Debts - section 99 (2)(a)

Details of secured debts and unsecured debts as of the date of issue of the protective certificate are set out in the Schedule of Creditors and Debts at Appendix 6.

3.5 Duration of PIA - section 99(2)(b)

3.5.1 The effective date of the PIA, in accordance with section 115(8) of the Act, is the date of its registration by the Insolvency Service in the Register of Personal Insolvency Arrangements (the "Effective Date").

3.5.2 Unless extended in accordance with this clause, the duration of the PIA will be 72 months from (and including) the Effective Date (the "Specified Duration").

3.5.3 The PIP may from time to time extend the Specified Duration by such period of time as the PIP considers reasonable in the circumstances up to a maximum of 12 months in aggregate. Accordingly, the maximum duration of the PIA is 84 months from (and including) the Effective Date.

3.5.4 The PIP will send notice of the period of any extension under this clause (an "Extension Notice") to the debtors, the creditors party to the PIA and the Insolvency Service. No Extension Notice will be sent later than fourteen days prior to the end of the Specified Duration.

3.5.5 An Extension Notice may be served:

3.5.5.1 subject to section 123, where any payment due by the debtors under the PIA is likely to be in arrears at the end of the Specified Duration, or

3.5.5.2 where the PIP has granted a payment break in accordance with clause 3.6.

3.6 Payment Break

3.6.1 At the debtors' request, the PIP may at his discretion direct that all payments payable by the debtors in accordance with the terms of the PIA in respect of the debts specified in the PIA as being subject to the PIA will be suspended for such period of time as the PIP directs, up to a maximum of 4 months on each of three occasions during the term of the PIA (a "payment break") where:

3.6.1.1 the debtors (or either of them) face an emergency or unusual item of expenditure; or

3.6.1.2 there is an unforeseen reduction in the debtors' income of a temporary nature which is material in the context of the debtors' payment obligations under the arrangement.

3.6.2 In the event that more than one payment break is granted the payment breaks will not be consecutive unless by agreement of the creditors who are parties to the PIA.

3.6.3 In the event that a payment break is granted by the PIP, the duration of the PIA will be extended, subject to clause 3.5, by the same period of time for which payments have been suspended in order to make good the missed contributions payable by the debtors under the PIA in the absence of a payment break applying under this clause, unless the debtors have otherwise made good the shortfall.

3.6.4 The PIP will advise the debtors that availing of a payment break will result in the PIA being extended under Clause 3.5. In respect of secured debt this means repayments on the mortgage following conclusion of the PIA will be higher than shown in Appendix 7.

3.6.5 The debtors will not be in default or breach of the terms of the PIA by reason only of a payment break applying in accordance with this clause.

3.6.6 Where a payment break is in force in accordance with this clause, no payment subject to the payment break, which, in the absence of the payment break applying under this clause, would otherwise be due and payable under the PIA, will be due and payable by the debtor.

3.6.7 Where the PIP has agreed to grant a payment break under this clause, the PIP will notify the creditors as soon as practicable.

3.7 Assets necessary for employment, business or vocation - section 99(2)(d)

Under the PIA the debtors are not required to dispose of assets which are reasonably necessary for the debtors' employment, business or vocation.

3.8 Reasonable Standard of Living - section 99(2)(e)

3.8.1 Taking into account the effects of the secured debt restructuring provided for under the PIA, the debtors' reasonable living expenses assessed in accordance with guidelines made by the ISI under section 23 are €4,722 per month for the first year, which includes the housing cost of €1,653 per month (see Appendix 4 for the reasonable living expenses over the term of the PIA). The debtors' income following the coming into effect of the PIA is expected to be €4,950 per month, leaving €228 per month available for unsecured creditors in year one. The debtors will not be required to make payments under the PIA of such an amount that the debtors will not have sufficient income to maintain a reasonable standard of living for the debtors and their dependents.

3.8.2 Appendix 3 sets out a summary of income statement showing net available income before, during and after the PIA.

3.9 PIP Fees etc. - section 99(2)(f)(i), (ii) and (iii)

3.9.1 The fees, costs, charges and outlays ("fees and outlays") of the PIP will be payable in accordance with this clause 3.9.

3.9.2 No fees are payable to, and no outlay has been incurred by the PIP in respect of matters referred to in sections 48 to 54. The fees and outlays of the PIP incurred in connection with the PIA will be payable to the PIP from the monthly contributions of the debtors under the PIA. Those fees and outlays of the PIP shall be paid in priority to the amounts payable from time to time to the unsecured creditors as set out in Appendix 4.

3.9.3 The total amount of the PIP's fees and outlays to be payable under the PIA after its coming into effect is as follows:

PIP Fees & Outlays			
	Net	**Vat**	**Incl. vat**
Fees	€ 7,800	€ 1,793	€ 9,593
Outlay	€ 331	€ 76	€ 407
Total	€ 8,131	€ 1,869	€ 10,000

3.9.4 Should additional work such as variations to the PIA be required over the term of the PIA then the PIP will be remunerated for this additional work. The associated fees, costs and outlays of such additional work are to be borne by the creditors in proportion to the debt they are owed at the date of the issue of the protective certificate.

3.10 Tax liabilities incurred during administration of PIA - section 99(2)(f)(ia)

3.10.1 All tax liabilities incurred by the debtors under the Taxes Consolidation Act 1997 after the date of issue of the protective certificate and during the administration of the PIA will be paid by the debtors in accordance with applicable tax legislation in force in the State. Any such tax liability will not be a specified debt covered by the PIA.

3.10.2 In the event of a failure by the debtors to discharge their tax liabilities in accordance with this clause, the Collector-General (within the meaning of the Taxes Consolidation Act 1997) may withdraw his or her agreement to accept the compromise contained in the PIA where this has been previously given under section 92.

3.10.3 All tax liabilities in respect of the PIA incurred by the PIP under the Taxes Consolidation Act 1997 during the administration of the PIA will be payable in priority to any payments to creditors under the PIA subject to and in accordance with section 99(2)(f)(ia).

3.11 Death of Debtor/Mental Incapacity of Debtor - section 99(2)(g)

3.11.1 In the event of the death or mental incapacity of the debtors or either of them, the PIA shall terminate with effect from the date specified below.

3.11.2 In the event of the death or mental incapacity of one of the debtors only (the “affected debtor”), the other debtor (the “surviving debtor”) shall, as soon as practicable following the death or mental incapacity of the affected debtor, notify the PIP.

3.11.3 The PIP shall, as soon as practicable after becoming aware of the death or mental incapacity of both debtors or, as applicable, on receipt of notice from the surviving debtor, send a notice of termination to the debtors (or their estate as applicable), the creditors party to the PIA and the ISI, upon sending of which notice to the ISI, the PIA will terminate and this shall be deemed the date of termination for the purpose of this clause.

3.11.4 Where, on the date of termination for the purposes of this clause, 50% or more of the amounts due to the unsecured creditors party to the PIA and the PIP under the PIA have been paid, the debtors shall stand discharged from the unsecured debts (including any arrears, charges and interest that have accrued during the continuance of the PIA) specified in the PIA.

3.11.5 Where, on the date of termination for the purposes of this clause, less than 50% of the amounts due to the unsecured creditors party to the PIA and the PIP under the

PIA have been paid, the debtors shall thereupon be liable in full for all unsecured debts covered by the PIA and clause 3.22 shall apply.

3.11.6 Any termination of the PIA by reason of the death or mental incapacity of the debtors or either of them in accordance with this clause, shall not affect the restructuring of the secured debt in accordance with the PIA. It is noted that the debtors have a mortgage protection policy which may, in accordance with its terms, become payable in such circumstances.

3.12 Principal Private Residence ("PPR") - section 99(2)(h) and section 104

3.12.1 The debtors share occupation of their PPR with each other and the property is jointly owned by them. The PPR is the subject of security for the secured debt owed by the debtors to the secured creditor and the debtors are jointly and severally liable for the mortgage debt.

3.12.2 Having considered the matters in section 104(2) and discussed those matters with the debtors, the PIP has formed the opinion that the costs associated with the debtors remaining in their PPR are not disproportionately large. The PIA does not therefore require the debtors to dispose of an interest in, or cease to occupy, their PPR.

3.13 Review of PIA - section 99(2)(i) and (j)

This PIA will be subject to review on (or within 2 months before) each anniversary of its coming into effect. Such review will include the preparation by the debtors of a new Prescribed Financial Statement a copy of which will be sent by the PIP to creditors as soon as is practicable thereafter together with a statement by the PIP as to the Prescribed Financial Statement's completeness and accuracy.

3.14 Surrender of additional income and assets

3.14.1 In the event that, following a review in accordance with clause 3.13 above, the aggregate of the debtors' incomes, made up of regular income plus any overtime, bonus or commission or like income, is shown to have increased by more than 10%

a month (after the deductions specified in section 119(12), an amount equivalent to 50% of such increase will, for the remaining term of the PIA, be made available for distribution to the unsecured creditors party to the PIA as an increase to their dividend under the PIA.

3.14.2 If either debtor receives an inheritance or gift or benefit from a lottery win or from gaming to a value in excess of €500, an amount equivalent to 50% of the value of such property will be made available as soon as practicable for distribution to unsecured creditors party to the PIA as an increase to their dividend under the PIA. Such amount will not exceed the total debt owed by the debtors as at the date of the protective certificate.

3.14.3 Neither such surrender of income or assets of the debtors under this clause 3.14 will require a variation under section 119.

3.15 PIP reduction of contributions to unsecured creditors

3.15.1 Subject to obtaining the PIP's prior consent, the debtors may reduce their total contributions to unsecured creditors under the PIA by up to 5% of the amounts specified in clause 3.1 without seeking consent from creditors, to reflect reductions in the debtors' income or, as applicable, increases in the debtors' expenditure, such change to be reported by the PIP to creditors following the annual reviews under clause 3.13.

3.15.2 The PIP will give fourteen days notice in writing to affected creditors of the debtors' intention to avail of their right to make such reductions.

3.15.3 Any such change will not affect payments to the secured creditor under the PIA and will not require a variation of the PIA under section 119. The term of the PIA will not be extended as a result of any such change.

3.16 Treatment of security held by the secured creditor - section 99(2)(k)

3.16.1 Upon the coming into effect of the PIA, the term of the secured debt secured by a mortgage over the debtors' PPR will be extended for an additional 10 years, bringing the total mortgage term to 35 years so that the final payment will fall due on 20 December 2048.

3.16.2 The monthly mortgage repayments will be reduced from €2,002 to €1,653 a month. The detail of the restructuring of the secured debt is set out in Appendix 7 of the PIA.

3.16.3 Other than as set out in this PIA, the contractual terms of the secured debt are confirmed, including without limitation any terms requiring the debtor to effect, maintain and assign any policy of property insurance or life assurance.

3.16.4 In the particular circumstances of this case, the secured creditor agrees with the PIP that the new monthly payment of €1,653 will not increase over the term of the PIA unless it is varied in accordance with section 119 of the Act. The interest rate applicable to the secured debt is a tracker rate of 3.25% per annum above the European Central Bank ("ECB") main refinancing operations interest rate (at the date of the proposal for this PIA, 0.25% per annum). If the interest rate increases beyond 3.5% during the term of the PIA as a result of the reference ECB rate rising, such increase will not be passed to the debtors for payment during the term of the PIA. Instead the additional interest will accrue and be deferred until the final day of the term of the PIA, whereupon it will be capitalised by being added to the principal amount due in respect of the secured debt.The security will remain in place with respect to the secured debt.

3.17 Variation of the PIA - section 99(2)(l)

The PIP will be obliged to propose a variation of the PIA in accordance with section 119 where the PIP considers that there has been a material change in the debtors' circumstances and that the most appropriate way to address such change in circumstances would be to vary the PIA in accordance with section 119. The PIP will not be obliged to propose a variation of the PIA under this clause if the change in circumstances can adequately be addressed elsewhere under the other clauses of the PIA.

3.18 Statement of value of security – section 105

3.18.1 In accordance with section 105, the PIP, the debtors and the secured creditor have agreed that the value of the security in respect of the secured debt is €300,000.

3.19 Creditors Meetings - section 106

The Act requires that creditors' meetings under the PIA will be conducted in accordance with all regulations issued by the Minister for Justice and Equality under the Act.

3.20 Credit Facilities - section 118 (4)

The Act does not permit the debtors, either alone or with any other person, to obtain credit in an amount of more than €650 from any person without informing that person that the debtors are subject to a PIA.

3.21 Disposal of Property – section 118(5)

The Act does not permit a debtor in respect of whom a Personal Insolvency Arrangement is in effect to transfer, lease, grant security over, or otherwise dispose of any interest in property above €650 otherwise than in accordance with the terms of the Personal Insolvency Arrangement. As no assets of the debtors have been identified as key to the performance of their obligations under the PIA, this PIA does not impose any restrictions on the debtors as to the transfer, lease, grant of security over, or other disposal of any interest in property. Accordingly, any such transfer, lease, grant or disposal by the debtors of any interest in property above €650 is permitted without restriction or any requirement for consent from the PIP or creditors. This clause 3.21 is without prejudice to the other terms of the PIA, including clause 3.14 (surrender of additional income and assets).

3.22 Early Termination – section 124

3.22.1 Where the PIA has been deemed to have failed or has terminated under the Act, or has terminated in accordance with clause 3.11 or clause 3.23, the debtors will thereupon be liable in full for all debts covered by the PIA (including any arrears, charges and interest that have accrued during the continuance of the PIA) as if the

PIA had never been in effect less any amounts paid in respect of such debts during the continuance of the PIA.

3.22.2 A termination or failure of the PIA (otherwise than in accordance with clause 3.11) will cause the restructuring of the secured debt in accordance with clause 3.1, 3.16 and Appendix 7 to come to an end and the terms and conditions applicable to the secured debt prior to entering into the PIA will apply.

3.23 Breach by debtor

3.23.1 The debtors will be in breach of the PIA if the debtors (or either of them) fail to comply with any of their obligations under the PIA.

3.23.2 If, at any time, it appears to the PIP that the debtors are in breach of the PIA then the PIP will as soon as practicable issue to the debtors a notice identifying the breach and requiring the debtors within one month of sending the notice:

- to remedy the breach if it is capable of being remedied, and
- provide a full explanation to the PIP of the reasons for the breach.

3.23.3 If, within the one month period referred to in clause 3.23.2 or such longer period as the PIP may reasonably allow, the debtors remedy the breach, no further action will be taken against the debtors by the PIP or a creditor party to the PIA in respect of the breach.

3.23.4 If, within the one month period referred to in clause 3.23.2 or such longer period as the PIP may reasonably allow, the debtors have failed to remedy the breach of the PIA, the PIP may (following consultation with the debtors and, if the PIP considers appropriate, with the creditors):

- propose a variation of the PIA in accordance with section 119, or
- issue a notice of termination to the debtors, the creditors party to the PIA and the ISI, upon the sending of which notice to the debtors, the PIA will terminate.

3.23.5 In the event that the PIA has terminated in accordance with this clause, clause 3.22 will apply.

3.24 Discharge of Debt - section 99(2)(c) and section 125

3.24.1 Subject to performing all of their obligations under the PIA or, as applicable, in accordance with clause 3.11:

- there is no change to the terms of the secured debt specified in the PIA except as set out in clause 3.1, 3.16 and Appendix 7 and the debtors will not stand discharged from that secured debt except to the extent provided for under the terms of the PIA. In that regard, the debtor will stand discharged from the secured debt only to the extent of any amounts paid in respect of the secured debt during the continuance of the PIA, and;
- the debtors will stand discharged from the unsecured debts (including any arrears, charges and interest that have accrued during the continuance of the PIA) specified in the PIA.

3.24.2 Nothing in this clause 3.24 is intended to affect the application of section 125 of the Personal Insolvency Act 2012. For the avoidance of doubt, any discharge from any debt under the PIA shall arise by operation of that section 125 and not otherwise (in particular, this PIA does not include any clause that may be regarded as an accord, accord and satisfaction, release or other form of settlement by agreement).

3.25 Invalidity or illegality

If any part of the PIA is found to be contrary to the Act or regulations made thereunder, illegal, invalid, or contrary to public policy, this will not affect the validity of the rest of the PIA; and the part of the PIA in question must be interpreted accordingly.

4 Interpretation

- The terms of the PIA include the Background, Debtor Confirmation, Terms of the Arrangement and the Appendices hereto.
- References in the PIA to ‘the Act’ are to the Personal Insolvency Act 2012, as amended.

- Unless otherwise provided or the context otherwise requires, in this PIA each of the terms “arrangement”, “Personal Insolvency Arrangement” and PIA means :
    - an arrangement entered into by the debtors or, as applicable,
    - an arrangement for which a proposal is made under Chapter 4 of Part 3 of the Act
- References to clauses and appendices in this PIA are, unless otherwise stated, references to clauses in, and appendices to, this PIA.
- References in the PIA to “creditors” shall mean all creditors party to the PIA, whether they are secured creditors or unsecured creditors unless otherwise specified or the context otherwise requires.
- In the case of a joint application, unless otherwise specified, a reference to the “debtor” or the “debtors” will be construed as meaning the joint debtors or, where the context so requires, any of them.
- References in the PIA to a ‘section’ are to sections of the Act and, unless otherwise defined or the context otherwise requires, words and phrases used in the PIA have the meanings given to them in the Act.

5 Relationship between Act and PIA

Nothing in this PIA shall prejudice or modify the application of the Act or any part thereof (save to the extent such modification is (a) expressly provided for in the Act; and (b) such modification is expressly provided for in this PIA or otherwise is required to give effect to the terms of this PIA).

Appendix 1

Prescribed Financial Statement

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The Prescribed Financial Statement to be inserted here will be generated from the IT system of the ISI.

Appendix 2

Summarised Statement of Affairs

Assets		Before PIA	Mortgage repayment (net)	Dividend to unsecured creditors	Debt write down	After PIA	Div. %
PPR		€ 300,000				*€ 300,000	
Car		€ 4,000				** € 1,000	
Total		**€ 304,000**				**€ 301,000**	
Debts							
PPR Loan		€ 400,000	€ (38,915)			361,085	
Unsecured debts							
Credit union loan	50.00%	€ 30,000		€ (9,552)	€ (20,448)	€ 0	32%
Credit card debts	41.67%	€ 25,000		€ (7,957)	€ (17,043)	€ 0	32%
Overdraft	8.33%	€ 5,000		€ (1,591)	€ (3,409)	€ 0	32%
Total		**€ 460,000**	**€ (38,915)**	**€ (19,100)**	**€ (40,900)**	**€ 361,085**	

* Value of PPR assumed not to vary.

** Value of car assumed to fall by 75% during the lifetime of the PIA.

Appendix 3

Summarised Monthly Income and Expenditure Statement

	Before PIA	During PIA (Average)	After PIA
Income	€ 4,950	€ 4,950	€ 4,950
Reasonable living expenses – set costs	€ (2,500)	€ (1,992)	€ (2,040)
PPR Mortgage repayments	€ (2,002)	€ (1,653)	€ (1,653)
Childcare	€ (1,100)	€ (900)	€ (500)
Sub-Total	**€ (652)**	**€ 405**	**€ 757**
Unsecured loan repayments	€ (1,800)		
Dividend to unsecured creditors		€ (405)	
Surplus/(Deficit)	**€ (2,452)**	**0**	**€ 757**

Appendix 4

Dividend to unsecured creditors

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Totals	Dividend
Net monthly income		€ 4,950	€ 4,950	€ 4,950	€ 4,950	€ 4,950	€ 4,950		
Reasonable living expenses* #		€ 4,722	€ 4,863	€ 4,311	€ 4,593	€ 4,593	€ 4,193		
Monthly contribution		€ 228	€ 87	€ 639	€ 357	€ 357	€ 757		
Annual contribution		2,736	1,044	7,668	4,284	4,284	€ 9,084	€ 29,100	
PIP's fees and outlay and VAT		€ (1,666)	€ [0]	€ (3,333)	€ (1,667)	€ (1,667)	€ (1,667)	€ (10,000)	
Net contribution		**€ 1,070**	**€ 1,044**	**€ 4,335**	**€ 2,617**	**€ 2,617**	**€ 7,417**	**€ 19,100**	
Dividend									
Credit union	50.00%	€ 535	€ 522	€ 2,168	€ 1,309	€ 1,309	€ 3,709	€ 9,552	32%
Credit card	41.67%	€ 446	€ 435	€ 1,806	1,090	€ 1,090	€ 3,090	€ 7,957	32%
Overdraft	8.33%	€ 89	€ 87	€ 361	€ 218	€ 218	€ 618	€ 1,591	32%
	100.00%	**€ 1,070**	**€ 1,044**	**€ 4,335**	**€ 2,617**	**€ 2,617**	**€ 7,417**	**€ 19,100**	

* Varies due to changing childcare costs as a result in changes in the age of the children during the PIA.

The cost of housing, in this case the monthly mortgage repayment of €1,653, is a component of reasonable living expenses.

Dividends will be paid quarterly by the PIP to each unsecured creditor on the 20th day of January, April, July and October or the next business day where this falls on a weekend or public holiday.

Appendix 5

Comparison of Estimated Outcome[1]

Funds Available	PIA		Bankruptcy	
Income contribution	€29,100		€24,250[2]	
Sale of Car	€0		€4,000	
Less costs	(€10,000)		(€11,962)[3]	
Funds Available	€19,100		€16,288	
Secured Claims	**PIA**		**Bankruptcy**	
Shortfall based on valuation of asset	€0		(€ 89,820)[4]	
Unsecured Claims	**PIA**	**Dividend**	**Bankruptcy**	**Dividend**
Shortfall due to Bank of Mutual Assistance pursuant to valuation of asset	€0		€100,000	€10,180
Credit Union	€ 30,000	€9,550	€ 30,000	€3,054
Bank of Mutual Assistance – Credit Card	€ 25,000	€7,958	€ 25,000	€2,545
Bank of Mutual Assistance – Overdraft	€ 5,000	€1,592	€ 5,000	€509
Total unsecured claim	€60,000	€19,100	€ 160,000	€16,288
Dividend Funds	€19,100		€16,288	
Dividend Return	32%		10%	

The above table demonstrates the comparative outcome for the various classes of creditors between the proposed Personal Insolvency Arrangement and Bankruptcy. In this instance there is a better outcome for both secured and unsecured creditors under the PIA.

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[1] This comparison has been prepared on the basis that the bankruptcy reforms under the Personal Insolvency Act 2012 and the Courts and Civil Law (Miscellaneous Provisions) Act 2013 have come into effect.
[2] Income Payment Order restricted to 5 years in bankruptcy, compared to 6 years in PIA.
[3] Costs estimated on the basis of self-adjudication without representation (SI 465 of 2013).
[4] Crystallisation of €100,000 negative equity less unsecured dividend of €10,180.

Outcome for secured creditor

In the event of bankruptcy the secured creditor would likely be forced to crystallise the €100,000 negative equity in the debtors' PPR and would claim in the bankruptcy as an unsecured creditor for that amount, whereas by agreeing to the 10 year term extension under the PIA the loan is repaid in full.

Outcome for unsecured creditors

The unsecured creditors also fare better under the PIA. In part, this is due to the higher costs of bankruptcy in comparison with the lower costs of a PIA. Another significant advantage for the unsecured creditors is that the €100,000 negative equity in the secured debt is not crystallised and is kept separate from the pool of unsecured debts in the PIA. In a bankruptcy, the secured creditor could prove for the €100,000 shortfall following realisation of the security as an unsecured debt in the bankruptcy, significantly diluting the return to the other unsecured creditors.

The maximum period for a bankruptcy payment order is five years and it is subject to application by the Official Assignee to the High Court. The High Court will take into account the reasonable living expenses of the debtors and has discretion to refuse to make an order or to make an order for a duration of less than 5 years. In contrast, there are six years' contributions available under the PIA which have been voluntarily agreed by the debtors.

Appendix 6

Schedule of Creditors and Debts

Secured Debt	**Outstanding Debt**
Bank of Mutual Assistance – Mortgage	€ 400,000
Total secured	€ 400,000
Unsecured Debt	
Credit Union	€ 30,000
Bank of Mutual Assistance – Credit Card	€ 25,000
Bank of Mutual Assistance – Overdraft	€ 5,000
Total Unsecured	**€ 60,000**

Appendix 7

Amendment of Repayment Terms of Secured Debt

Secured debt owed to Bank of Mutual Assistance

The mortgage loan account 123456 held by the debtors with the Bank of Mutual Assistance is subject to a Letter of Loan Offer and subsequent letter(s) of amendment of loan offer (if appropriate) (together called "the Existing Loan Offer Letters").

The PIA amends the Existing Loan Offer Letters only in so far as set out in the PIA (including this Appendix).

In all other respects the terms and conditions of the Existing Loan Offer Letters are confirmed and continue to have full force and effect and can be relied upon by the Bank of Mutual Assistance and the Debtor.

The following are the current details applicable to the secured debt as set out in the Existing Loan Offer Letters:-

Mortgage loan account number:	123456
Mortgage loan balance (including arrears) as of date of protective certificate:	€400,000
Amount of Arrears (if any) as of date of protective certificate:	€15,000
Current (applicable) interest rate:	3.5% tracker
Current payment:	€2,002
Frequency of repayment:	Monthly
Repayment due date:	20th of each month
Remaining term:	300 months (25 years)
Existing mortgage loan expiry date:	20 December 2038
Security held:	First ranking legal charge over debtors' principal private residence at [address]

This PIA and this Appendix changes the term of the Existing Letters of Loan Offer in the following respects:-

Payment under the PIA:	€1,653
Frequency of repayment under the PIA:	Monthly
Repayment due date:	20th of each month
Repayments source:	Direct Debit
Mortgage loan expiry date:	20 December 2048

Upon the PIA ceasing to have effect, the payments in respect of the secured debt will be recalculated to ensure that the mortgage will be fully paid on the expiry of the mortgage loan as extended under this PIA. The following is the expected position on the Mortgage Loan Account at the end of the PIA (based on the repayments being made in full under the PIA and no extension of the term of the PIA under clause 3.5):-

Amount outstanding at end of PIA[5]:	€361,085
Monthly repayment amount at end of PIA[6]:	€1,653
Applicable interest rate at end of PIA:	3.5%
Remaining term at end of PIA:	348 months (29 years)

[5] Assuming no increase in interest rate, payment break or extension of original term of PIA.
[6] Assuming no increase in interest rate, payment break or extension of original term of PIA.