

DSA

**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

DSA– APPLICANT ELIGIBLE

This sample scenario is designed to illustrate the basic features of a DSA; including the use of non essential assets and disposable income as part of a DSA.

1. DAVID'S STORY

David is a 45-year-old single parent with one child in Primary School (aged 5). He is a self-employed electrician (sole trader) earning €3,000 net income per month. His income has significantly reduced in the last few years. He is renting a 2-bedroom apartment for €700 per month and also pays €500 per month for childcare.

At present, he has an unsecured personal loan of €50,000, credit card debts of €20,000 and as a sole trader owes his suppliers €10,000. David's current monthly debt repayment obligations amount to €1,500. He is unable to pay his bills and meet his debts as they fall due. He is insolvent.

David's only assets consist of a car valued at €5,000, tools valued at €2,500 (both needed for his employment) and an antique recently valued at €2,500.

David has only unsecured debts; therefore, he believes the most suitable arrangement is a DSA. David meets with a Personal Insolvency Practitioner (PIP) and provides full details of his financial circumstances so the PIP can understand his financial position.

2. DAVID'S CURRENT INSOLVENT POSITION

Assets		Monthly Income	
Car	€ 5,000	Monthly Net Income	€ 3,000
Tools	€ 2,500		
Antique	€ 2,500		
Total	€ 10,000	Total	€ 3,000
Debts		Monthly Expenses	
Personal Loan	€ 50,000	Total Set Costs ¹	€ 1,298
Credit card	€ 20,000	Rent/Mortgage ²	€ 700
Suppliers	€ 10,000	Childcare Costs ²	€ 500
		Reasonable Living Expenses	€ 2,498
		Available for remaining debt service (€ 3,000-€ 2,498)	€ 502
		Current obligations for remaining debt	(€ 1,500)
Total	€ 80,000	Deficit in meeting remaining debt obligations (€ 502-€ 1,500)	€ (998)

3. ELIGIBILITY

David qualifies for a DSA because

- ✓ David is insolvent – he is unable to pay his debts as they fall due.
- ✓ David has not incurred 25% or more of his debt in the 6 month period ending on the application date for the Protective Certificate.
- ✓ David meets all of the other eligibility criteria for a DSA

[\(Please see page 7 of the DSA guidebook for further details of eligibility criteria\).](#)

¹ The Personal Insolvency Practitioner 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 David's Total Set Costs. David's circumstances meet those covered by Table 4. "One adult household, one or more children, vehicle" of the Guide (One adult €1,091.15 + One child (age 5) in Primary school €207.12 = €1,298.27). For illustrative purposes and ease for the reader, the total set costs figure is rounded off to €1,298.

² The Personal Insolvency Practitioner will assess the reasonableness of mortgage, rent and/or childcare payments in accordance with the "Guidelines on a reasonable standard of living and reasonable living expenses".

4. NEXT STEPS

- a) The PIP assesses David's situation and is satisfied that David meets all the eligibility criteria for a DSA and submits an application to the Insolvency Service of Ireland (ISI), including a Prescribed Financial Statement (PFS) for a Protective Certificate (PC) on his behalf.
- b) The ISI processes David's application and is satisfied with it. The ISI issues a certificate to that effect and sends it along with David's application to the appropriate Court.
- c) The Court is satisfied with David's application and issues a PC. David's name, address, year of birth and date of issue of the PC will be added to the Public Register of PCs on the ISI website. The PC offers David and his assets protection from legal proceedings by his creditors while he is applying for a DSA.
- d) David's PIP has now 70 days to develop a DSA proposal and get it voted on by the creditors and submitted to the Court for assessment.
- e) David agrees to the DSA proposal developed by the PIP. (Details of potential DSA solution in point 5 below).
- f) Creditors representing 65% (i.e. threshold needed for creditors' approval) of David's total debt and participating at the creditors' meeting agree to the proposal.
- g) The PIP records the creditors' meeting results and sends them to the ISI and each of David's creditors. No creditor appeals at any point of the process.
- h) David's details are placed on a Public Register of Debt Settlement Arrangements. This includes his name, address, year of birth, and the creditors' approval of the DSA.
- i) The ISI and the Court carry out final reviews of David's case and approve the DSA. The date of the DSA coming into effect is added to the Public Register.

5. POTENTIAL DSA SOLUTION FOR DAVID PROPOSED BY THE PIP

- j) David sells his antique for €2,500, which he transfers to the PIP for onward distribution to his creditors.
- k) David's monthly disposable income available to make payments to his unsecured creditors, after meeting reasonable living expenses is €502.
- l) This equates to €30,120 over 5 years and along with the proceeds from the sale of the antique, David will contribute €32,620 over the lifetime of the DSA.
- m) For the purpose of this scenario, it is estimated that the PIP fees are €4,000. Therefore, David's unsecured creditors will receive €28,620 on a proportionate basis over the lifetime of the DSA.

As part of developing the DSA proposal, the PIP will seek to agree fees with the creditors. Fees will vary in accordance with the complexity of a case and what is acceptable to the creditors. In proposing a fee, the PIP may suggest a staggered draw down of this fee to reflect the upfront work associated with making an application and a proposal, as well as his/her other statutory duties during the lifetime of the DSA.

Payments made during the DSA

	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Return for creditors
Monthly amount available for contribution to the arrangement	€ 502	€ 502	€ 502	€ 502	€ 502		
Annual amount available for contribution to the arrangement (€ 502x12)	€ 6,024	€ 6,024	€ 6,024	€ 6,024	€ 6,024	€30,120	
Sale proceeds of antique	€ 2,500					€ 2,500	
Total contribution for the arrangement	€ 8,524	€ 6,024	€ 6,024	€ 6,024	€ 6,024	€32,620	
Less PIP's Fee ¹	€(1,500)	€ (625)	€ (625)	€ (625)	€ (625)	€(4,000)	
Total payments to unsecured creditors net of PIP's fees (100%)	€ 7,024	€ 5,399	€ 5,399	€ 5,399	€ 5,399	€28,620	
Repayment breakdown between creditors							
Personal Loan (62.5%)	€ 4,390	€ 3,374	€ 3,374	€ 3,374	€ 3,374	€17,886	36%
Credit card (25%)	€ 1,756	€ 1,350	€ 1,350	€ 1,350	€ 1,350	€ 7,156	36%
Suppliers (12.5%)	€ 878	€ 675	€ 675	€ 675	€ 675	€ 3,578	36%
Total payments to unsecured creditors net of PIP's fees (100%)	€ 7,024	€ 5,399	€ 5,399	€ 5,399	€ 5,399	€28,620	

6. DAVID'S POSITION AFTER MEETING HIS DUTIES AND OBLIGATIONS UNDER THE DSA

- Should David successfully complete the DSA, he will have repaid €28,620 of his debts at the end of the DSA, and the remaining €51,380 is discharged.
- The amount repaid represents a 36% return on the unsecured debts as at the date of the Protective Certificate.
- David is now solvent.

¹ In this scenario, the PIP's fees are made up of a fee of €1,500 for year one to reflect the 'up-front' work undertaken by the PIP followed by a fee of €625 each year for the remaining 4 years. The overall PIP's fees represent 12.3% of realisations in the five years of the DSA.

DSA- CHANGE IN CIRCUMSTANCES

This sample scenario, which is an extension of Scenario 5 (David's story), is designed to illustrate how a DSA may be adjusted during its lifetime to reflect a change in the debtor's circumstances.

1. DAVID'S STORY

David has been paying his DSA for two years now and he fills in his annual Prescribed Financial Statement (PFS) for his PIP as part of the mandatory annual review. David's workload has reduced and his net income has fallen by 15% to €2,550 monthly. He is finding it difficult to maintain his repayments as agreed under the Debt Settlement Arrangement.

David meets his PIP to discuss his change in circumstances and decides that he would like to apply for a variation to his current DSA. His new PFS discloses the following.

2. DAVID'S INSOLVENT POSITION AT THE END OF YEAR 2

Assets		Monthly Income	
Car (€5,000 less depreciation €2,000)	€ 3,000	Monthly Net Income (15% fall from €3,000 representing €450)	€ 2,550
Tools (€2,500 less depreciation €1,000)	€ 1,500		
Antique (sold to the benefit of the creditors)			
Total	€ 4,500	Total	€ 2,550
Debts (remaining at the end of year 2)		Monthly Expenses	
Loan (€50,000-€4,390-€3,374)	€ 42,236	Total Set Costs ¹	€ 1,298
Credit card (€20,000-€1,756-€1,350)	€ 16,894	Rent/Mortgage ²	€ 700
Suppliers (€10,000-€878-€675)	€ 8,447	Childcare Costs ²	€ 500
		Reasonable Living Expenses	€ 2,498
		Available for remaining debt service (€2,550-€2,498)	€ 52
		Current obligations for remaining debt under the existing DSA	€ (502)
Total	€ 67,577	Deficit in meeting remaining debt obligations (€ 52-€ 502)	€ (450)

¹ The PIP 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 David's Total Set Costs. David's circumstances meet those covered by Table 4. "One adult household, one or more children, vehicle" of the Guide (One adult €1,091.15 + One child (age 7) in Primary school €207.12 = €1,298.27). For illustrative purposes and ease for the reader, the total set costs figure is rounded off to €1,298.

² The Personal Insolvency Practitioner will assess the reasonableness of mortgage, rent and/or childcare payments in accordance with the "Guidelines on a reasonable standard of living and reasonable living expenses".

3. ELIGIBILITY

- ✓ Assuming David still meets all of the eligibility criteria, he applies for a variation to his Debt Settlement Arrangement.

4. NEXT STEPS

- n) David meets his PIP and identifies that he is in a position to make payments of €52 per month.
- o) David agrees to a variation proposal (details of potential DSA variation solution in point 5 below).
- p) The PIP draws up a variation proposal.
- q) Creditors representing 65% (i.e. threshold needed for creditors' approval) of David's debt and participating at the creditors' meeting agree to the proposal.
- r) The PIP records the creditors' meeting results and sends them to the ISI and each of David's creditors. No creditor appeals at any point of the process. The variation will be added to the Public Register.
- s) David's monthly contribution is reduced to a sustainable level, which allows him to continue with his DSA arrangement.

5. POTENTIAL DSA VARIATION PROPOSAL BY THE PIP

- David's DSA increases from 5 years to 6 years. Such an extension would be added to the Public Register.
- David pays his reduced payment of €52 per month for the next 4 years of this agreement.
- This amounts to €2,496 (€52 x 12mths x 4yrs) paid over the next 4 years of his DSA.
- This reduces the amount David pays back and allows him to continue with his DSA.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total	Return for creditors
Monthly amount available for contribution to the arrangement	€ 502	€ 502	€ 52	€ 52	€ 52	€ 52		
Annual amount available for contribution to the arrangement (€502x12 for years 1 and 2 and €52x12 from year 3 to 6)	€ 6,024	€ 6,024	€ 624	€ 624	€ 624	€ 624	€ 14,544	
Sale proceeds of antique	€ 2,500						€ 2,500	
Total contribution for the arrangement	€ 8,524	€ 6,024	€ 624	€ 624	€ 624	€ 624	€ 17,044	
Less PIP's fees ¹	€ (1,500)	€ (625)	€ (500)	€ (500)	€ (500)	€ (500)	€ (4,125)	
Total repayments to unsecured creditors net of PIP's fees (100%)	€ 7,024	€ 5,399	€ 124	€ 124	€ 124	€ 124	€ 12,919	
Repayment breakdown between creditors								
Personal Loan (62.5%)	€ 4,390	€ 3,374	€ 78	€ 78	€ 78	€ 78	€ 8,074	16%
Credit card (25%)	€ 1,756	€ 1,350	€ 31	€ 31	€ 31	€ 31	€ 3,230	16%
Suppliers (12.5%)	€ 878	€ 675	€ 15	€ 15	€ 15	€ 15	€ 1,615	16%
Total repayments to creditors net of PIP's fees (100%)	€ 7,024	€ 5,399	€ 124	€ 124	€ 124	€ 124	€ 12,919	

6. DAVID'S POSITION AFTER MEETING HIS OBLIGATIONS UNDER THE DSA VARIATION

- David is now solvent after 6 years under a DSA.
- David has paid a total €12,919 to his creditors (€17,044 minus €4,125 total PIP's fees) and this represents 16% return for those unsecured creditors as at the date of the Protective Certificate.
- The remaining balance of unsecured debt is €67,081. This balance is discharged at the end of the 6th year, which marks the end of the DSA.
- For the purpose of this scenario it is estimated that the PIP's fees are €1,500 upfront in year one, €625 in year two, and €500 per year in years three, four, five and six after the variation occurs in year three. This brings the total PIP's fees to €4,125 overall.

As part of developing the DSA proposal, the PIP will seek to agree fees with the creditors. Fees will vary in accordance with the complexity of a case and what is acceptable to the creditors. In proposing a fee, the PIP may suggest a staggered draw down of this fee to reflect the upfront work associated with making an application and a proposal, as well as his/her other statutory duties during the lifetime of the DSA.

¹ In line with the variation, the PIP agrees to the reduction of fees from €625 to €500 per annum for years 3 to 6. The PIP's overall fees increase in absolute terms from €4,000 to €4,125 as he/she administers David's DSA for an extra year.

SCENARIO 2

DSA– JOINT DSA, APPLICANTS ELIGIBLE

This sample scenario is designed to illustrate how a DSA may be facilitated by a temporary concession of a secured lender.

1. PATRICK AND LISA’S STORY

Patrick and Lisa are married with three children in Primary School (aged 4, 5, and 6). They have a combined monthly net income of €4,700.

They have joint unsecured debts of €100,000, which consist of a credit union loan of €50,000, credit card debts totalling €30,000 and an overdraft of €20,000 on their joint account. Their current monthly obligations towards their unsecured creditors are €990. They have no sole debts.

Patrick and Lisa have an outstanding balance on their Principal Private Residence (PPR) mortgage of €250,000 on a property they bought 11 years ago. It has a present value of €200,000. They also have a car worth €4,000.

Patrick and Lisa are finding it difficult to repay their mortgage because of the extent of their other unsecured loans. They have been unable to pay their debts in full as they fall due and realise they are insolvent. They have concluded that if they were in a position to settle their unsecured debts, they would be able to pay their mortgage. Patrick and Lisa meet with a Personal Insolvency Practitioner (PIP), and provide full details of their financial circumstances so the PIP can understand their financial position.

They have agreed with their PIP to apply for an interest only facility on their mortgage to try to address their unsecured debts.

Patrick and Lisa’s PIP approaches the Mortgage bank to ask for an interest only facility to their mortgage. The bank agrees to facilitate interest only for the duration of the DSA, which amounts to monthly repayments of €938, should the DSA be approved.

2. PATRICK AND LISA'S INSOLVENT POSITION

Assets	Value	Loan	Monthly Income	
Principal Private Residence	€ 200,000	€ 250,000	Patrick's Net Income	€ 3,300
Car	€ 4,000		Lisa's Net Income	€ 1,400
Total	€ 204,000	€ 250,000	Total	€ 4,700
Debts			Monthly expenses	
Secured debts			Total Set Costs ¹	€ 2,040
PPR Mortgage		€ 250,000	Rent/Mortgage ²	€ 1,474
Unsecured debts			Childcare Costs ²	€ 1,000
Credit Union loan		€ 50,000	Reasonable Living Expenses	€ 4,514
Credit card debts		€ 30,000	Available for remaining debt service (€ 4,700-€ 4,514)	€ 186
Overdraft		€ 20,000	Current obligations for remaining debt	€ (990)
Total		€ 350,000	Deficit in meeting remaining debt obligations (€ 186-€ 990)	€ (804)

3. ELIGIBILITY

Patrick and Lisa are eligible to qualify for a joint DSA because

- ✓ Patrick and Lisa are insolvent, which means that they are unable to pay their debts as they fall due.
- ✓ They have not incurred 25% or more of their debt in the 6 months ending on the application date for the Protective Certificate.
- ✓ Patrick and Lisa meet all of the other eligibility criteria for a DSA (Please see page 7 of the DSA Guidebook for further details of eligibility criteria).

It should be noted that the DSA does not deal with secured debt within the arrangement.

¹ The PIP 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). Patrick and Lisa's circumstances meet those covered by Table 6. "Two adult household, one or more children, vehicle" of the Guide (Two adults €1,407.50 + One child (age 4) €207.12+ One child (age 5) €207.12+ One child (age 6) €207.12+ third child adjustment € 10.81 = €2,039.67). For illustrative purposes and ease for the reader, the total set costs figure is rounded up to €2,040.

² The Personal Insolvency Practitioner will assess the reasonableness of mortgage, rent and/or childcare payments in accordance with the "Guidelines on a reasonable standard of living and reasonable living expenses".

4. NEXT STEPS

- t) The PIP assesses Patrick and Lisa's situation and is satisfied that they meet all the eligibility criteria for a DSA. He submits an application to the Insolvency Service of Ireland (ISI), including a Prescribed Financial Statement (PFS) for a Protective Certificate (PC) on the couple's behalf.
- u) The ISI processes Patrick and Lisa's application and is satisfied with it. The ISI issues a certificate to that effect and sends it along with the couple's application to the appropriate Court.
- v) The Court is satisfied with Patrick and Lisa's application and issues a PC. Patrick and Lisa's names, address, years of birth, and date of issue of the PC will be added to the Public Register of PCs on the ISI website. The PC offers Patrick and Lisa, and their assets protection from legal proceedings by their creditors while they are applying for a DSA.
- w) Patrick and Lisa's PIP has 70 days to develop a DSA proposal and get it voted on by the creditors and submitted to the Court for assessment.
- x) Patrick and Lisa agree to the DSA proposal devised by the PIP (details of the potential DSA solution in point 5 below).
- y) Creditors representing 65% (i.e. the threshold needed for creditors' approval) of Patrick and Lisa's debt and participating at the creditors' meeting agree to the proposal.
- z) The PIP records the creditors' meeting results and sends them to the ISI and each of Patrick and Lisa's creditors. No creditor appeals at any point of the process.
- aa) The ISI and the Court carry out final reviews of Patrick and Lisa's case and approve the DSA. The date of the DSA coming into effect is added to the Public Register.

5. POTENTIAL DSA SOLUTION FOR PATRICK AND LISA PROPOSED BY THE PIP

Patrick and Lisa's monthly net disposable income before unsecured loan repayments is €186. Their interest only agreement with the bank has given them an extra €536 (€1,474-€938) per month to pay towards their unsecured loans. This amounts to €722 (€536+€186) available to make payments to their unsecured creditors.

Patrick and Lisa's monthly income and expenses during the DSA

Net monthly Income	€ 4,700
Less Monthly expenses	
Total Set Costs	€ 2,040
Childcare Costs	€ 1,000
Mortgage (interest only)	€ 938
Reasonable Living Expenses	€ 3,978
Monthly amount available for contribution to the arrangement (€ 4,700-€ 3,978)	€ 722

Patrick and Lisa contribute €43,320 (€722 x 12mths x 5yrs) over the duration of the DSA.

As part of developing the DSA proposal, the PIP will seek to agree fees with the creditors. Fees will vary in accordance with the complexity of a case and what is acceptable to the creditors. In proposing a fee, the PIP may suggest a staggered draw down of the fee to reflect the upfront work associated with making an application and a proposal, as well as his/her other statutory duties during the lifetime of the DSA.

For the purposes of this scenario it is estimated that the PIP fees are €4,000, made up of an initial €1,500 to reflect the 'up front' work undertaken by the PIP in year one. The remaining €2,500 is staggered across the following 4 years representing €625 (7% of realisations in year 2 and subsequent years). Patrick and Lisa's unsecured creditors will therefore receive a total of €39,320 on a proportionate basis over the lifetime of the DSA.

	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Return for creditors
Monthly amount available for contribution to the arrangement	€ 722	€ 722	€ 722	€ 722	€ 722		
Annual amount available for contribution to the arrangement (€722x12)	€ 8,664	€ 8,664	€ 8,664	€ 8,664	€ 8,664	€ 43,320	
Less PIP's fees	€ (1,500)	€ (625)	€ (625)	€ (625)	€ (625)	€ (4,000)	
Total payments to unsecured creditors net of PIP's fees	€ 7,164	€ 8,039	€ 8,039	€ 8,039	€ 8,039	€ 39,320	
Repayment breakdown between creditors							
Credit Union loan (50%)	€ 3,582	€ 4,019	€ 4,019	€ 4,019	€ 4,019	€ 19,658	39%
Credit card debts (30%)	€ 2,149	€ 2,412	€ 2,412	€ 2,412	€ 2,412	€ 11,797	39%
Overdraft (20%)	€ 1,433	€ 1,608	€ 1,608	€ 1,608	€ 1,608	€ 7,865	39%
Total repayments to creditors net of PIP's fees (100%)	€ 7,164	€ 8,039	€ 8,039	€ 8,039	€ 8,039	€ 39,320	

6. PATRICK AND LISA'S POSITION AFTER MEETING THEIR DUTIES AND OBLIGATIONS UNDER THE DSA

- Patrick and Lisa's PPR mortgage is sustainable; notwithstanding the fact that the monthly repayments of the mortgage rise to €1,600 after the DSA to reflect that no capital repayment was made during the DSA.
- Patrick and Lisa will have paid €39,320 towards creditors of their unsecured debt of €100,000. The remaining €60,680 is discharged. This represents a 39% return on those unsecured debts as at the date of the Protective Certificate.
- Patrick and Lisa are now solvent.

SCENARIO 3

DSA – APPLICANT ELIGIBLE, PREFERENTIAL AND EXCLUDABLE DEBTS

This sample scenario is designed to illustrate the basic features of a DSA which includes a preferential and excludable debt owing to the Revenue Commissioners.

1. SANDRA'S STORY

Sandra is a self employed solicitor, who specialises in conveyancing and has seen her income drop dramatically in the last five years. She is a one-parent family with 2 primary school children.

She earns a net income of €3,500 per month. She rents a house at a cost of €1,000 per month. She has outstanding debts including an overdraft of €45,000, a car loan of €15,000, credit card debts of €20,000 and a debt to the Revenue Commissioners of €80,000.

2. SANDRA'S CURRENT INSOLVENT POSITION

Assets	
Car	€ 10,000
Shares	€ 10,000
Jewellery	€ 10,000
Total	€ 30,000

Debts	
Revenue Debt	€70,000
Revenue Preferential Debt	€10,000
Overdraft	€45,000
Credit Cards	€20,000
Car Loan	€ 15,000
Total	€ 160,000

Monthly Income	
Monthly Net Income	€ 3,500
Total	€ 3,500

Monthly Expenses	
Total Set Costs ¹	€ 1,505
Rent/Mortgage ²	€ 1,000
Reasonable Living Expenses	€ 2,505
Available for remaining debt service (€ 3,000-€ 2,505)	€ 995
Current debt repayment	€ (3,000)
Deficit	€ (2,005)

¹ The Personal Insolvency Practitioner 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). Sandra's circumstances meet those covered by Table 4 "One adult household, one or more children, vehicle" page 40 of the Guide (One adult €1091.15, + two children €207.12 = €1,505.39). For illustrative purposes and ease for the reader, the total set costs figure is rounded to €1,505.

² The Personal Insolvency Practitioner will assess the reasonableness of mortgage, rent and/or childcare payments in accordance with the "Guidelines on a reasonable standard of living and reasonable living expenses".

3. ELIGIBILITY

Sandra qualifies for a DSA because:

- ✓ Sandra is insolvent – she is unable to pay her debts as they fall due.
- ✓ Sandra has not incurred 25% or more of her debt in the 6 months ending on the application date for the Protective Certificate.
- ✓ Sandra meets all of the other eligibility criteria for a DSA. Please see page 7 of the DSA guidebook for further details of eligibility criteria.

4. NEXT STEPS

- bb) Sandra meets with a Personal Insolvency Practitioner (PIP) and provides full details of her financial circumstances so the PIP can understand her financial position.
- cc) The PIP explains to Sandra that certain debts require the prior consent of the creditor in order to be included in a DSA. 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 a DSA the debt becomes what is referred to as a “permitted debt”.
- dd) The PIP contacts Revenue through their dedicated Insolvency email address to determine if they will allow the debt to be included in the DSA. In the event that the PIP does not hear back from them within 21 days, Revenue will be deemed to have consented.
The PIP provides the Revenue Caseworker with the necessary information in order for him/her to make a decision as set out in Revenues “Guidance Note for Approved Intermediaries and Personal Insolvency Practitioner’s on personal insolvency matters”. The Caseworker verifies that the record of Sandra’s debt on file does not conflict with any other information held by them and satisfies himself/herself that Sandra falls within that Guidance Note. Revenue consents in writing to being included in the DSA.
- ee) The PIP sends Sandra’s application, along with the required supporting documentation, to the ISI for processing.
- ff) The ISI processes Sandra’s application and is satisfied with it. The ISI issues a certificate to that effect and sends it along with Sandra’s application to the Court.
- gg) The Court is satisfied with Sandra’s application and issues a Protective Certificate. Sandra’s PIP has 70 days to develop a DSA proposal and have it voted on by the creditors and submitted to the Court for assessment.
- hh) The PIP notifies all Sandra’s creditors including Revenue that the Protective Certificate is issued and indicates to them that if any creditor considers its debt a preferential debt that they must provide evidence of it. The PIP provides a copy of Sandra’s completed Prescribed Financial Statement to the creditors. Revenue must now supply proof of debt and submit the manner in which their debt might be dealt with as part of a Debt Settlement Arrangement to the PIP.

- ii) Sandra agrees to the DSA proposal developed by the PIP. (Details of potential DSA solution in point 5 below). The proposal includes the condition required under Section 100 of the Finance Act, 2013 which states that a DSA must make provisions for the payment of all tax liabilities incurred by the debtor or by the Personal Insolvency Practitioner under the Taxes Consolidation Act, 1997 during the administration of the arrangement. In accordance with Section 100 any failure by the debtor to comply with the terms of the provision shall be a breach of the arrangement such that the Collector-General (within the meaning of the Taxes Consolidation Act, 1997) may withdraw in certain circumstances as set out in Revenues guidance note (referred to in part c above) his/her agreement to accept the compromise contained in the arrangement.
- jj) Creditors representing 65% (i.e. Threshold needed for creditors' approval) of Sandra's total debt and participating at the creditors meeting agree to the proposal.
- kk) The ISI and the Court carry out final reviews of Sandra's case and approve the DSA.
- ll) Sandra's details are placed on a public Register of Debt Settlement Arrangements. (This includes her name, address, year of birth, and the date of coming into effect of the DSA).

5. POTENTIAL DSA SOLUTION FOR SANDRA AS PROPOSED BY THE PIP

- Sandra agrees to trade in her car for an older model which leaves her with €7,000 and sells her shares and jewellery worth €20,000.
- Sandra's monthly disposable income which she has available to make payments to her unsecured creditors, after meeting reasonable living expenses is €995.
- This equates to €59,700 ($€995 \times 12 \times 5 = €59,700$) over the 5 year lifetime of the DSA. With the sale of her assets this equates to €86,700. ($€59,700 + €27,000 = €86,700$)
- For the purpose of this scenario it is estimated that the PIP fees are €6,000.
- The PIP has now to convene a meeting of creditors to vote on the above proposal.

As part of developing the DSA proposal, the PIP will seek to agree fees with the creditors. Fees will vary in accordance with the complexity of a case and what is acceptable to the creditors. In proposing a fee, the PIP may suggest a staggered draw down of this fee to reflect the upfront work associated with making an application and a proposal, as well as his/her other statutory duties during the lifetime of the DSA.

Payments made during the DSA

	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Return for creditors
Monthly amount available for contribution to the arrangement	€ 995	€ 995	€ 995	€ 995	€ 995		
Annual amount available for contribution to the arrangement (€995 x 12)	€11,940	€11,940	€11,940	€11,940	€11,940	€59,700	
Sale of proceeds of jewellery and shares	€20,000					€20,000	
Proceeds from sale of car net of replacement car purchase	€ 7,000					€ 7,000	
Total contribution for the arrangement	€38,940	€11,940	€11,940	€11,940	€11,940	€86,700	
Less PIP's Fee	€(1,500)	€(1,125)	€(1,125)	€(1,125)	€(1,125)	€(6,000)	
Total payments to unsecured creditors net of PIP's fees (100%)	€37,440	€10,815	€10,815	€10,815	€10,815	€80,700	
Repayment breakdown between creditors							
Revenue Preferential claim (100%)	€10,000					€10,000	100%
Revenue unsecured debt (46.667%)	€12,806	€ 5,047	€ 5,047	€ 5,047	€ 5,047	€32,994	47.13%
Total Revenue payment	€22,806	€ 5,047	5,047	5,047	5,047	42,994	53.70%
Overdraft (30%)	€ 8,232	€ 3,244	€ 3,244	€ 3,245	€ 3,245	€21,210	47.13%
Credit Cards (13.333%)	€ 3,658	€ 1,442	€ 1,442	€ 1,442	€ 1,442	€ 9,426	47.13%
Car Loan (10%)	€ 2,744	€ 1,082	€ 1,082	€ 1,081	€ 1,081	€ 7,070	47.13%
Total payments to creditors net of PIP's fees.	€37,440	€10,815	€10,815	€10,815	€10,815	€80,700	

6. SANDRA'S POSITION AFTER MEETING HER DUTIES AND OBLIGATIONS UNDER THE DSA

- Sandra successfully completed the DSA. She ensured she met her obligations under Section 100 of the Finance Act, 2013.
- Sandra will have repaid the total amount of €10,000 preferential debt to Revenue. She will also have repaid €32,994 of the balance of €70,000 unsecured debt owing to Revenue. This represents a return to Revenue of 53.7%.
- Sandra will have repaid €80,700 of her debts at the end of the DSA. The remaining €79,300 is discharged. This will result in the unsecured creditors receiving 47.13% return.
- Sandra is now solvent.