JUNE 2013

PIA

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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PIA

SCENARIO 1

PIA – APPLICANT ELIGIBLE

This sample scenario is designed to illustrate the basic features of a PIA and includes the restructuring of secured debt.

1. JOHN'S STORY

John is an IT consultant who earns a monthly net income of €3,643. He is married to Mary who does not work outside of the home in order to take care of their children. They have two children at Primary School (aged 7 and 8). They have a family car, which is required for John's work, and is valued at €5,000. John bought his Principal Private Residence (PPR) ten years ago. It is worth €250,000, but the outstanding mortgage is €300,000. John owns 3 acres of agricultural land, which is valued at €10,000 and has no loans against it. John also has a total of €100,000 in unsecured debt consisting of a Personal loan (€75,000) and credit card debts (€25,000). His monthly debt commitments are as follows:

- Mortgage repayment on his PPR of €2,222
- Unsecured debt repayments of €1,500

John has co-operated with his bank under the Central Bank Code of Conduct on Mortgage Arrears in relation to his PPR for the last six months, but has been unable to agree a sustainable repayment solution. John is unable to pay his debts in full as they fall due and acknowledges he is insolvent.

John meets with a Personal Insolvency Practitioner (PIP) and provides full details of his financial circumstances so the PIP can understand his financial position.

2. JOHN'S CURRENT INSOLVENT POSITION

Assets	Value	Loan
PPR	€ 250,000	€ 300,000
Land	€ 10,000	
Car	€ 5,000	
Total	**€ 265,000**	**€ 300,000**

Debts	
Secured debts	
PPR mortgage	€ 300,000
Unsecured debts	
Personal loan	€ 75,000
Credit Card debts	€ 25,000
Total	**€ 400,000**

Monthly Income	
Net Income	€ 3,643
Total	**€ 3,643**

Monthly expenses	
Total Set Costs[1]	€ 1,822
Rent/Mortgage[2]	€ 2,222
Childcare Costs[2]	
Reasonable Living Expenses	**€ 4,044**
Available for unsecured debt service (€3,643-€4,044)	€ (401)
Unsecured debt repayments	€ (1,500)
Deficit in meeting unsecured debt obligations (-€ 401-€ 1,500)	**€ (1,901)**

3. ELIGIBILITY

John qualifies for a PIA because

- ✔ John has secured debts.
- ✔ John has not incurred 25% or more of his debts in the 6-month period ending on the application date for the Protective Certificate.
- ✔ John has participated in the Mortgage Arrears Resolution Process (process approved by the Central Bank) with his PPR Mortgage Provider for a minimum period of six months in relation to his PPR but has been unable to agree a sustainable repayment solution.
- ✔ John's total secured debts do not exceed €3 million.
- ✔ John meets all the other eligibility criteria for a PIA (Please see page 7 of the PIA 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). John'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 7) €207.12 + One child (age 8) €207.12 = €1,821.74). For illustrative purposes and ease for the reader, the total set costs figure is rounded to €1,822.

[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 is satisfied that John meets all the eligibility criteria for a PIA, and submits an application for a Protective Certificate (PC) to the Insolvency Service of Ireland (ISI) on John's behalf, including a Prescribed Financial Statement (PFS).
b) The ISI and Court are satisfied with John's application and issue a PC. John'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 John and his assets protection from legal proceedings by his creditors while he is applying for a PIA.
c) The PIP has 70 days to develop a proposal, get it voted by the creditors and submitted to the Court for assessment.
d) John agrees to the PIA proposal developed by the PIP (Details of potential PIA solution set out below in point 5).
e) Creditors representing 65% or more of John's total debt participating at the creditors' meeting agree to the proposal (i.e. first threshold needed for creditors' approval). This includes creditors representing 50% or more of John's secured debt (i.e. second threshold needed for creditors' approval), and creditors representing 50% or more of John's unsecured debt (i.e. third threshold needed for creditors' approval) (see appendix A-voting rights table for more information).
f) The PIP records the creditors' meeting results and sends them to the ISI and each of John's creditors. No creditor appeals at any point of the process.
g) The ISI and the Court carry out final reviews of John's case and approve the PIA.
h) John's details are placed on a Public Register of Personal Insolvency Arrangements. (This includes his name, address, year of birth and the date of coming into effect of the PIA).

5. POTENTIAL PIA SOLUTION FOR JOHN PROPOSED BY PIP

The PIP identifies €1,821 as the long-term sustainable monthly repayment on John's PPR mortgage. To achieve this, the PIP proposes a term extension of five years. The term of John's mortgage cannot be extended further due to John's age. The PIP also proposes that the land be sold immediately and the proceeds used to repay a final settlement of the amounts due to the unsecured creditors.

John's monthly income and expenses after PIA restructuring

Net monthly income	€ 3,643
Less	
Total Set Costs	€ 1,822
Rent/Mortgage	€ 1,821
Reasonable Living Expenses	**€ 3,643**
Available to unsecured creditors (€ 3,643-€3,643)	**€ 0**

John has now enough income for Reasonable Living Expenses (including mortgage). There is €10,000 available to unsecured creditors from the proceeds of the sale of the land.

For the purposes of this scenario, it is estimated that the PIP's fee is split between John's secured and unsecured creditors. Therefore, John's unsecured creditors will receive €9,000 on a proportionate basis as part of the PIA.

Given that the unsecured creditors will avail of the €9,000 as a lump-sum settlement for John's unsecured debts, and considering John has no repayment capacity for the remaining unsecured debt, this PIA is a short-term arrangement, which will last four months[1] . The PIA will be terminated once the land is sold and all parties have been paid.

John's position before and after PIA

Assets	**Before PIA**	**Repayments**	**Debt write down**	**After PIA**	**Repayment %**
PPR	€ 250,000			€ 250,000	
Land	€ 10,000	**€ (10,000)**			
Car	€ 5,000			€ 5,000	
Total	**€ 265,000**	**€ (10,000)**		**€ 255,000**	
Debts					
Secured debts					
PPR Mortgage	€ 300,000			€ 300,000	
Unsecured debts					
Personal loan	€ 75,000	€ (6,750)	€ (68,250)		**9%**
Credit card debts	€ 25,000	€ (2,250)	€ (22,750)		**9%**
PIP's Fees		€ (1,000)			
Total (100%)	**€ 400,000**	**€ (10,000)**	**€ (91,000)**	**€ 300,000**	
Deficiency	€ (135,000)			€ (45,000)[2]	

The PIP agrees to invoice John directly for the remaining fee to which he or she is entitled. This is an unusual arrangement in that PIP's fees are generally expected to be deducted from the periodic payments made by the debtor. However, since John's PIA is a lump sum, short-term PIA terminating after four months and where no periodic payments will be made, an alternative approach is proposed in this case. Such an alternative approach must expressly be provided under the terms of the PIA proposal.

As part of developing the PIA 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

[1] While six years is the maximum duration for a PIA arrangement, it is possible under section 99(2)(b) of the Personal Insolvency Act to have a shorter PIA when the PIP deems it the most appropriate duration. There is no minimum duration for a PIA.

[2] The remaining negative equity is retained within the mortgage after the end of the PIA.

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 PIA.

6. JOHN'S POSITION AFTER MEETING HIS DUTIES AND OBLIGATIONS UNDER THE PIA

a) PPR Mortgage is sustainable.
b) Unsecured creditors get €9,000, a return of 9% based on amounts outstanding at the date of the Protective Certificate.
c) John's remaining unsecured debts of €91,000 will be discharged at the end of the term of the PIA.
d) John is solvent.

7. APPENDICES

Appendix A: John's Creditors' Meeting Voting Rights[1]

Threshold 1 - 65% vote required	Total Debt Vote	Voting Rights
PPR	€ 300,000	75%
Personal loan	€ 75,000	19%
Credit Card	€ 25,000	6%
Total	**€ 400,000**	**100%**
Threshold 2 - 50% vote required	Secured Debt vote	Voting Rights
PPR	€ 250,000	100%
Total	**€ 250,000**	**100%**
Threshold 3 - 50% vote required	Unsecured Debt Vote	Voting Rights
Personal loan	€ 75,000	75%
Credit Card	€ 25,000	25%
Total	**€ 100,000**	**100%**

[1] The voting rights for threshold 2 are based on Section 110(2) of the Personal Insolvency Act 2012.

"(2) For the purposes of subsection (1)(b) the value of a secured debt shall be
(a) The market value of the security concerned determined in accordance with section 105, or
(b) The amount of the debt secured by the security on the day the protective certificate is issued,
whichever is the lesser."

In this scenario the Market Value of the PPR is €250,000. This figure is less than the outstanding mortgage on the PPR of €300,000.

SCENARIO 2

PIA: APPLICANT ELIGIBLE, SECURED DEBT PRINCIPAL REDUCTION

This sample scenario is designed to illustrate the basic features of a PIA and includes principal reduction in secured debt.

1. ANTHONY'S STORY

Anthony is single, with one child (age 4) in Primary School and does not require a motor vehicle. He worked full-time as a Sales Assistant until he had a car accident 18 months ago. Because of his accident, he can only work part-time and his net income has decreased to €2,000 per month.

Doctors have informed Anthony he will not be able to work full-time again. They have also informed him he will have to get regular physiotherapy sessions. There is no prospect of Anthony's income generating capacity improving. Anthony's Principal Private Residence (PPR) is currently valued at €60,000, but the outstanding mortgage is €120,000. His monthly mortgage repayment on his PPR is €636. He also has a credit union loan of €18,000, which requires monthly repayments of €400.

Anthony's current expenditures including his mortgage and credit union loan repayments are €2,632 (€2,232 + €400) monthly. He has co-operated with his bank under the Central Bank Code of Conduct on Mortgage Arrears in relation to his PPR for the past eight months, but has been unable to agree a sustainable repayment solution. Anthony is unable to pay his debts in full as they fall due and acknowledges he is insolvent.

Anthony meets with a Personal Insolvency Practitioner (PIP), and provides full details of his financial circumstances so the PIP can understand his financial position.

2. ANTHONY'S CURRENT INSOLVENT POSITION

Assets	Value	Loan
PPR	€ 60,000	€ 120,000
Total	€ 60,000	€ 120,000
Debts		
Secured debts		
PPR Mortgage		€ 120,000
Unsecured debts		
Credit Union loan		€ 18,000
Total		**€ 138,000**

Monthly Income	
Net Income	€ 2,000
Total	€ 2,000
Monthly Expenses	
Total Set Costs[1]	€ 1,159
Childcare[2]	€ 330
Rent/Mortgage[2]	€ 636
Special Circumstances (Physiotherapy)[2]	€ 107
Reasonable Living Expenses	**€ 2,232**
Available for unsecured debt service (€ 2,000-€ 2,232)	€ (232)
Unsecured debt repayments	€ (400)
Deficiency in meeting unsecured debt obligations	**€ (632)**

3. ELIGIBILITY

Anthony qualifies for a PIA because

- ✓ Anthony has secured debts.
- ✓ Anthony has not incurred 25% or more of his debts in the 6 months ending on the application date for the Protective Certificate.
- ✓ Anthony has participated in the Mortgage Arrears Resolution Process (process approved by Central Bank) with his PPR Mortgage Provider for a minimum period of six months in relation to his PPR, but has been unable to agree a sustainable repayment solution.
- ✓ Anthony's total secured debts do not exceed €3 million.
- ✓ Anthony meets all the other eligibility criteria for a PIA (Please see page 7 of the PIA guidebook for further details of eligibility criteria.

[1] The Personal Insolvency Practitioner (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). Anthony's Total Set Costs of €939.71 meet those prescribed by Table 3 "One adult household, one or more children, no vehicle" of the Guide (One adults €939.71 + One Primary school child €219.37 = €1,159.08). For illustrative purposes and ease for the reader, the total set costs figure is rounded to €1,159.

[2] The PIP will assess the reasonableness of mortgage, rent and/or childcare payments and any special circumstances when applicable in accordance with "Guidelines on a reasonable standard of living and reasonable living expenses".

4. NEXT STEPS

a) The PIP assesses Anthony's situation and is satisfied that Anthony meets all the eligibility criteria for a PIA.

b) The PIP submits an application for a Protective Certificate (PC) to the Insolvency Service of Ireland (ISI) on Anthony's behalf, including a Prescribed Financial Statement (PFS).

c) The ISI and Court are satisfied with Anthony's application and issue a PC. Anthony'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 Anthony and his assets protection from legal proceedings by his creditors while he is applying for a PIA.

d) Anthony agrees to the PIA proposal developed by the PIP (Details of potential PIA solution set out below in point 5).

e) Creditors representing 65% or more of Anthony's total debt participating at the creditors' meeting agree to the proposal (i.e. first threshold needed for creditors' approval). This includes creditors representing 50% or more of Anthony's secured debt (i.e. second threshold needed for creditors' approval), and creditors representing 50% or more of Anthony's unsecured debt (i.e. third threshold needed for creditors' approval). (See appendix A-voting rights table for more information).

f) The PIP records the creditors' meeting results and sends them to the ISI and each of Anthony's Creditors.

g) No Creditor appeals at any point of the process.

h) The ISI and the Court carry out final reviews of Anthony's case and approve the PIA.

i) Anthony's details are placed on a public Register of Personal Insolvency Arrangements. (This includes his name, address, year of birth and the date of coming into effect of the PIA).

5. POTENTIAL PIA SOLUTION FOR ANTHONY PROPOSED BY PIP

Anthony's current mortgage repayments are €636 per month, which is not sustainable. The PIP assesses whether extending the mortgage term or reducing the interest rate would make the mortgage sustainable. Due to Anthony's age, it is only possible to extend the mortgage by five years, which would reduce mortgage payments from €636 to €538. However, this repayment is still unsustainable.

The mortgage interest rate already runs on a very low "tracker" rate and leaves no room for downward adjustment.

In order for the mortgage to be sustainable, the PIP concludes that it will be necessary to extend the mortgage by 5 years and reduce the principal by €50,000. This would reduce Anthony's monthly mortgage payments to €314 per month, and leave a small amount available for Anthony's unsecured creditors.

The shortfall of €50,000 is treated similarly to the unsecured debt in accordance with section 102 (11)[1] of the Personal Insolvency Act.

Amounts forming Anthony's unsecured debts after PIA restructuring

PPR Mortgage (Principal reduction)	€ 50,000
Credit Union loan	€ 18,000
Total Unsecured Debt	**€ 68,000**

Anthony's monthly income and expenses after PIA restructuring

Monthly Income	€ 2,000
Less:	
Total Set Costs	€ 1,159
Principal Private Residence Mortgage	€ 314
Childcare	€ 330
Special Circumstance (Physiotherapy)	€ 107
Available to unsecured creditors	**€ 90**

Anthony's monthly disposable income after deducting total set costs and mortgage repayments is €90 per month. This amount is now available to make payments to his now unsecured creditors. This equates to €6,480 over the 6 years of the PIA.

As part of developing the PIA 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 the fee amount, 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 PIA.

For the purposes of this scenario, it is estimated that the PIP fees are €5,000. The PIP fees of €5,000 include a €1,000 upfront payment in year one followed by an annual payment of €800 in years two to year six.

[1] Where a Personal Insolvency Arrangement includes terms providing for a reduction of the amount of debt (including principal, interest and arrears) secured by the security as of the date of the issue of the protective certificate to a specified amount, the terms of the arrangement shall, unless the relevant secured creditor agrees otherwise, also include a term providing that the amount of such reduction shall: (*a*) rank equally with, and abate in equal proportion to, the unsecured debts covered by the Arrangement; and (*b*) be discharged with those unsecured debts on completion of the obligations specified in the Arrangement.

6. REPAYMENTS TABLE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total	Return for creditors
Net Monthly Income	€ 2,000	€ 2,000	€ 2000	€ 2,000	€ 2,000	€ 2,000	N/A	
Less:								
Total set costs	€ 1,159	€ 1,159	€ 1,159	€ 1,159	€ 1,159	€ 1,159	N/A	
Rent/Mortgage	€ 314	€ 314	€ 314	€ 314	€ 314	€ 314	N/A	
Childcare	€ 330	€ 330	€ 330	€ 330	€ 330	€ 330	N/A	
Special Circumstance (Physiotherapy)	€ 107	€ 107	€ 107	€ 107	€ 107	€ 107	N/A	
Reasonable Living Expenses	€ 1,910	€ 1,910	€ 1,910	€ 1,910	€ 1,910	€ 1,910	N/A	
Monthly amount available for contribution to the arrangement	€ 90	€ 90	€ 90	€ 90	€ 90	€ 90	N/A	
Annual amount available for contribution to the arrangement	€ 1,080	€ 1,080	€ 1,080	€ 1,080	€ 1,080	€ 1,080	€ 6,480	
Less PIP's fees	€ (1,000)	€ (800)	€ (800)	€ (800)	€ (800)	€ (800)	€ (5,000)	
Total repayments to unsecured creditors net of PIP's fees	**€ 80**	**€ 280**	**€ 280**	**€ 280**	**€ 280**	**€ 280**	**€ 1,480**	
Repayment breakdown between unsecured creditors								
PPR Principal Reduction amount (74%)	€ 59	€ 207	€ 207	€ 207	€ 207	€ 207	€ 1,095	2%
Credit Union (26%)	€ 21	€ 73	€ 73	€ 73	€ 73	€ 73	€ 385	2%
Total repayments to unsecured creditors net of PIP's fees (100%)	**€ 80**	**€ 280**	**€ 280**	**€ 280**	**€ 280**	**€ 280**	**€ 1,480**	

7. ANTHONY'S POSITION AFTER MEETING HIS DUTIES AND OBLIGATIONS UNDER THE PIA

a) Principal Private Residence Mortgage is now sustainable because:

- Unsecured debts are discharged;
- A portion of the PPR mortgage principal (€50,000) was reduced during the PIA.

b) The extension of mortgage term from 20 to 25 years.

c) Anthony will have repaid €1,480 of his unsecured debts at the end of the term of the PIA and the remaining €66,520 is discharged. This represents a 2% return for the unsecured creditors based on amounts outstanding at the date of the Protective Certificate.

d) Claw-back provisions may apply to the extent of the principal reduction of €50,000, should Anthony sell his PPR within the next 20 years.

e) Anthony is solvent.

8. APPENDICES

Appendix A: Anthony's Meeting Voting Rights

Threshold 1 - 65% vote required	Total Debt Vote	Voting Rights
PPR	€ 120,000	87%
Credit Union	€ 18,000	13%
Total	**€ 138,000**	**100%**
Threshold 2 - 50% vote required	Secured Debt Vote	Voting Rights
PPR	€ 60,000[1]	100%
Total	**€ 60,000**	**100%**
Threshold 3 - 50% vote required	Unsecured Debt Vote	Voting Rights
Credit Union	€ 18,000	26%
PPR principal reduction	€ 50,000	74%
Total	**€ 68,000**	**100%**

In this scenario, the Market Value of the PPR is €60,000. This figure is less than the outstanding mortgage on the PPR of €120,000.

Appendix B: Anthony's position before and after PIA

	Before PIA	**PPR Restructure**	**Mortgage Repayments**	**Other repayments**	**Debt write down**	**After PIA**	**Repayment %**
Assets							
PPR	€ 60,000					€ 60,000	
Total	**€ 60,000**					**€ 60,000**	
Debts							
Secured debts							
PPR Loan	€ 120,000	€ (50,000)	€ (12,900)[2]			€ 57,100	
Unsecured debts							
PPR principal reduction		€ 50,000		€ (1,095)	€ (48,905)		2%
Credit Union loan	€ 18,000			€ (385)	€ (17,615)		2%
Total	**€ 138,000**		**€ (12,900)**	**€ (1,480)**	**€ (66,520)**	**€ 57,100**	
Deficiency	**€ (78,000)**					**€ 2,900**	

[1] The voting rights for threshold 2 are based on Section 110 (2) of the Personal Insolvency Act 2012.
"(2) For the purposes of subsection (1)(b) the value of a secured debt shall be—
(a) the market value of the security concerned determined in accordance with section 105, or
(b) the amount of the debt secured by the security on the day the protective certificate is issued, whichever is the lesser."

[2] This figure is net of interest. Total mortgage repayment on the PPR over the duration of the PIA is € 22,608 (314x12x6), where interest is €9,708 and capital €12,900.

SCENARIO 3

PIA - JOINT PIA, APPLICANTS ELIGIBLE

This sample scenario is designed to illustrate the features of a joint PIA.

1. NOEL AND CHRISTINA'S STORY

Noel and Christina are married with three children, twin boys aged 1 and a girl aged 3. Noel is an office worker and his net monthly income is €3,500. Christina works in retail and her net monthly income is €1,450. They own a car currently worth €4,000.

Noel and Christina bought their Principal Private Residence (PPR) together five years ago. The current mortgage outstanding is €400,000 and they are on a 25-year tracker. Their PPR is valued at €300,000. They have a total unsecured debt together of €60,000, which consists of a credit union loan of €30,000, credit cards totalling €25,000 and an overdraft of €5,000. All of their debts are jointly held and their current monthly commitments are as follows:

- Mortgage repayments - €2,002
- Unsecured debts repayments - €1,800

Their day-to-day outgoings amount to €2,500 per month. They have cooperated with their bank in relation to their PPR mortgage under the Central Bank Code of Conduct on Mortgage Arrears in relation to their home for a period of ten months, but have been unable to agree a sustainable repayment solution. Noel and Christina are unable to pay their debts in full as they fall due and acknowledge they are insolvent.

Noel and Christina meet with a Personal Insolvency Practitioner (PIP) and provide full details of their financial circumstances so the PIP can understand their financial position.

2. Noel and Christina's current insolvent position

Assets	Value	Loan
Principal Private Residence	€ 300,000	€ 400,000
Car	€ 4,000	
Total	**€ 304,000**	**€ 400,000**
Debts		
Secured debts		
PPR Mortgage		€ 400,000
Unsecured debts		
Credit Union loan		€ 30,000
Credit card debts		€ 25,000
Overdraft		€ 5,000
Total		**€ 460,000**

Monthly Income	
Noel's Net Income	€ 3,500
Christina's Net Income	€ 1,450
Total	**€ 4,950**
Monthly expenses	
Total Set costs[1]	€ 1,969
Rent/Mortgage[2]	€ 2,002
Childcare Costs[2]	€ 1,100
Reasonable Living Expenses	€ 5,071
Available for unsecured debt service (€ 4,950-€ 5,071)	€ (121)
Unsecured debt repayments	€ (1800)
Deficit in meeting unsecured debt obligations (-€ 121-€ 1,800)	**€ (1,921)**

3. ELIGIBILITY

Noel and Christina are eligible for a joint PIA because

- ✔ Their debts are all jointly owed.
- ✔ Noel and Christina have not incurred 25% or more of their debts in the 6-month period ending on the application date for their Protective Certificate.
- ✔ Noel and Christina have participated in the Mortgage Arrears Resolution Process (process approved by Central Bank) with their PPR Mortgage provider for a minimum period of six months in relation to their Principal Private Residence, but have been unable to agree a sustainable repayment solution.
- ✔ Noel and Christina's total joint secured debts do not exceed €3 million.
- ✔ Noel and Christina meet all the other eligibility criteria for a PIA (Please see page 7 of the PIA guidebook for further details of eligibility criteria).

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[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). Noel and Christina's Total Set Costs of €2,500 do not meet those prescribed by Table 6 "Two adult household, one or more children, vehicle" of the Guide as their amount exceeds the prescribed €1,969 (Two adults €1,407.50 + Two children (aged 1) €484.52 + One child (aged 3) €66.27 + third child adjustment €10.81 = €1,969.10). The PIP will ask them to make efforts to reduce the total set costs for their household and reach the €1,969.10 level. For illustrative purposes and ease for the reader, the total set costs figure is rounded to €1,969.

[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 is satisfied that Noel and Christina meet all the eligibility criteria for a joint PIA and submits an application to the Insolvency Service of Ireland (ISI) for a Protective Certificate (PC) on their behalf, including a Prescribed Financial Statement (PFS).

b) The ISI and Court are satisfied with Noel and Christina's application and issue a PC. Noel and Christina'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 Noel and Christina, and their assets protection from legal proceedings by their creditors while they are applying for a PIA.

c) The PIP has 70 days to develop a PIA proposal, get it voted by the creditors and submitted to the Court for assessment.

d) Noel and Christina agree to the PIA proposal developed by the PIP (Details of the potential PIA solution are set out below in point 5). This includes reducing their day-to-day expenditures to €1,969 per month, which is in line with the Reasonable Living Expenses guidelines for their household.

e) Creditors representing 65% or more of Noel and Christina's total debt participating at the creditors' meeting agree to the proposal (i.e. first threshold needed for creditors' approval). This includes creditors representing 50% or more of Noel and Christina's secured debt (i.e. second threshold needed for creditors' approval), and creditors representing 50% or more of Noel and Christina's unsecured debt (i.e. third threshold needed for creditors' approval). (See appendix A-voting rights table for more information).

f) The PIP records the creditors' meeting results and sends them to the ISI, Noel and Christina and each of their creditors. No creditor appeals at any point of the process.

g) The ISI and the Court carry out final reviews of Noel and Christina's case and approve the PIA.

h) Noel and Christina's details are placed on a Public Register of Personal Insolvency Arrangements. (This includes their names, address, years of birth, and the date of coming into effect of their PIA).

5. POTENTIAL PIA SOLUTION FOR NOEL AND CHRISTINA PROPOSED BY PIP

Noel and Christina have revised their monthly expenditure and reduced their living expenses from €2,500 to the prescribed amount of €1,969 in accordance with the ISI Guidelines on a reasonable standard of living and reasonable living expenses.

The PIP assesses whether a change in mortgage terms or interest rate will make the mortgage sustainable. The PIP recommends a term extension on the PPR Mortgage for an additional 10 years, bringing the mortgage to 35 years. This reduces the monthly mortgage repayments from €2,002 to €1,653 a month.

The reduction in mortgage payments and living expenses frees up €228 per month for the first year of the PIA, which is available to make payments to unsecured creditors. As the children get older, the total set costs will vary. Variation can also be expected with regards to childcare costs, hence reasonable living expenses will vary during the lifetime of the PIA (breakdown of the Annual Total Set Costs is contained in Appendix C).

The repayments table in Appendix B gives a detailed breakdown year on year of Noel and Christina's expenses and the amounts available to unsecured creditors.

Noel and Christina's monthly income and expenses after PIA restructuring for Year 1

Monthly Net Income	**€ 4,950**
Less:	
Principal Private Residence Mortgage	€ 1,653
Childcare Costs	€ 1,100
Total set costs	€ 1,969
Reasonable Living Expenses	**€ 4,722**
Available to Unsecured Creditors (€ 4,950-€ 4,722)	**€ 228**

Noel and Christina's monthly disposable income, after deducting total set costs and mortgage repayments, is €228 per month for the first year of the PIA. This amount is now available to make payments to their unsecured creditors. This equates to €2,736 for the first year.

6. REPAYMENTS TABLE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total	Return for creditors
Net Monthly Income	€ 4,950	€ 4,950	€ 4,950	€ 4,950	€ 4,950	€ 4,950		
Monthly Total Set Costs	€ 1,969	€ 2,110	€ 1,758	€ 2,040	€ 2,040	€ 2,040		
Monthly Rent/Mortgage	€ 1,653	€ 1,653	€ 1,653	€ 1,653	€ 1,653	€ 1,653		
Childcare Costs	€ 1,100	€ 1,100	€ 900	€ 900	€ 900	€ 500		
Reasonable Living Expenses	€ 4,722	€ 4,863	€ 4,311	€ 4,593	€ 4,593	€ 4,193		
Monthly amount available for contribution to the arrangement	€ 228	€ 87	€ 639	€ 357	€ 357	€ 757		
Annual amount available for contribution to the arrangement	€ 2,736	€ 1,044	€ 7,668	€ 4,284	€ 4,284	€ 9,084	€ 29,100	
Less PIP's fees	€ (835)	€ (835)	€ (835)	€ (835)	€ (835)	€ (835)	€ (5,010)	
Total repayments to unsecured creditors net of PIP's fees	**€ 1,901**	**€ 209**	**€ 6,833**	**€ 3,449**	**€ 3,449**	**€ 8,249**	**€ 24,090**	
Repayment breakdown between unsecured creditors								
Credit Union (50%)	€ 951	€ 105	€ 3,417	€ 1,725	€ 1,725	€ 4,125	€ 12,048	**40%**
Credit card (41.67%)	€ 792	€ 87	€ 2,847	€ 1,437	€ 1,437	€ 3,437	€ 10,037	**40%**
Overdraft (8.33%)	€ 158	€ 17	€ 569	€ 287	€ 287	€ 687	€ 2,005	**40%**
Total repayments to unsecured creditors net of PIP's fees	**€ 1,901**	**€ 209**	**€ 6,833**	**€ 3,449**	**€ 3,449**	**€ 8,249**	**€ 24,090**	

For the purposes of this scenario, it is estimated that the PIP fees are €5,010. Therefore, Noel and Christina's unsecured creditors will receive €24,090 on a proportionate basis over the lifetime of the PIA.

As part of developing the PIA 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 the fee amount, 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 PIA.

7. NOEL AND CHRISTINA'S POSITION AFTER MEETING THEIR DUTIES AND OBLIGATIONS UNDER THE PIA

a) Principal Private Residence is now sustainable because:
   I. Unsecured debts are discharged;
   II. The mortgage term has been extended to 35 years.

b) Noel and Christina will have repaid €24,090 of their unsecured debts at the end of the term of the PIA and the remaining €35,910 is discharged. This represents over 40% return for the unsecured creditors based on amounts outstanding at the date of issue of the Protective Certificate.

c) Noel and Christina are solvent.

8. APPENDICES

Appendix A: Noel and Christina's Creditors' Meeting Voting Rights[1]

Threshold 1 - 65% vote required	Total Debt Vote	Voting Rights
PPR	€ 400,000	87%
Credit Union	€ 30,000	7%
Credit Card	€ 25,000	5%
Bank Overdraft	€ 5,000	1%
Total	**€ 460,000**	**100%**
Threshold 2 - 50% vote required	Total Debt Vote	Voting Rights
PPR	€ 300,000	100%
Total	**€ 300,000**	**100%**
Threshold 3 - 50% vote required	Total Debt Vote	Voting Rights
Credit Union	€ 30,000	50%
Credit Card	€ 25,000	42%
Bank Overdraft	€ 5,000	8%
Total	**€ 60,000**	**100%**

[1] The voting rights for threshold 2 are based on Section 110(2) of the Personal Insolvency Act 2012.
"(2) For the purposes of subsection (1)(b) the value of a secured debt shall be
(a) the market value of the security concerned determined in accordance with section 105, or
(b) the amount of the debt secured by the security on the day the protective certificate is issued, whichever is the lesser."
In this scenario the Market Value of the Principal Private Residence is €300,000. This figure is less than the outstanding mortgage on the Principal Private Residence of €400,000.

Appendix B: Noel and Christina's position before and after PIA

Assets	Before PIA	Mortgage repayment (net)	Other Repayments	Debt write down	After PIA
PPR	€ 300,000				€ 300,000
Car	€ 4,000				€ 1,000
Total	€ 304,000				€ 301,000
Debts					
Secured debts					
PPR Mortgage	€ 400,000	€ (38,915)			€ 361,085
Unsecured debts					
Credit Union loan	€ 30,000		€ (12,048)	€ (17,952)	
Credit card debts	€ 25,000		€ (10,037)	€ (14,963)	
Overdraft	€ 5,000		€ (2,005)	€ (2,995)	
Total	**€ 460,000**	**€ (38,915)**[1]	**€ (24,090)**	**€ (35,910)**	**€ 361,085**
Deficiency	**€ (156,000)**				**€ (60,085)**[2]

Appendix C: Noel and Christina's Family Total Set Costs Breakdown

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Couple	€ 1,407.50	€ 1,407.50	€ 1,407.50	€ 1,407.50	€ 1,407.50	€ 1,407.50
Infant	€ 484.52	€ 484.52				
Preschool	€ 66.27		€ 132.54			
Primary		€ 207.12	€ 207.12	€ 621.36	€ 621.36	€ 621.36
Secondary						
Adjustment for 3rd Child	€ 10.81	€ 10.81	€ 10.81	€ 10.81	€ 10.81	€ 10.81
Total for Family	**€ 1,969.10**	**€ 2,109.95**	**€ 1,757.97**	**€ 2,039.67**	**€ 2,039.67**	**€ 2,039.67**

The above table illustrates the change in Total Set Costs depending on the ages of children. Similar changes can be expected with regards to childcare costs.

[1] This figure is net of interest. Total mortgage repayment over the duration of the PIA is € 119,016 (1,653x12x6), where interest is €80,101 and capital €38,915.

[2] The remaining negative equity is retained within the mortgage after the end of the PIA.

SCENARIO 4

INTERLOCKING PIAS, APPLICANTS ELIGIBLE

This sample scenario is designed to illustrate the features of an interlocking PIA, which is where two individuals have joint and independent debts on their own.

1. ANNE AND BARRY'S STORY

Anne and Barry are married with a child in Primary School (age 6).

Anne is a Recruitment Consultant and her net monthly income is €2,200. Anne had purchased a two-bedroom apartment prior to marrying Barry. Her apartment is now valued at €180,000 and has an outstanding mortgage of €200,000 with monthly loan repayments of €1,000. Anne also has a credit card debt of €30,000.

Barry is an office worker and his net monthly income is €2,100. Barry had also bought an apartment prior to marrying Anne. Barry's apartment is valued at €120,000 and has an outstanding mortgage of €140,000 with monthly loan repayments of €780. Barry also has a credit union loan of €20,000.

Neither Anne nor Barry's apartments are currently rented, despite efforts in recent months to secure tenants.

In 2005 following their marriage, Anne and Barry jointly purchased a 3-bedroom Principal Private Residence (PPR) on a 100% mortgage for €500,000 running until they are 70. Their PPR is currently valued at €300,000. The outstanding balance on the PPR mortgage is €400,000 and repayment is €2,000 per month.

Anne and Barry have co-operated with their Bank under the Central Bank Code of Conduct on Mortgage Arrears in relation to their PPR for the past eleven months, but they have been unable to agree a sustainable repayment solution. Anne and Barry are unable to pay their debts in full as they fall due and acknowledge they are insolvent.

Anne and Barry speak to a Personal Insolvency Practitioner. The PIP advises Anne and Barry that they both meet the eligibility criteria for two PIAs and they should each seek to interlock them.

2A. ANNE'S CURRENT INSOLVENT POSITION

Assets	Value	Loan
PPR	€ 300,000	€ 400,000
Apartment	€ 180,000	€ 200,000
Total	**€ 480,000**	**€ 600,000**
Debts		
Secured debt		
PPR Mortgage		€ 400,000
Apartment		€ 200,000
Unsecured debts		
Credit card		€ 30,000
Total		**€ 630,000**

Monthly Income	
Net Income	€ 2,200
Total	**€ 2,200**
Monthly Expenses	
Total Set Costs[1]	€ 807
Childcare Costs[2]	€ 250
Rent/Mortgage[2]	€ 1,000
Reasonable Living Expenses	**€ 2,057**
Apartment mortgage repayments	€ 1,000
Total expenses before unsecured debts repayment (€ 2,057+€ 1,000)	**€ 3,057**
Deficiency prior to meeting unsecured debt obligations (€ 2,200-€ 3,057)	**€ (857)**

2B. BARRY'S CURRENT INSOLVENT POSITION

Assets	Value	Loan
PPR	€ 300,000	€ 400,000
Apartment	€ 120,000	€ 140,000
Total	**€ 420,000**	**€ 540,000**
Debts		
Secured debts		
PPR Mortgage		€ 400,000
Apartment		€ 140,000
Unsecured debts		
Credit Union		€ 20,000
Total		**€ 560,000**

Monthly Income	
Net Income	€ 2,100
Total	**€ 2,100**
Monthly expenses	
Total Set Costs[1]	€ 807
Childcare Costs[2]	€ 250
Rent/Mortgage[2]	€ 1,000
Reasonable Living Expenses	**€ 2,057**
Apartment mortgage repayments	€ 780
Total expenses before unsecured debts repayment (€2,057+€780)	**€ 2,837**
Deficiency prior to meeting unsecured debt obligations (€2,100-€2,837)	**€ (737)**

[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). Anne and Barry's Total Set Costs of €1,614.62 meet those prescribed by Table 6 "Two adult household, one or more children, vehicle" of the Guide (Two adults € 1,407.50 + One Primary School child €207.12= €1,614.62). For illustrative purposes and ease for the reader, the total set costs figure is rounded to €1,615. As Anne and Barry's PIAs will interlock, their Total Set Costs are halved to €807 for each to bear.

[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

Anne and Barry are eligible for Interlocking PIAs because

- ✓ Anne and Barry debts are not all jointly owned.
- ✓ A PIA, which is proposed for Anne, can reasonably be administered in common with a PIA proposed for Barry because of the financial relationship of Anne and Barry.
- ✓ Neither Anne nor Barry has incurred 25% or more of their debts in the past 6 months.
- ✓ Anne and Barry have both participated in the Mortgage Arrears Resolution Process (process approved by the Central Bank) with their PPR Mortgage Provider for a minimum period of six months in relation to their Principal Private Residence, but have been unable to agree a sustainable repayment solution.
- ✓ Anne and Barry meet all the other eligibility criteria for two interlocking PIAs (see page 7 of the PIA guidebook for further details of eligibility criteria).

4. NEXT STEPS

a) The PIP assesses Anne's situation and Barry's situation, and decides to apply for Protective Certificates (PC) on behalf of both Anne and Barry.

b) The ISI and Court are satisfied with Anne and Barry's applications and the Court issues a PC for each. Anne and Barry's names, address, years of birth, and date of issue of their respective PCs, will be added to the Public Register of PCs on the ISI website. The PCs offer Anne and Barry, and their assets protection from legal proceedings by their common and individual creditors while they are applying for a PIA.

c) The PIP has 70 days to develop a PIA proposal for Anne and a PIA proposal for Barry that both interlock, get them both voted by the creditors and submitted to the Court for assessment.

d) Anne agrees to the PIA proposal developed by the PIP (Details of potential PIA solution set out below in point 5A).

e) Barry agrees to the PIA proposal developed by the PIP (Details of potential PIA solution set out below in point 5B).

f) Creditors representing 65% or more of Anne's total debt participating at the creditors' meeting agree to the proposal (i.e. first threshold needed for creditors' approval). This includes creditors representing 50% or more of Anne's secured debt (i.e. second threshold needed for creditors' approval), and creditors representing 50% or more of Anne's unsecured debt (i.e. third threshold needed for creditors' approval). (See appendix A-voting rights table for more information).

g) Creditors representing 65% or more of Barry's total debt participating at the creditors' meeting agree to the proposal (i.e. first threshold needed for creditors' approval). This includes creditors representing 50% or more of Barry's secured debt (i.e. second threshold needed for creditors' approval), and creditors representing 50% or more of Barry's unsecured debt (i.e. third threshold needed for creditors' approval). (See appendix B-voting rights table for more information).

h)
i)
j) The PIP records the creditors' meetings results and sends them to the ISI and each of Anne and Barry's creditors. No creditor appeals at any point of the process.
k) The ISI and the Court carry out final reviews of Anne and Barry's cases and approve both PIAs.
l) Anne and Barry's details are placed on a public Register of Personal Insolvency Arrangements for their respective PIAs. (This includes their names, address, years of birth and the dates of coming into effect of both their PIAs).

5A. POTENTIAL PIA SOLUTION FOR ANNE PROPOSED BY PIP

Anne and Barry's mortgage repayments are not sustainable on their current incomes.

Anne and Barry's joint PPR Mortgage: The PIP notices that the term of the mortgage cannot be extended since it already runs until Anne and Barry reach 70. Therefore, the PIP proposes that the mortgage interest rate is reduced for the duration of the PIA. Anne and Barry's monthly mortgage repayment reduces from €2,000 to €1,856 for the duration of the PIA.

Anne's Apartment: The PIP reviews evidence supplied by Anne of her unsuccessful attempts to secure a tenant for the apartment, and proposes to sell the apartment for €180,000 and repay the mortgage in part from proceeds. The shortfall of €20,000 is treated similarly to the unsecured debt in accordance with section 102 (5)[1] of the Personal Insolvency Act.

Amounts now forming Anne's unsecured debts after PIA Restructuring

Unsecured Debt (Credit Card)	€ 30,000
Apartment (balance due to secured creditor after sale)	€ 20,000
Total	€ 50,000

Anne's monthly income and expenses after PIA restructuring

Monthly Net Income		**€ 2,200**
Less[2]	Total Set Costs	€ 807
	Childcare Costs	€ 250
	Principal Private Residence mortgage	€ 928
	Reasonable Living Expenses	**€ 1,985**

[1] Where a PIA provides for the sale or disposal of the property which is the subject of the security for a secured debt, and the realised value of that property is less than the amount due in respect of the secured debt, the balance due to the secured creditor shall abate in equal proportion to the unsecured debts covered by the Personal Insolvency Arrangement. It shall also be discharged with them on completion of the obligations specified in the Personal Insolvency Arrangement.

[2] This scenario has been developed on the basis that the household expenditure, PPR mortgage repayments and childcare costs have been split evenly between both Anne and Barry. An equally valid approach would be to split the household expenditure, PPR mortgage repayments and childcare costs in accordance with the income levels of the borrowers. The PIP, in consultation with the creditors where appropriate, should decide the appropriate approach to take in each case.

Available to Unsecured Creditors (€ 2,200-€ 1,985)	**€ 215**

Anne's monthly disposable income available to make payments to her now unsecured creditors is €215 per month after deducting total set costs and mortgage repayments. This equates to €15,480 over 6 years.

For the purposes of this scenario, it is estimated that the PIP fees are €6,000 for Anne's PIA (Barry's PIP fees for his PIA are also €6,000). Therefore, Anne's unsecured creditors will receive €9,480 on a proportionate basis over the lifetime of the PIA.

As part of developing the PIA 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 the fee amount, 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 PIA.

5B. POTENTIAL PIA SOLUTION FOR BARRY PROPOSED BY PIP

Anne and Barry's mortgage is not sustainable on their current incomes.

Anne and Barry's joint PPR Mortgage: The PIP notices that the term of the mortgage cannot be extended since it already runs until Anne and Barry reach 70. Therefore, the PIP proposes that the mortgage interest rate is reduced for the duration of the PIA. Anne and Barry's monthly mortgage repayment reduces from €2,000 to €1,856 for the duration of the PIA.

Barry's Apartment: The PIP reviews evidence supplied by Barry of his unsuccessful attempts to secure a tenant for the apartment, and proposes to sell the apartment for €120,000 and repay the mortgage in part from proceeds. The shortfall of €20,000 is treated similarly to the unsecured debt in accordance with section 102 (5)[1] of the Personal Insolvency Act.

Amounts now forming Barry's unsecured debts after PIA Restructuring

Unsecured Debt (Credit Union)	€ 20,000
Apartment (balance due to secured creditor after sale)	€ 20,000
Total	**€ 40,000**

[1] Where a Personal Insolvency Arrangement provides for the sale or other disposal of the property which is the subject of the security for a secured debt, and the realised value of that property is less than the amount due in respect of the secured debt, the balance due to the secured creditor shall abate in equal proportion to the unsecured debts covered by the Personal Insolvency Arrangement and shall be discharged with them on completion of the obligations specified in the Personal Insolvency Arrangement.

Barry's monthly income and expenses after PIA restructuring

Monthly Net Income		**€ 2,100**
Less[1]	Total Set Costs	€ 807
	Childcare Costs	€ 250
	Principal Private Residence mortgage	€ 928
	Reasonable Living Expenses	**€ 1,985**
Available to Unsecured Creditors (€ 2,100-€ 1,985)		**€ 115**

Barry's monthly disposable income after deducting total set costs and mortgage repayments which is available to make payments to his now unsecured creditors is €115 a month. This equates to €8,280 over 6 years.

For the purposes of this scenario, it is estimated that the PIP fees are €6,000 for Barry's PIA (Anne's PIP fees for her PIA are €6,000). Therefore Barry's unsecured creditors will receive €2,280 on a proportionate basis over the lifetime of the PIA.

As part of developing the PIA 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 the fee amount, the PIP may suggest a staggered draw down of the fees 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 PIA.

6. ANNE AND BARRY'S POSITION AFTER MEETING THEIR OBLIGATIONS UNDER THEIR RESPECTIVE INTERLOCKING PIAS

a) After 6 years the interest rate on the PPR Mortgage reverts back to the original rate (from €1,856 to €2,000 per month) and the mortgage is now sustainable because :
    - Anne and Barry will no longer have to service their respective apartments' mortgages.
    - Unsecured debts are discharged.

b) Anne will have repaid €9,480 of her unsecured debts at the end of the term of the PIA and the remaining unsecured €40,250 amount is discharged. This represents a 19% return on her unsecured debts, based on amounts outstanding at the date of issue of Anne's Protective Certificate.

c) Barry will have repaid €2,280 of his unsecured debts at the end of the term of the PIA and the remaining €37,720 is discharged. This represents a 6% return on his

[1] This scenario has been developed on the basis that the household expenditure, PPR mortgage repayments and childcare costs have been split evenly between both Anne and Barry. An equally valid approach would be to split the household expenditure, PPR mortgage repayments and childcare costs in accordance with the income levels of the borrowers. The PIP, in consultation with the creditors where appropriate, should decide the appropriate approach to take in each case.

unsecured debts, based on amounts outstanding at the date of issue of Barry's Protective Certificate.

d) Anne and Barry are now solvent.

7. APPENDICES

Appendix A: Anne's Creditors' Meeting Voting Rights

Threshold 1 - 65% vote required	Total Debt Vote	Voting Rights
PPR	€ 400,000	63%
Apartment	€ 200,000	32%
Credit Card	€ 30,000	5%
Total	**€ 630,000**	**100%**
Threshold 2 - 50% vote required	Secured Debt Vote	Voting Rights
PPR	€ 300,000[1]	63%
Apartment	€ 180,000[1]	37%
Total	**€ 480,000**	**100%**
Threshold 3 - 50% vote required	Unsecured Debt Vote	Voting Rights
Apartment	€ 20,000	40%
Credit Card	€ 30,000	60%
Total	**€ 50,000**	**100%**

In this scenario, the Market Value of the Principal Private Residence is €300,000. This figure is less than the outstanding mortgage on the Principal Private Residence of €400,000.

The Market Value of the apartment is €180,000. This figure is less than the outstanding mortgage on the apartment of €200,000.

[1] The voting rights for threshold 2 are based on Section 110(2) of the Personal Insolvency Act 2012.

"(2) For the purposes of subsection (1)(b) the value of a secured debt shall be—

(a) the market value of the security concerned determined in accordance with section 105, or

(b) the amount of the debt secured by the security on the day the protective certificate is issued, whichever is the lesser."

Appendix B: Barry's Creditors' Meeting Voting Rights

Threshold 1 - 65% vote required	Total Debt Vote	Voting Rights
PPR	€ 400,000	71%
Apartment	€ 140,000	25%
Credit Union	€ 20,000	4%
Total	**€ 560,000**	**100%**
Threshold 2 - 50% vote required	Secured Debt Vote	Voting Rights
PPR	€ 300,000[1]	71%
Apartment	€ 120,000[1]	29%
Total	**€ 420,000**	**100%**
Threshold 3 - 50% vote required	Unsecured Debt Vote	Voting Rights
Apartment	€ 20,000	50%
Credit Union	€ 20,000	50%
Total	**€ 40,000**	**100%**

In this scenario, the Market Value of the Principal Private Residence is €300,000. This figure is less than the outstanding mortgage on the Principal Private Residence of €400,000.

The Market Value of the apartment is €120,000. This figure is less than the outstanding mortgage on the apartment of €140,000.

[1] The voting rights for threshold 2 are based on Section 110(2) of the Personal Insolvency Act 2012.

"(2) For the purposes of subsection (1)(b) the value of a secured debt shall be—

(a) the market value of the security concerned determined in accordance with section 105, or

(b) the amount of the debt secured by the security on the day the protective certificate is issued, whichever is the lesser."

Appendix C: Anne's situation before and after PIA

Anne	Before PIA	Restructure secured debt	Sale	PPR Repayments (net)	Other Repayments	Debt write-down	After PIA	Repayments %
Assets								
PPR	€ 300,000						€ 300,000	
Apartment	€ 180,000		€ (180,000)				0	
Total	€ 480,000		€ (180,000)				€ 300,000	
Debts								
Secured debt								
PPR	€ 400,000			€ (61,000)			€ 339,000	
Apartment	€ 200,000	€ (20,000)	€ (180,000)					
Unsecured debt								
Apartment mortgage		€ 20,000			€ (3,792)	€ (16,208)		19%
Credit card	€ 30,000				€ (5,688)	€ (24,312)		19%
Total	**€ 630,000**		**(€ 180,000)**	**(€ 61,000)** [1]	**€ (9,480)**	**€ (40,520)**	**€ 339,000**	
Deficiency	**(€ 150,000)**						**(€ 39,000)** [2]	

Appendix D: Barry's situation before and after PIA

Barry	Before PIA	Restructure secured debt	Sale	PPR Repayments (net)	Other Repayments	Debt write down	After PIA	Repayments %
Assets								
PPR	€ 300,000						300,000	
Apartment	€ 120,000		(€ 120,000)					
Total	€ 420,000		(€ 120,000)				300,000	
Debts								
Secured debt								
PPR	€ 400,000			(€ 61,000)			€ 339,000	
Apartment	€ 140,000	(€ 20,000)	(€ 120,000)					
Unsecured debt								
Apartment mortgage		€ 20,000			(€ 1,140)	(€ 18,860)		6%
Credit Union	€ 20,000				(€ 1,140)	(€ 18,860)		6%
Total	**€ 560,000**		**(€ 120,000)**	**(€ 61,000)** [1]	**(€ 2,280)**	**(€ 37,720)**	**€ 339,000**	
Deficiency	**(€ 140,000)**						**(€ 39,000)** [2]	

[1] This figure is net of interest.

[2] The remaining negative equity is retained within the mortgage after the end of the PIA.

Appendix E: Anne and Barry's combined situation before and after PIA

Anne and Barry Combined	Before PIA	Restructure secured debt	Sale	PPR Repayments (net)	Other Repayments	Debt write down	After PIA	Repayments %
Assets								
PPR	€300,000						€300,000	
Apartments	€300,000		€ (300,000)					
Total	**€600,000**		**€ (300,000)**				**€300,000**	
Debts								
Secured debt								
PPR	€400,000			€ (61,000)[1]			€339,000	
Apartments	€340,000	€ (40,000)	€ (300,000)					
Unsecured debt								
Apartment - Anne		€20,000			€ (3,792)	€ (16,208)		19%
Apartment - Barry		€20,000			€ (1,140)	€ (18,860)		6%
Credit card - Anne	€30,000				€ (5,688)	€ (24,312)		19%
Credit Union - Barry	€20,000				€ (1,140)	€ (18,860)		6%
Total	**€790,000**		**€ (300,000)**	**€ (61,000)**	**€ (11,760)**	**€ (78,240)**	**€339,000**	
Deficiency	**€ (190,000)**						**€ (39,000)**[2]	

[1] This figure is net of interest. The combined mortgage repayment over the duration of Anne and Barry's respective PIAs is €133,632 (€66,816x2), where total interest is €72,632 (€5,816x2) and capital €61,000.

[2] The remaining negative equity is retained within the mortgage after the end of the PIA.

SCENARIO 5

PIA – APPLICANT ELIGIBLE, PREFERENTIAL AND EXCLUDABLE DEBTS

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

1. SEAMUS'S STORY

Seamus is a self employed haulier. He has seen his income drop dramatically in the last five years. He is single and earns a net income of €2,400 per month.

He bought his Principal Private Residence (PPR) ten years ago. The outstanding mortgage is €200,000, which is the current value of the house. Seamus has a Personal Loan of €25,000 with the Mortgage Bank. He also has credit card debt of €20,000 and a debt to the Revenue Commissioners of €125,000.

Seamus owns a car valued at €10,000 which he is prepared to trade in for an older model. Seamus is also due to receive an inheritance of €6,000.

Seamus has co-operated with the Mortgage Bank under the Central Bank Code of Conduct on Mortgage Arrears in relation to his PPR for the last six months, but has been unable to agree a sustainable repayment solution. Seamus is unable to pay his debts in full as they fall due and acknowledges he is insolvent.

Seamus meets with a Personal Insolvency Practitioner (PIP) and provides full details of his financial circumstances so the PIP can understand his financial position.

2. SEAMUS'S CURRENT INSOLVENT POSITION

Assets	Value	Loan
Principal Private Residence	€ 200,000	€ 200,000
Inheritance	€ 6,000	
Car	€ 10,000	
Total	**€ 216,000**	**€ 200,000**
Debts		
Secured debts		
PPR mortgage		€ 200,000
Unsecured debts		
Revenue Preferential Claims		€ 25,000
Revenue Unsecured Claims		€ 100,000
Personal Loan		€25,000
Credit Card		€20,000
Total		**€ 370,000**

Monthly Income	
Net Income	€ 2,400
Total	**€ 2,400**
Monthly expenses	
Total Set Costs[1]	€ 1,045
Rent/Mortgage[2]	€ 1,481
Childcare Costs[2]	
Reasonable Living Expenses	**€ 2,526**
Available for unsecured debt service (€2,400-€2,526)	€ (126)
Unsecured debt repayments	€ (1,450)
Deficit in meeting unsecured debt obligations (-€126-€1,450)	**€ (1,576)**

3. ELIGIBILITY

Seamus qualifies for a PIA because:

- ✓ Seamus is insolvent – he is unable to pay his debts as they fall due.
- ✓ Seamus has secured debts.
- ✓ Seamus has not incurred 25% or more of his debts in the 6 month period ending on the application date for the Protective Certificate.
- ✓ Seamus has participated in the Mortgage Arrears Resolution Process (process approved by Central Bank) with his PPR Mortgage Provider for a minimum period of six months in relation to his PPR but has been unable to agree an alternative repayment arrangement.
- ✓ Seamus's total secured debts do not exceed €3 million.
- ✓ Seamus meets all the other eligibility criteria for a PIA (Please see page 7 of the PIA 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). Seamus's circumstances meet those covered by Table 2. "One Adult Household (vehicle) " on page 38 of the Guide (€1,045.48). For illustrative purposes and ease for the reader, the total set costs figure is rounded to €1,045.

[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) Seamus meets with a Personal Insolvency Practitioner (PIP) and provides full details of his financial circumstances so the PIP can understand his financial position.

b) The PIP explains to Seamus that certain debts require the prior consent of the creditor in order to be included in a PIA. 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 PIA the debt becomes what is referred to as a "permitted debt".

c) The PIP contacts Revenue through their dedicated insolvency email address to determine if they will allow the debt to be included in the PIA. In the event that the PIP does not hear back from them within 21 days, Revenue will be deemed to have consented.

d) The PIP 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 Seamus's debt on file does not conflict with any other information held by them and satisfies himself/herself that Seamus falls within that guidance note. Revenue consents in writing to being included in the PIA.

e) The PIP sends Seamus's application, along with the required supporting documentation, to the ISI for processing.

f) The ISI processes Seamus's application and is satisfied with it. The ISI issues a certificate to that effect and sends it along with Seamus's application to the Court.

g) The Court is satisfied with Seamus's application and issues a Protective Certificate. Seamus's PIP has 70 days to develop a PIA proposal and have it voted on by the creditors and submitted to the Court for assessment.

h) The PIP notifies all Seamus's creditors including Revenue that the Protective Certificate is has been 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 Seamus'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 Personal Insolvency Arrangement to the PIP.

i) Seamus agrees to the PIA proposal developed by the PIP (details of potential PIA solution in point 5 below). The proposal includes the condition required under Section 100 of the Finance Act, 2013 which states that a PIA 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 set out in Revenue's guidance note (referred to in

Part d above) their agreement to accept the compromise contained in the arrangement.

j) Creditors representing 65% or more of Seamus's total debt participating at the creditors' meeting agree to the proposal (i.e. first threshold needed for creditors' approval). This includes creditors representing 50% or more of Seamus's secured debt (i.e. second threshold needed for creditors' approval), and creditors representing 50% or more of Seamus's unsecured debt (i.e. third threshold needed for creditors' approval) (see appendix A-voting rights table for more information).
k) The PIP records the creditors' meeting results and sends them to the ISI and each of Seamus's creditors. No creditor appeals at any point of the process.
l) The ISI and the Court carry out final reviews of Seamus's case and approve the PIA.
m) Seamus's details are placed on a Public Register of Personal Insolvency Arrangements (This includes his name, address, year of birth and the date of coming into effect of the PIA).

5. POTENTIAL PIA SOLUTION FOR SEAMUS PROPOSED BY PIP

The PIP assesses whether a change to the term of the mortgage or interest rate will make the mortgage sustainable. The PIP recommends a term extension on the PPR mortgage for an additional 11 years, bringing the mortgage term to 26 years to expire when Seamus reaches 65 years of age. The PIP also recommends that Seamus pays interest only for the term of the PIA. In addition the PIP recommends that the interest rate be reduced from 4% to 3% for the term of the PIA in order to enable Seamus to address some of his unsecured debts.

The reduction in mortgage payments frees up €852 per month, which is available to make payments to unsecured creditors. This equates to €61,344 over six years.

Seamus's monthly income and expenses during PIA

Monthly Net Income	**€2,400**
Less:	
Principal Private Residence Mortgage	€503
Childcare Costs	€0
Total set costs	€1,045
Available to Unsecured Creditors	**€852**

Seamus also agrees to trade in his car for an older model which makes available €7,000. The PIP proposes that this amount (€7,000) combined with the proceeds from the inheritance (€6,000) be used to make an upfront payment towards the Revenue's Preferential Debt.

In total Seamus will have available €74,344 (€61,344 + €7,000 + € 6,000) to make payments to his unsecured creditors during the lifetime of the PIA.

For the purposes of this scenario it is estimated that the PIP fees are €8,500, made up of an initial €2,500 to reflect the ‘up front’ work undertaken by the PIP in year one. The remaining €6,000 is staggered across the following 5 years. Seamus’s unsecured creditors will therefore receive a total of €65,844 over the lifetime of the PIA.

As part of developing the PIA 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 PIA.

Year	**1**	**2**	**3**	**4**	**5**	**6**	**Totals**	
Net monthly income	€ 2,400	€ 2,400	€ 2,400	€ 2,400	€ 2,400	€ 2,400		
Set costs	€ 1,045	€ 1,045	€ 1,045	€ 1,045	€ 1,045	€ 1,045		
Rent/mortgage	€ 503	€ 503	€ 503	€ 503	€ 503	€ 503		
Childcare								
RLE	€ 1,548	€ 1,548	€ 1,548	€ 1,548	€ 1,548	€ 1,548		
Monthly contribution	€ 852	€ 852	€ 852	€ 852	€ 852	€ 852		
Annual contribution	€ 10,224	€ 10,224	€ 10,224	€ 10,224	€10,224	€10,224	€61,344	
PIP's fees	€(2,500)	€(1,200)	€(1,200)	€(1,200)	€(1,200)	€(1,200)	€(8,500)	
Net contribution	€ 7,724	€ 9,024	€ 9,024	€ 9,024	€ 9,024	€ 9,024	€52,844	
Repayment breakdown between Creditors								
Revenue preferential claim	€20,724[1]	€ 4,276					€25,000	100%
Revenue unsecured claim		€ 3,274	€6,223	€ 6,223	€ 6,223	€ 6,223	€28,166	28%
Total Revenue payment	**€20,724**	**€ 7,550**	**€ 6,223**	**€ 6,223**	**€ 6,223**	**€ 6,223**	**€53,166**	43%
Personal Loan		€ 819	€1,556	€ 1,556	€ 1,556	€ 1,556	€ 7,043	28%
Credit Card		€ 655	€ 1,245	€ 1,245	€ 1,245	€ 1,245	€ 5,635	28%
Total Payments to creditors net of PIP Fees	**€20,724**	**€ 9,024**	**€ 9,024**	**€ 9,024**	**€ 9,024**	**€ 9,024**	**€65,844**	

[1] The breakdown of the €20,724 is as follows: Proceeds from sale of Car (€7,000) + Inheritance (€6,000) + Annual Contributions in Year 1 (€7,724).

6. SEAMUS'S POSITION AFTER MEETING HIS DUTIES AND OBLIGATIONS UNDER THE PIA

a) Seamus successfully completed the PIA. He ensured he met his obligations under Section 100 of the Finance Act, 2013.
b) Seamus's PPR mortgage is sustainable because;
    I. Unsecured debts are discharged;
    II. The mortgage term has been extended
c) Seamus will have repaid the total amount of €25,000 preferential debt to Revenue. He will also have repaid €28,166 of the balance of €100,000 unsecured debt owed to Revenue. This represents an overall return of 43% to Revenue.
d) Seamus will have repaid a total of €40,844 towards unsecured creditors without a preferential claim. The remaining €104,156 is discharged. This represents a 28% return to those unsecured creditors without a preferential claim.
e) Seamus is now solvent.