

INDIVIDUAL VOLUNTARY ARRANGEMENTS: RESEARCH INTO CONCERNS

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GLOSSARY

Bankruptcy	A statutory form of debt relief available for anyone who is unable to pay their debts. See https://www.gov.uk/bankruptcy .
Bespoke IVAs	An Individual Voluntary Arrangement (IVA) which may or may not include the standard terms of the protocol (see below) but will additionally have terms and conditions that seek to deal with more complex assets.
Consumer	An individual in financial distress seeking advice on dealing with their debts.
Contribution	An unconditional transfer of cash or other assets into an IVA by the consumer, in accordance with the agreed (and modified) Proposal.
Creditor	A person who is owed money by, or has a financial claim against, a consumer.
Data Dictionary	A list and description of the variables to be collected for the research.
Dataset	The complete set of data for all 310 IVAs considered by the researcher.
Datasheet	The recording and scoring schedule as provided by The Insolvency Service.
Debt Management Plan ('DMP')	<p>A debt management plan (DMP) is an agreement between a consumer and their creditors to pay all of their debts. Debt management plans are usually used when the consumer can only afford to pay creditors a small amount each month, or the consumer is experiencing debt problems but will be able to make repayments in a few months.</p> <p>This report refers only to DMPs arranged through an FCA regulated company for a fee. For further information see Options for dealing with your debts: Debt Management Plans - GOV.UK (www.gov.uk).</p>
Debt Relief Order ('DRO')	A statutory form of debt relief available to those who have a low income, low assets and debt no more than a specified value. For further information see Options for dealing with your debts: Debt Relief Orders - GOV.UK (www.gov.uk) .
Debt-packager	Commercial debt advice providers which do not provide any debt solutions themselves. The debt-packager business model relies entirely, or largely, on referral fees from debt solution providers.
Financial Conduct Authority ('FCA')	The FCA regulate financial services firms and financial markets in the UK. For more information see https://www.fca.org.uk/about/what-we-do/the-fca .
Individual Voluntary Arrangement ('IVA')	A statutory form of debt relief requiring agreement between a consumer and their creditors to pay all or part of their debts. The consumer agrees to make regular payments to an insolvency practitioner, who will divide this money between creditors, after the deduction of fees. The consumer can also commit assets to the IVA. For more information see Options for dealing with your debts: Individual Voluntary Arrangements - GOV.UK (www.gov.uk) .

Insolvency Practitioner	Someone who is licensed and authorised to act in relation to statutory insolvency procedures. All insolvency practitioners are regulated by Recognised Professional Body (RPB).
Introducer	Organisations who refer consumers to debt solution providers. Sometimes known as a debt-packager (regulated by the FCA to provide debt counselling) or a lead generator (not FCA regulated).
IVA Proposal	The document which sets out the terms of the proposed IVA to a consumer's creditors
IVA Protocol	A standard framework adopted for consumer IVAs, applying to both insolvency practitioners and creditors. For further information see Individual voluntary arrangement (IVA) protocol - GOV.UK (www.gov.uk)
Misconduct	Threshold used by Recognised Professional Bodies (RPB) at which an IP is liable for regulatory or disciplinary action.
Nominee	The formal statutory insolvency office held by an insolvency practitioner during the take-on period. The Nominee checks and reviews the debtor's proposal for an IVA and, if satisfied that the debtor is insolvent and the proposal has a reasonable prospect of approval by the creditors, calls a creditors' meeting for the purpose of deciding whether to approve the debtor's proposal.
Poor take-on	Practices by those involved in setting up an IVA – including debt-packagers, IPs and IP staff, and others who provide advice and information to consumers during the take-on period, which were found by the research to meet a defined threshold (that is linked to insufficient application of requirements in the relevant Statement of Insolvency Practice and the IVA Protocol).
Project Manager	The person in control of the methodology, research, and quality assurance areas of the research.
Protocol IVA	An IVA using the standard terms and conditions set out in the IVA Protocol.
Recognised Professional Bodies ('RPB')	Specified professional bodies recognised by the Secretary of State for the purposes of authorising and regulating their members to act as insolvency practitioners.
SIP 3.1	Statement of Insolvency Practice 3.1.
Supervisor	The insolvency practitioner responsible for administration of an IVA once it has been approved by creditors.
Stratified randomised sample	A probability-based sampling technique that helps ensure the sample is representative. The target population is initially split into groups which are proportionately representative. A random sample is then made for each group.
The target population	IVAs which were registered in the period 17 th September 2021 to 17 th September 2023 and terminated within that period.

Take-on	The period leading up to the Meeting of Creditors in the IVA process, which may include a referral from a debt-packager, and during which the insolvency practitioner acts as Nominee only.
The Insolvency Service	The Insolvency Service is an executive agency, sponsored by the Department for Business and Trade that helps to deliver economic confidence by supporting those in financial distress, tackling financial wrongdoing and maximising returns to creditors.
Volume provider	<p>An insolvency practitioner or entity satisfying one or more of the following within the last 12 months:</p> <ul style="list-style-type: none">- 1,000 or more IVAs in which one or more person(s) has acted as nominee,- 5,000 or more IVAs in which one or more person(s) has acted as supervisor,- (in Scotland) 2,000 or more cases in which one or more person(s) has acted as trustee in relation to a Trust Deed. <p>The definition of a volume provider, which has been agreed and adopted by the Recognised Professional Bodies (RPBs), can be read in full at Monitoring Volume Individual Voluntary Arrangement and Protected Trust Deed Providers - GOV.UK (www.gov.uk)</p>
Vulnerable customer	The FCA defines a vulnerable customer as someone who due to their personal circumstances is especially susceptible to harm, particularly when a firm is not acting with appropriate levels of care. See FG21/1: Guidance for firms on the fair treatment of vulnerable customers (fca.org.uk) .

KEY FINDINGS

This research covered a dataset of 310 terminated IVAs, compiled using stratified random sampling. The dataset was restricted to IVAs that were both registered and terminated from 17th September 2021 to 17th September 2023.

The key finding of the research is that:

- 60% of the dataset showed evidence of poor take-on, defined as practices by an insolvency practitioner, their staff, debt-packager or other introducer, insufficiently applying the requirements for take-on set out in the relevant Statement of Insolvency Practice and the IVA Protocol.

The results of the research can be generalised to all IVAs registered in the period 17th September 2021 to 17th September 2023 and terminated within that same period ('the target population'), providing empirical evidence that:

- Poor take-on occurs in the majority of IVAs within the target population.
- Poor take-on occurs across a range of concerns in the target population and is not localised to a single issue.
- Being referred to an IVA provider by a third party does not affect the likelihood of poor take-on, when compared to cases where the consumer approached an IVA provider directly.

The scope of this research did not include whether poor take-on occurred outside of the dataset, i.e. IVAs terminated outside the specified period, or IVAs that were completed successfully.

It is also outside the scope of this research whether rates of poor take-on are increasing or decreasing, or how they are affected by recent changes in the industry, including SIP 3.1 revisions, and FCA action concerning debt-packagers.

For context, the most recent annual figures published by the Insolvency Service show, 1 in 18 IVAs (5.6%) registered with The Insolvency Service in 2022 terminated within one year of being approved. The two-year termination rate for those registered in 2021 was 14.4%¹.

¹ <https://www.gov.uk/government/statistics/individual-voluntary-arrangements-outcomes-and-providers-2023/commentary-individual-voluntary-arrangements-outcomes-and-providers-2023>

EXECUTIVE SUMMARY

An Individual Voluntary Arrangement (IVA) is a form of debt relief under the Insolvency Act 1986, forming one of several personal debt solutions in England and Wales. 64,050 IVAs were registered in England and Wales during 2023. IVAs are also available in Northern Ireland.

An IVA is a legally binding contractual agreement between an insolvent consumer² and their creditors, during which consumers pay an affordable monthly contribution towards their debts and in return creditors will typically agree to write-off all debts owed. An IVA can be agreed for any length of time but is usually 60 or 72 months in the case of Protocol Compliant IVAs, which comprise much of the current IVA market. All proposals for an IVA must be considered by an insolvency practitioner and, if considered suitable, are put to a meeting of creditors. If the creditors approve the proposal, the resulting IVA is administered by an insolvency practitioner. All insolvency practitioners are licenced and regulated.

IVAs can provide important benefits, for example they can:

- Allow consumers to maintain control of their finances and assets within the limits of the arrangement.
- Provide a better outcome for creditors than alternative formal debt solutions (a debt relief order or bankruptcy).
- Contractually bind creditors to the arrangement and freeze debts to allow repayment over the IVA's term, with any money still owed at the end of the IVA being written-off (unlike an informal solution, such as a debt management plan).

Historically, there had been a financial incentive for commercial third-party debt-packagers to refer consumers to IVA providers in return for a referral fee. This brought a level of scepticism about whether the advice provided to the consumer genuinely represented the consumer's best interests. In June 2023, the FCA announced plans to ban fees to debt-packagers for referring people to debt solution companies³⁴. The ban was introduced for those already in the debt market from 3rd October 2023.

While IVAs can work well for many, if an IVA is unsuitable, it can leave the consumer struggling with their household budget, being in debt for longer, or even acquiring more debt to make IVA payments. An IVA may also be terminated (cancelled), which can leave vulnerable people

² To propose an IVA, the consumer must be able to apply for their own bankruptcy or be subject to an undischarged bankruptcy order.

³ [FCA proposes ban on debt packager referral fees to protect consumers | FCA](#)

⁴ [PS23/5: Debt Packagers: Feedback to CP23/5 and final rules \(fca.org.uk\)](#)

unprotected from debt collection action, facing the restart of interest and charges, and sometimes having repaid minimal debt back through their IVA, as contributions were absorbed by fees.

As a result of concern in this area, there has been a particular focus on improving the quality of take-on procedures for IVAs with new standards, monitoring guidance, and action by the FCA and the Advertising Standards Authority; as well as increased consumer call monitoring, targeted inspections, and regulatory and disciplinary action taken by Recognised Professional Bodies ('RPBs').

There continues to be interest in this area, both from within the industry and further afield, with organisations, the media (including the BBC and Channel 4), debt advice charities and RPBs amongst those adding to the debate. The themes that have been raised include whether an IVA is the most appropriate solution for consumers on low income or benefits, if volume IVA providers are transparent enough about fees, and if the regulatory framework has kept pace with the industry.

To understand if there is a problem, the extent of the problem and what form that problem might take, in November 2023 the Insolvency Service commissioned RSM UK Creditor Solutions LLP ('RSM') to carry out 'Research into Concerns around IVAs'. RSM were commissioned through fair and open procurement using the Research and Insights Framework: [Research & Insights - CCS \(crowncommercial.gov.uk\)](https://www.crowncommercial.gov.uk).

This research has collected and analysed 310 randomly sampled IVAs that had been both registered and terminated in England and Wales in the period from 17th September 2021 to 17th September 2023 (the 'dataset'). The analysis considered three key questions:

1. What proportion of terminated IVAs were identified as being subject to poor take-on practices?
2. What are the most prevalent categories of poor take-on?
3. What proportion of terminated IVAs with poor take-on came from different take-on procedures?

A research methodology was set by the Insolvency Service, detailing aspects of take-on procedures that would indicate poor-practice or poor-quality, weighting those and setting a threshold at which evidence of poor take-on would indicate concern. Neither the research nor the threshold sought to establish if misconduct occurred in individual IVAs.

What proportion of the dataset were identified as having poor take-on?

- 60% (185 of 310 IVAs) were found to have been subject to poor take-on.

- 25% (79 of 310 IVAs) promoted and adhered to best practice.
- 15% (46 of 310 IVAs) showed some elements outside of best practice but did not meet the threshold of poor take-on, as defined by the research methodology.

What are the most prevalent categories of poor take-on?

185 IVAs in the dataset met or exceeded the definition set for poor take-on. Areas of concern identified in the 185 IVAs included:

- The accuracy and review of the consumer's income and expenditure - occurring in 75% of these cases (138 cases).
- Ensuring the consumer understood the terms of their IVA proposal – occurring in 51% of these cases (95 cases).
- Other debt solutions incorrectly discounted (refused) by the consumer - occurring in 51% of these cases (94 cases)⁵.
- Other debt solutions incorrectly disregarded by the insolvency practitioner's staff - occurring in 45% of these cases (83 cases).
- The category of 'vulnerability' (vulnerable customer) and whether the IVA provider correctly requested, recorded and informed creditors of relevant information - occurring in 30% of these cases (55 cases).

Was there a difference in the proportions of poor take-on between different take-on procedures?

The research considered if the rate of poor take-on varied by how the consumer was introduced to the IVA provider.

Consumers in the dataset were either referred to the IVA provider via a debt-packager, or came directly to the IVA provider via external signposting, e.g. advertising, an internet search engine, etc. Debt-packagers were further split into two categories, 'FCA-regulated' and 'non-FCA regulated'.

The research shows that there was no material difference when comparing IVAs referred by a debt-packager and those that were not, suggesting that the likelihood for poor take-on is unlikely to deviate regardless of the origin of a given IVA.

⁵ SIP3.1 requires that all available debt solutions are outlined to the consumer, along with the advantages and disadvantages of each, and that the consumer's preferred option is recorded. Where an option is discounted by the consumer, the reasons for it must also be recorded. Where the consumer's rationale for discounting a possible solution was unreasonable (e.g. they may also apply to IVAs), based on incorrect information, or was not identified or challenged by the call handler, this was recorded as a concern.

The research also showed that 66% of the referrals made by FCA-regulated debt-packagers had poor take-on, compared to 53% for other introducers. This difference in proportions is statistically significant. IVAs in the dataset pre-date the FCA ban for existing introducers on receiving a fees for the referral of individuals to debt solution companies.

Notes on scope of research

The research does not consider poor take-on outside of the dataset, including IVAs terminated after more than 2-years or those successfully completed. The most recent annual figures published by the Insolvency Service show 1 in 18 IVAs (5.6%) registered with The Insolvency Service in 2022 terminated within one year of being approved. The two-year termination rate for those registered in 2021 was 14.4%⁶.

It is also outside the scope of this research whether rates of poor take-on are increasing or decreasing, as is the impact of recent changes in the industry, including SIP 3.1 revisions, and FCA action concerning debt-packagers, the latter coming into effect only from October 2023.

Call data was absent in 43% of the dataset. It is important to note that cases were only marked as having experienced poor take-on if there was evidence as such. The implication of this is that the estimate of cases reaching the threshold set could be under-reported.

⁶ <https://www.gov.uk/government/statistics/individual-voluntary-arrangements-outcomes-and-providers-2023/commentary-individual-voluntary-arrangements-outcomes-and-providers-2023>

INTRODUCTION AND BACKGROUND

What is an IVA?

An IVA is an agreement between a consumer and their creditors for the repayment, in part or in full, of their debts. This agreement may allow for regular contributions over a period of, typically, 60 months or 72 months for a Protocol IVA. A bespoke IVA may provide for third party contributions or surplus funds from the sale of property or assets to form payments into the scheme. An IVA can be as flexible as the consumer's circumstances allow, subject to creditor approval.

Whatever the proposal, there remain many key components to ensure an IVA is successful. These might include, but are not limited to:

- The inclusion of realistic and achievable payment terms that are likely to be maintained for the term of the agreement; and
- the ongoing cooperation, engagement, and adherence to the terms of the agreement by the consumer.

Consequently, a well-advised and structured IVA has several benefits:

- It provides debt relief to individuals.
- It allows the consumer to maintain control of their finances and, in most cases, their assets.
- The associated costs of the process are usually less than would be incurred in a bankruptcy.
- It provides a better result for creditors than the insolvency alternatives, a debt relief order (DRO) or bankruptcy.
- It allows the consumer to avoid some of the associated restrictions of bankruptcy.

A consumer may enter an IVA after approaching an IVA provider directly or through an introducer. Introducers are sometimes known as debt-packagers (regulated by the FCA to provide debt counselling) or a lead generator (not FCA regulated).

Where a consumer is seeking a solution to their debt problems, there are several alternatives to IVAs that must be outlined and considered with the consumer, to determine if there would be a more appropriate solution. For example:

- DROs are available to consumers with low levels of disposable income, minimal assets, and a limited amount of debt (currently £50,000). Consumers are immediately protected from creditor recovery action and discharge from debts usually takes place 12 months after the DRO is granted. A DRO must be applied for via an FCA regulated debt adviser (an

approved intermediary). Following the Spring Budget 2024, access to DROs became more accessible as the entry fee was abolished and eligibility criteria widened.

- Bankruptcy is available for anyone who is unable to pay their debts. Assets owned will vest in a trustee in bankruptcy, who will sell them and distribute the surplus proceeds to creditors. Consumers are immediately protected from creditor recovery action and discharge from debts usually takes place 12 months after the bankruptcy order is granted.
- A debt management plan (DMP) is a non-statutory option. It is an informal agreement between the consumer and their creditors for paying back their debts in full. The consumer repays the debt through regular payments, which are divided between their creditors. DMPs are managed by a DMP provider, who deals with the creditors on the consumer's behalf. A DMP is not legally binding on consumers or creditors and has no maximum duration.

Over the last 20 years, the IVA volume sector has increased in size with several firms now dedicated solely to the provision of IVAs in large numbers. These firms are known as 'volume providers'. Many volume providers receive consumer referrals from commercial introducers, which should be FCA authorised - as required by the guidance on monitoring volume IVA and Protected Trust Deed providers.

To support the efficient processing of large volumes of consumer IVAs with simple assets, the IVA Protocol was developed in 2007 in conjunction with insolvency practitioners, the RPBs, creditor groups and the debt advice sector. It is under continuous review by the IVA Standing Committee to ensure it remains fit for purpose, with an updated version released in August 2021.

The IVA Protocol is a voluntary agreement, providing an agreed standard framework for straightforward consumer IVAs, and applies to both IVA providers and creditors. It recognises the need to balance the rights of a consumer to obtain appropriate debt relief alongside the rights of creditors to seek repayment of money that is owed to them.

Personal Insolvency Framework

The personal insolvency regime has undergone intermittent changes, with reviews and amendments over the years including:

- The introduction of DROs in April 2009.
- The change from Secretary of State fees in bankruptcies to a general fee in July 2016.
- The introduction of the Insolvency (England and Wales) Rules 2016 in April 2017.
- The decision to revive HM Revenue and Custom's preferential status in all insolvencies with effect from 1st December 2020.

- The introduction of a revised IVA Protocol 2021, effective August 2021.
- The increase in DRO threshold limits in July 2021 (and recent changes which took effect from 28th June 2024).

Between July 2022 and October 2022, the then Government released a Call for Evidence targeted at industry professionals and stakeholders looking at the personal insolvency framework. The purpose of this was to review and address three key areas⁷:

1. The underlying purpose of the personal insolvency framework and where the balance should fall between providing consumers with a fresh start and providing returns to creditors.
2. Funding for the framework, whether the burden of costs is apportioned fairly, and some of the wider consequential costs of bankruptcy.
3. The current personal insolvency procedures and whether they are working effectively.

The then Government's response was released in August 2023 and can be found here: [Review of the personal insolvency framework: Summary of responses and next steps - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/review-of-the-personal-insolvency-framework)

Personal Insolvency Statistics

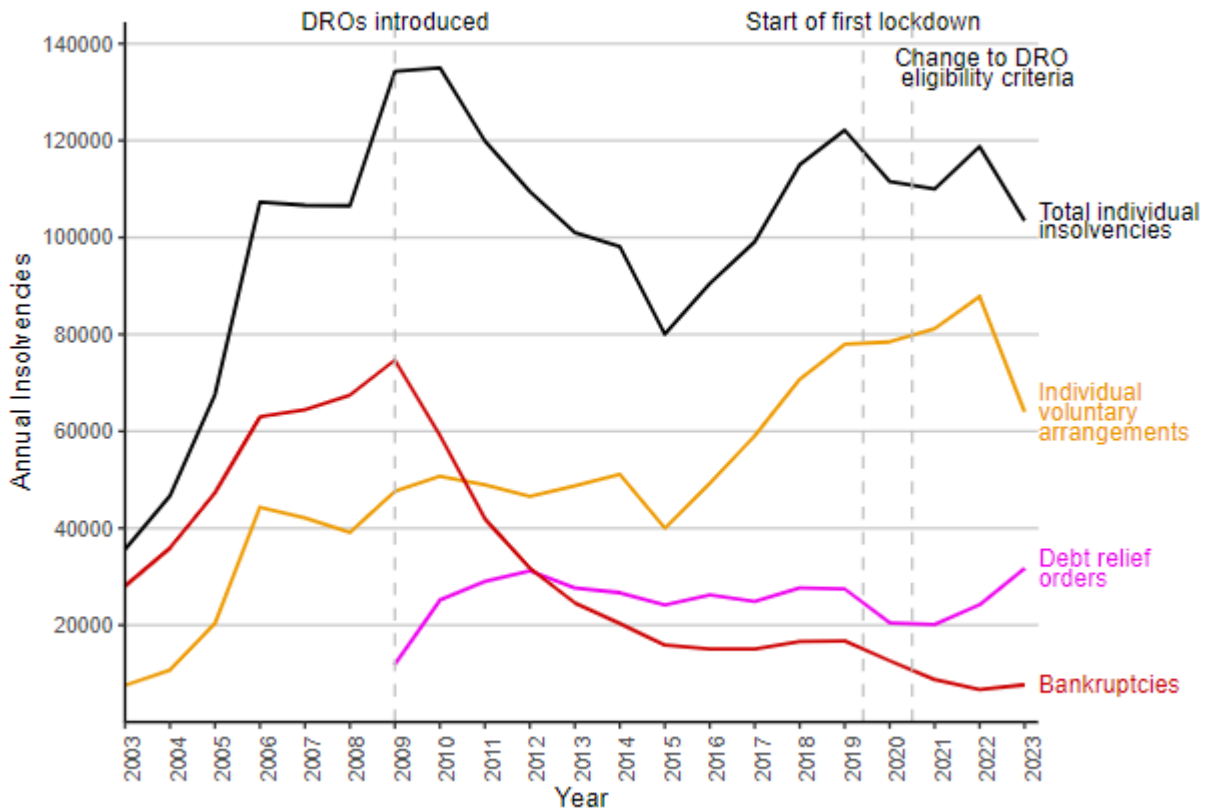
The number of individual insolvencies registered in England and Wales during 2023 was 103,454.⁸ The composition of individual insolvencies has changed over the past 10 years. In 2013, 24% of insolvencies were bankruptcies, 27% DROs and 48% IVAs; but by 2019 nearly two-thirds were IVAs. This trend accelerated during the coronavirus pandemic, and in 2022 nearly three-quarters (74%) of individual insolvencies were IVAs, with 20% being DROs and only 6% being bankruptcies. However, in 2023 the trend reversed because of increasing DRO numbers and decreasing IVA numbers, with 62% of individual insolvencies being IVAs, 31% DROs and 7% bankruptcies⁹.

Figure 1: Individual insolvency numbers for England and Wales, annual, 2003 to 2023

⁷ [Review of the personal insolvency framework: Summary of responses and next steps - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/review-of-the-personal-insolvency-framework)

⁸ [Commentary - Individual Insolvency Statistics October to December 2023 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/commentary-individual-insolvency-statistics-october-to-december-2023)

⁹ [Commentary - Individual Voluntary Arrangements Outcomes and Providers 2023 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/commentary-individual-voluntary-arrangements-outcomes-and-providers-2023)



The market for IVAs is consolidated in a small number of so called “volume provider” firms. Five firms accounted for more than 50% of registered IVAs in 2023¹⁰, and the top 16 IVA providers accounted for more than 90% of registered IVAs in 2023¹¹.

As of 31st December 2023, 22% of IVAs registered in 2019 and 17% of IVAs registered in 2020 had terminated (not completed as expected). The equivalent numbers as of 31st December 2022 were 28% for 2018 and 20% for 2019¹². Many IVAs registered in 2019 or later remain ongoing, so a definitive trend in relation to termination cannot yet be established, but there are preliminary indications of a decline in lifetime termination rates.

IVAs can terminate for many reasons, some of which are unavoidable and could not have been anticipated by the nominee or consumer when putting the proposal to creditors at the outset.

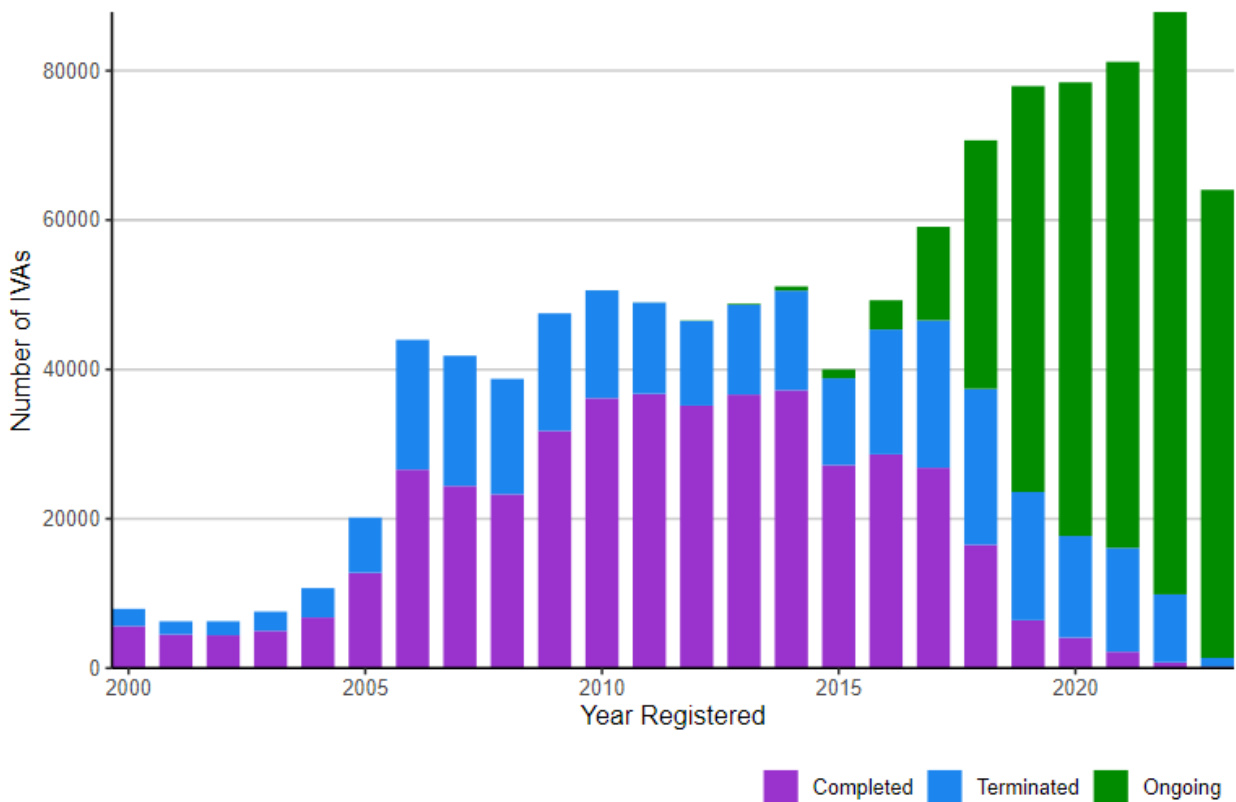
The most common annual period for an IVA to terminate is between one and two years after approval. 1 in 18 IVAs (5.6%) registered with The Insolvency Service in 2022 terminated within one year of being approved. The two-year termination rate for those registered in 2021 was 14.4%.

¹⁰ [Commentary - Individual Voluntary Arrangements Outcomes and Providers 2023 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118111/Commentary-Individual-Voluntary-Arrangements-Outcomes-and-Providers-2023.pdf)

¹¹ [Commentary - Individual Voluntary Arrangements Outcomes and Providers 2023 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118111/Commentary-Individual-Voluntary-Arrangements-Outcomes-and-Providers-2023.pdf)

¹² [Commentary - Individual Voluntary Arrangements Outcomes and Providers 2023 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118111/Commentary-Individual-Voluntary-Arrangements-Outcomes-and-Providers-2023.pdf)

Figure 2: Annual IVA numbers England and Wales, 2000 to 2023



Rationale for research

IVAs support a public policy objective by providing debt relief for individuals in financial distress. However, specific issues and concerns have been highlighted in several reports.

Responses to a Call for Evidence on the review of the personal insolvency framework highlighted concerns about the activities of volume IVA providers and the potential for poor practices in the IVA market¹³. The concerns raised included inadequate or misleading advice being provided to individuals proposing to enter an IVA.

Within the Government's Call for Evidence outcome '*Review of the personal insolvency framework: Summary of responses and next steps*,' the following observation was made¹⁴:

"IVAs attracted considerable attention from respondents and there were calls for them to be over-hauled, or even removed. As indicated elsewhere in the summary of responses, most of the concerns were in relation to the volume provider market and focused on regulatory problems regarding misleading or poor advice, mis-selling of IVAs, lack of transparency about fees and other charges and the behaviour of some insolvency practitioners and IVA

¹³ [Review of the personal insolvency framework: Summary of responses and next steps - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/612222/Review_of_the_personal_insolvency_framework_-_Summary_of_responses_and_next_steps.pdf)

¹⁴ [Review of the personal insolvency framework: Summary of responses and next steps - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/612222/Review_of_the_personal_insolvency_framework_-_Summary_of_responses_and_next_steps.pdf)

volume provider firms. It was noted that the Government’s consultation on reforms on the future of insolvency regulation recognises concerns in this area.”

In 2021 The Insolvency Service carried out research into confidence within the insolvency and enforcement regimes. This highlighted that whilst stakeholders broadly felt that the regime was supported by high ethical standards, there were references to perceived instances of bad practice, including references to “IVA factories”.

Such issues can have negative impacts, especially for those who are most vulnerable, and they have the potential to lead people into greater financial difficulty. It has been documented that there is an association between financial distress and negative impacts on well-being¹⁵. Whilst empirical studies have shown the detrimental effect on a consumer from the fear and anxiety produced by constant worry about inability to repay debts, these effects do not just impact the individual consumer, but their family and wider society as well¹⁶.

However, there are reports which may challenge the extent and nature of any problem. For example, Peter Bishop, from the University of Plymouth, explains the rise in IVAs over time, rather than focusing on the rise of mass IVA providers. Bishop suggested that the rise in IVAs is related to the desire of consumers to avoid the stigma associated with bankruptcy¹⁷.

Despite efforts to address concerns around poor practice, issues are still being raised. There have been reports of direct and potentially aggressive marketing towards people in financial distress for example. Such ‘adverts’ often appear to promote impartial advice, neglect to mention any applicable fees and make what could be unverifiable claims to solve the consumers' financial problems¹⁸.

There are also reports of repayments required of consumers which were not affordable even at the time they entered their IVA¹⁹. This is a concern given that, before an IVA is proposed, the IVA provider should carry out a thorough income and expenditure assessment to ensure contributions are affordable and sustainable. While IVAs do work as intended for many consumers, if an IVA is terminated it can leave those most vulnerable in a worse position, sometimes with more debt than

¹⁵ [Wellbeing guidance for appraisal - supplementary Green Book guidance.pdf \(publishing.service.gov.uk\)](#)

¹⁶ [World - Working group for the treatment of the insolvency of natural persons \(worldbank.org\)](#)

¹⁷ Urban Studies - Spatial variations in personal insolvency choices: the role of stigma and social capital, Bishop PR, 2016, SAGE Publications.

https://dspace.plymouth.ac.uk/bitstream/handle/10026.1/8109/Bishop%20accepted%20version%20PDF_URBAN%20STUDIES.pdf?sequence=1

¹⁸ [Set up to fail final report \(ctfassets.net\)](#)

¹⁹ [Set up to fail final report \(ctfassets.net\)](#)

when they started, having repaid little to none of their principal debts to creditors when payments made have been absorbed by fees.

The potential issues with IVAs have also attracted attention from mainstream media, for example Channel 4 covered the subject in March 2023²⁰. The Bureau of Investigative Journalism used a ‘mystery shopper’ exercise and found almost half of the companies they spoke to provided information that was either incorrect or could be potentially harmful. Examples included income and expenditure figures being manipulated, and describing IVAs as a “government help scheme”²¹. BBC Panorama utilised a similar method and covered the issue in July 2023²². These issues can have negative impacts, especially for those who are most vulnerable.

Therefore, to understand if there is a problem, the extent of the problem, and what form that problem might take, the research addresses three key questions:

1. *What proportion of terminated IVAs were identified as being subject to poor take-on practices?*
2. *What are the most prevalent categories of poor take-on?*
3. *What proportion of terminated and cases with poor take-on came from different take-on procedures?*

The changing regulatory landscape

IVAs have themselves recently been subject to revised regulations and practices. These include:

- The implementation of a revised Statement of Insolvency Practice 3.1 in March 2023.
- The Financial Conduct Authority’s ban on referral fees for debt advisors referring people to debt solution companies from June 2023 with transitional provisions²³.

Statement of Insolvency Practice 3.1 (SIP 3.1)

Insolvency practitioners are required to not only follow the relevant legislation but also regulatory standards adopted by their RPBs. SIP 3.1 is the regulatory standard covering IVAs and the requirements for advice to a consumer before the meeting of creditors.

²⁰ [Charities warn of debt ticking time bomb – Channel 4 News](#)

²¹ [Predatory businesses profit... | The Bureau of Investigative Journalism \(thebureauinvestigates.com\)](#)

²² Debt Trap: Whos' cashing in? [BBC iPlayer - Panorama - Debt Trap: Who's Cashing In?](#)

²³ <https://www.fca.org.uk/publications/policy-statements/ps23-5-debt-packagers-feedback-cp23-5-final-rules>

These standards are stringent and supported and strengthened by regulatory visits to the insolvency practitioner and their staff by their RPB to monitor adherence to the requirements and, when appropriate, take disciplinary action.

A revised SIP 3.1 was issued by the Joint Insolvency Committee, following consultation with industry professionals, and was adopted by the four RPBs in March 2023. The SIP had been reviewed and strengthened to ensure IVAs remained fit for purpose for both the consumer's and the creditors' benefit. Amongst reinforcing other best practice, the revised SIP 3.1 makes clear the insolvency practitioner's accountability for ensuring the consumer has received appropriate and accurate advice. It is incumbent upon the insolvency practitioner to ensure the consumer has understood this advice before entering an IVA.

For reference, an excerpt of the new SIP 3.1, paragraph 16, states²⁴:

“An insolvency practitioner could be asked to give advice on a consumer's financial difficulties and the way in which those difficulties might be resolved. The insolvency practitioner should have procedures in place to ensure, taking account of the personal circumstances of the consumer, that:

- a) the role of adviser is explained to the consumer, namely providing advice that strikes a fair balance between the interests of the consumer and their creditors, in the context of identifying an appropriate and workable solution to the consumer's financial difficulties.
- b) sufficient information is obtained to make a preliminary assessment of the solutions available and their viability.
- c) the obligations of the consumer to cooperate and provide full and accurate disclosure are explained.
- d) the insolvency practitioner is able to form a view of whether the consumer has a sufficient understanding of the situation and the consequences of an IVA, and whether there will be full cooperation in seeking a solution.
- e) when considering possible solutions, account is taken of the impact of each solution on the consumer and their assets, including any family home, and on any third parties.
- f) consent is obtained, where appropriate, from any third-party individuals whose income is to be shown as included in the income and expenditure statement or who have an interest in any assets included in the proposal.

²⁴[Statements of Insolvency Practice: for insolvency practitioners - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statements/statements-of-insolvency-practice-for-insolvency-practitioners)

- g) the consumer is provided with an explanation of all the options available, the advantages and disadvantages of each, and the potential costs of each, so that a solution suited to the consumer's circumstances can be identified."

The extent, clarity and the quality of the advice and discussions in which a consumer engages prior to an IVA are recognised as important in determining whether an IVA is appropriate (by virtue of being affordable, sustainable, and right for the consumer).

The FCA's ban of referral fees for FCA regulated debt-packagers.

In many instances, consumers were previously signposted to a specific IVA provider by an FCA authorised debt-packager who may have financially benefited from this introduction through referral fees. Given the potential for the financial benefit received by the debt-packagers to act as an inducement and potentially promote improper practice, the FCA took the significant step of banning referral fees for debt-packagers, which took full effect from 3 October 2023²⁵.

The barring of such fees is intended to remove the inherent conflict of interest between the debt-packagers and IVA volume firms and, consequently, protect consumers who need support managing their debts²⁶. This should then increase the quality of conversations and education at the outset, ensure consumers will benefit from unbiased, transparent debt advice, and that the level of trust afforded to debt-packagers will increase, as any motivation to be influenced by a referral fee has been removed.

²⁵ [FCA proposes ban on debt packager referral fees to protect consumers | FCA](#)

²⁶ [FCA proposes ban on debt packager referral fees to protect consumers | FCA](#)

METHODOLOGY

The questions being addressed

The Insolvency Service sought to investigate an evidence gap to address if a problem existed in the take-on practice for IVAs, the scale of the problem, and the form that problem may take.

Reflecting the proxy-term 'poor take-on' to describe poor practices in the IVA sector in the setting-up of an IVA, the Insolvency Service prescribed three key research questions to be addressed:

1. What proportion of terminated IVAs were identified as being subject to poor take-on practices?
2. What are the most prevalent categories of poor take-on?
3. What proportion of terminated and cases with poor take-on came from different take-on procedures?

Defining poor take-on

Concerns regarding the take-on experience of some consumers of IVAs has been referred to collectively as 'mis-selling', but it should be noted there is not an agreed definition of what 'mis-selling' is and there is some dispute that this is a relevant phrase in this context. 'Mis-selling' used in other fields can imply a deliberate act to mislead or misinform, whereas the methodology applied in this research is to examine whether there has been poor adherence to the relevant requirements of the Statement of Insolvency Practice (SIP) and the IVA Protocol.

We therefore use the phrase 'poor take-on', specific to IVAs and this analysis, as a holistic proxy-term to describe a set of poor-quality take-on practices that may not reflect the requirements of the SIP or the provisions of the IVA Protocol.

Examples of what may, alone or in combination, constitute poor take-on could include, but are not limited to:

- The provision of misleading or poor advice by the introducer or the IVA provider.
- A lack of transparency concerning fees and charges.
- A lack of appreciation as regards the consumer's individual needs and their understanding of the potential IVA as a solution to deal with their debts.
- An insufficient and ineffective discussion as regards the consumer's circumstances and alternative options.
- Insufficient consideration of the consumer's means and whether an IVA is appropriate.
- The inadequate review of consumers income and expenditure.
- The appropriate consideration of factors which might impact the sustainability of an IVA.

Understanding the scale of the problem

To understand the scale of the problem, a quantitative approach was deemed appropriate. This approach enables the research to measure attributes of a population.

The Insolvency Service opted to focus and comprise the dataset based on cases terminated within the first 2 years, as it was theorised this group would be more likely to have experienced poor take-on (if it were present at all) and subsequently would provide more meaningful data, particularly for research questions 2 and 3.

As the latest IVA Protocol was implemented on 17th September 2021, the target population was set as cases registered and terminated in the two-year period between 17th September 2021 and 17th September 2023.

The size of the target population was 10,170 terminated IVA cases.

The targeted sample size could then be estimated around a desired margin of error. The margin of error provides an estimate for the precision of results; a smaller value indicates results are likely to be closer to the true value²⁷. A 95% confidence level, a 50% response distribution and 5% margin of error, indicated a targeted sample size of 370 IVA cases.

A stratified random sample based on an IVA's date of registration (split into four half-year periods) was taken to ensure the sample considered different time periods in a representative manner.

This approach means the sample's results can be generalised back to the target population.

How to measure poor take-on

Variables were set by The Insolvency Service with reference to previous research and technical expertise around concerns that existed. These variables would be used to operationalise the definition of poor take-on for the purposes of the research. This resulted in eight derived categories susceptible to poor take-on:

- Vulnerability.
- Other debt solution options not explained to the consumer.
- Other options not correctly disregarded by the insolvency practitioner's staff.
- Other options not correctly discounted (refused) by the consumer.
- Failure to ensure the consumer understands the modifications proposed by the creditors.
- Failure to ensure the consumer understands terms of their IVA proposal.

²⁷ <https://statisticsbyjim.com/hypothesis-testing/margin-of-error/>

- General incorrect information given about the IVA product.
- Income & expenditure concerns.

Variables related to poor take-on were assigned 'weights' based on the degree they may impact the successful implementation of an IVA. Any case that had a combined weight of a score of three or above would be categorised as reaching the threshold indicating concern, meaning there was considered to be a potential direct impact on the sustainability of an IVA and that risk of failure was increased.

A data dictionary was produced providing guidance on each of the variables to collect and record in the datasheet. This provided further context to each variable such as confirming the output data captured, a description of the variable, the IVA documentation it would occur in, and whether the variable was at a higher risk of subjectivity (and so would require additional quality assurance).

Obtaining the data

At the outset, the targeted sample size was 370 cases. To achieve this volume, a 10% non-response rate was assumed and accordingly the initial sample consisted of 412 IVA cases. The Insolvency Service contacted insolvency practitioners responsible for the sampled cases, requesting the relevant documents:

- Introducer call (or transcripts where available).
- Insolvency practitioner firm SIP 3.1 telephone call.
- Post Meeting of Creditors telephone call to consumer.
- The IVA Proposal.
- Chairman's Report from initial Meeting of Creditors.
- Case notes.
- Annual review of the case (where applicable).
- Breach Notice (where applicable).
- Termination notice.

The requested documents were obtained for 310 cases, although some call recordings were missing. The main reasons given for missing call recordings were corrupted files or being unable to identify where the recorded file was following movement of cases between insolvency practitioners.

How RSM carried out the data collection

The Process

1. *Receipt of information*

Following the award of the contract, to conduct the research the data was passed onto RSM in line with the privacy notice relating to this research²⁸.

2. *Initial training*

The research team undertook training consisting of the following:

- a. An explanation of the project and why it was being undertaken.
- b. A description of the documents to be reviewed.
- c. A range of pre-reading and reference documents including a copy of SIP 3.1.
- d. Explanations as regards the steps the research team would need to undertake to complete a case review.
- e. Group discussion to discuss uncertainties and reinforce the intentions and the processes to be undertaken.

Thereafter, the research team commenced data collection.

3. *Workshopping*

Throughout the research phase, the research team were invited to join twice weekly meetings to address the risk of consistency and mitigation through promoting a higher inter-rater reliability; a statistical concept which means the level of agreement between different observers when measuring the same issue.

The workshops were attended by the research team, the Project Manager and an insolvency practitioner, and allowed the research team to discuss best practice, common findings, and problems and how the team were interpreting the data. This ensured a consistency of approach. Within these sessions, the research team were encouraged to share any comments or observations they felt appropriate to discuss. The purpose of these calls was to develop best practice and drive a consistency of approach and interpretation throughout the research team to preserve the integrity of the research work undertaken.

Quality assurance

Sample sharing with The Insolvency Service

The Insolvency Service undertook a random dip sample of 10 completed cases to ensure data was being collected as intended. This process added an additional level of verification.

Peer-to-peer quality assurance workshops

²⁸ [Processing personal data for Individual Voluntary Agreement Research - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

Every workshop carried out was attended by an Insolvency Practitioner who provided views and interpretation sufficient to drive a common approach to the research and to provide the research team with qualified support. As a result, there was a consistency of process that enabled the initial quality assurance process to be undertaken by peer review. This was overseen by the Project Manager.

At the outset, it was intended that 10% of cases from the dataset provided would be used as part of the quality assurance process. However, as set out below, the dataset used in the research had fewer cases than intended. This allowed the research team more time to undertake peer reviews and provide challenge. The peer review process provided verification for 21% of the dataset ensuring a robust process.

QA Reviews

Once the reviews were concluded the results were analysed, and where the review challenged the initial classification as meeting the threshold set for poor take-on, this was passed to the Project Manager for further review and confirmation.

This process resulted in changes to 17% (11 cases) of the QA sample (64 cases). In the 11 cases for which a classification change was confirmed, 10 cases moved from initially having been classified as not meeting the threshold set for poor take-on to meeting that threshold, with one case going the opposite way.

Limitations

Terminated IVAs

All cases within the dataset were IVAs that had been terminated. Therefore, while this analysis can provide a generalisation to the target population of terminated cases, it is not possible to do so for the general IVA population.

Date range

All cases within the dataset were IVAs which were registered and terminated within the target period of 17th September 2021 to 17th September 2023. It is therefore not suitable to extrapolate the findings from this research to periods outside of this timespan.

Sample size

The final sample size of 310 cases was lower than the targeted 370 cases. As a result, this has increased the maximum margin of error (uncertainty) around results from +/-5 percentage points to approximately 5.5 percentage points.

The targeted case sample figure was not met due to some non-responses and some case data

being unavailable to successor practitioners, particularly in respect of two IVA provider firms that had entered administration in 2022. Whilst this limitation occurred and the dataset was not at the size originally targeted, the final sample size remained robust and provided for meaningful analysis and conclusions.

Non-response bias

An initial dataset of 412 sample cases was targeted, this allowed a built-in non-response rate of 10%, when the Insolvency Service requested data from IVA providers. The consequent data received covered 310 cases, resulting in a 75% response rate.

Non-response bias is a potential limitation of the research, whereby those cases might be systematically different to those included in the study. However, a response rate of 75% within research would typically be viewed as high.

SIP 3.1 calls

When a consumer contacts, or is referred to, an IVA provider, it is a requirement of SIP 3.1 that the IVA provider undertakes a call with the consumer to ensure the consumer can make an informed judgement about whether an IVA is an appropriate solution for them. The call must cover all the requirements of SIP 3.1 including:

- That information and explanations about all potential debt relief solutions are provided, tailored to the circumstances of the individual.
- That the consumer's responsibilities during their IVA, the insolvency practitioner's role, the process, and the consequences of an IVA are clearly explained and understood by the consumer.
- That the insolvency practitioner is satisfied that an IVA is achievable and strikes a fair balance between the interests of the consumer and their creditors.
- Determining whether the consumer has any specific vulnerabilities to be considered and how these might be addressed and mitigated where appropriate.
- That the fees and any other costs of a potential IVA are clearly explained. And,
- That the consequences of the consumer failing to comply with the requirements of their IVA are clearly explained.

It is a requirement of SIP 3.1 that recordings or detailed notes of such calls are made by the IVA provider and retained on file.

The Insolvency Service was not able to provide SIP 3.1 calls to the researchers for all the sample cases to be reviewed. In a minority of cases, in the absence of call recordings, a written record of

the call was provided by the relevant IVA provider. Where the written record was provided, certain sub-variables could be scored accordingly (e.g. is the consumer explicitly asked about any vulnerabilities on the call, were all the debt options discussed and did the firm record the reasons for disregarding by the consumer), but overall the record was not suitable for the purpose of reaching conclusions in relation to all variables; the marking some sub-variables required listening and interpretation of tone of voice, etc., which could only be achieved by listening to the call recording.

Reasons for the absence of call recordings include corrupted call files and IVA providers unable to retrieve or locate the original files.

Call data was absent in 43% of all cases. Where this was the case, only the paperwork was reviewed, and the scoring for the call was marked as compliant in the absence of any evidence to the contrary.

A case was only marked as being subject to poor take-on where there was evidence for this assertion, so missing data would not be marked as being poor take-on. The implication of this is that the estimate for the scale of poor take-on can be considered a conservative estimate.

Subjectivity

Additional guidance was issued by The Insolvency Service providing further explanation of subjective variables. This allowed greater scrutiny to occur within the research and quality assurance processes.

Whilst the research team were trained in the same way, the workshops undertaken improved inter-rater reliability; best practice and interpretation; the way in which the information was understood; and how answers were applied. This was undertaken to mitigate the level of human deviation and unconscious bias.

By necessity, some of the variables were open to interpretation. An example of this might include: "Does the consumer fully understand the options and obligations of the IVA?". Such questions will inevitably require interpretation. The regular workshop and quality review processes undertaken by the research team sought to mitigate this potential subjectivity.

Had poor take-on already occurred, or had additional information been provided previously?

The dataset provided contained a series of information, as noted above, relevant to each case. Many of these included a "SIP 3.1" telephone call. They did not however include recordings and transcripts of any previous calls undertaken by an introducer or debt-packager. Neither the Insolvency Service nor the research team had access to any earlier conversation with the

consumer. In some IVAs poor take-on may have already occurred, or additional information may have been provided. For example, a consumer may have been ‘coached’ in how to respond to the questions asked in the SIP 3.1 call to give the impression that an IVA was a suitable solution for them, when that may not have been the case.

The mindset of the consumer

A further limitation of this analysis may be the inability to understand or appreciate the consumer’s intentions. It may be that even in the absence of poor take-on and any evidence of the same, a given consumer may have already set their mind on entering an IVA, potentially to the extent they are not fully engaged in the process and effectively creating a scenario where, had they been engaged, an outcome determined as poor take-on may not have occurred. This is corroborated by the Government’s Call for Evidence outcome ‘*Review of the personal insolvency framework: Summary of responses and next steps*²⁹’ where it was recognised that ‘Insolvent individuals often seek advice from family and friends and have made up their minds about a debt solution before seeking formal advice. It can then be difficult to get them to change their minds.’

However, it can also be the case that just because it might be determined that a different solution may be more appropriate that doesn’t mean that an IVA is not suitable if the insolvency practitioner thinks an IVA has a reasonable prospect of being successfully implemented, the creditors are likely to agree to it and the consumer wants it. In such a scenario, an IVA would not be subject to poor take-on if the insolvency practitioner has provided challenge and the consumer has made an informed choice.

The research poor take-on score

By its nature, the process of determining a poor take-on score was subjective. Alternative definitions and methods for operationalising poor take-on could be used. The scoring itself was a function of the datasheet, designed and provided by the Insolvency Service, in terms of the metrics to be considered, how these would be measured (subject to the observations recorded) and the relevant weighting applied to each answer. The research undertaken has prioritised remaining transparent about the approach used.

Conflict of interest

RSM works with businesses across the utilities sector, banks, and asset-based lenders, where

²⁹ [Review of the personal insolvency framework: Summary of responses and next steps - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/calls-for-evidence/insolvency-framework-review/summary-of-responses-and-next-steps)

typically there are mass customer portfolios to monitor and provide services ranging from interactive portfolio risk management and advice on problem debt strategies, through to debt collection and outsourced insolvency claims management.

Neither RSM, (nor its wider firm), operate in the IVA volume provider market. Furthermore, any IVAs overseen by RSM insolvency practitioners, as either Nominee or Supervisor, are bespoke IVAs, operating outside the limitations of the IVA Protocol.

As such, no perceived or actual conflict is recognised in respect of RSM's undertaking of this research.

ANALYSIS

To determine the existence and extent of poor take-on, the Insolvency Service requested analysis covering three key research questions:

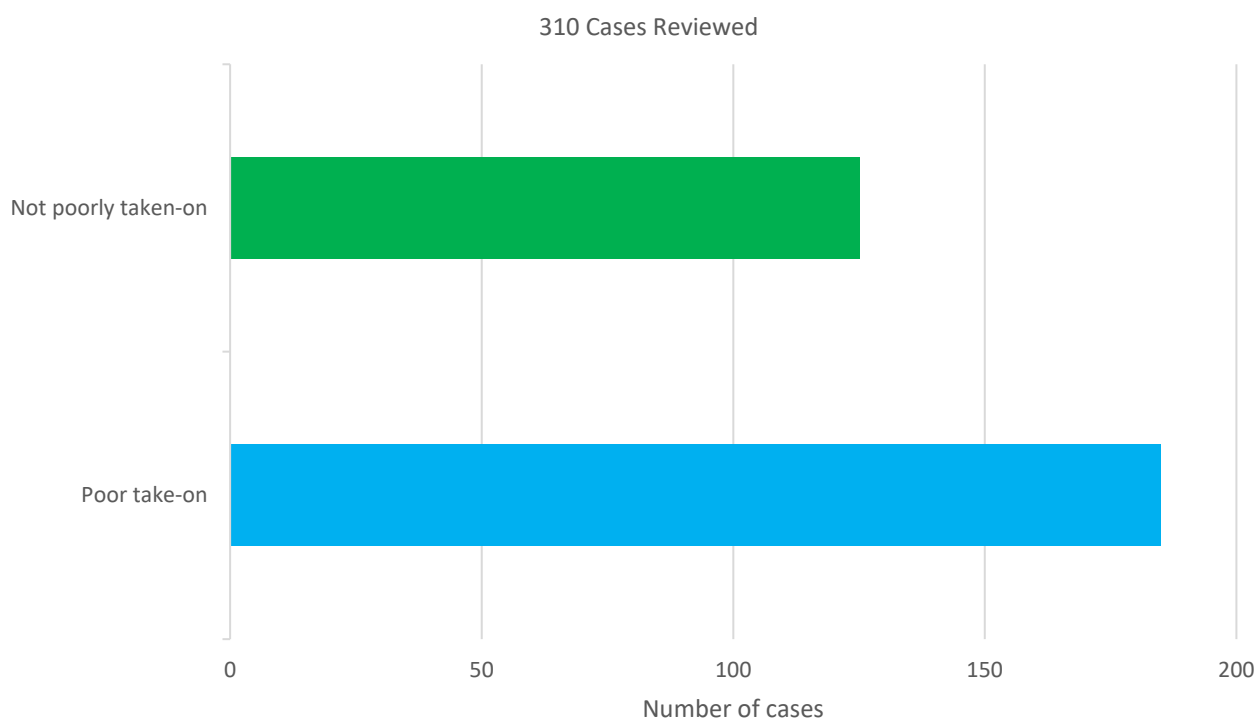
1. *What proportion of terminated IVAs were identified as having poor take-on?*
2. *What are the most prevalent categories of poor take-on?*
3. *What proportion of terminated and poor take-on cases came from different take-on procedures?*

These questions have been addressed using descriptive statistics extracted from the dataset.

What proportion of terminated IVAs were identified as having poor take-on?

The results estimate that there was poor take-on in 60% of the dataset (185 cases).

Figure 3: Poor take-on results



Of the IVAs classified as not meeting the threshold of 'poor take-on', 79 (25% of the dataset) were set-up in full accordance with the regulatory standard, free of bias and enacted in such a way to

ensure the insolvency solution chosen was in the best interests of the consumer; and 46 (15% of the dataset) showed some poor practice but did not meet the threshold of poor take-on set for the research.

Due to the nature of the stratified random sampling applied, the result can be extrapolated to the target population. This means the percentage can be applied to the 10,170 IVAs that were both approved and terminated in the period 17th September 2021 to 17th September 2023. It can therefore be estimated that around 6,100 IVAs within the target population were subject to poor take-on (with a 95% confidence interval this is around 5,540-6,660)³⁰.

The 60% poor take-on rate for terminated IVAs cannot be generalised to the total number of IVAs in the period (which includes those that were completed or are still ongoing). The Insolvency Service advise that there were ~159,250 IVAs registered in the target period.

Whilst the results show poor take-on occurred in 60% of all cases in the dataset, there are two aspects of the research methodology which suggest that the 60% is a conservative estimate.

The absence of call recordings

Table 2: SIP 3.1 Call

SIP 3.1 Call	Case Volume	Poor take-on	Not poor take-on	Poor take-on %
Call Recording Provided	176	146	30	83%
No Call Recording Provided	134	39	95	29%

Whilst the absence of a call recording, as a standalone component, is not sufficient to suggest poor take-on, the research did identify that most evidence of poor take-on within the dataset was captured within the call data that was reviewed. In fact, 82% of cases where call data was provided were then subsequently classified as having poor take-on. Call data was absent in 43% of the dataset, had all call data been available more cases may have been susceptible to being classified as have poor-take on procedures.

Quality Assurance (QA) results

The QA identified a change in classification in 17% of the QA sample.

A change in classification simply means either moving a sample case from being classified as having poor take-on to not having poor take-on (or vice-versa). The QA results showed that 91% of the post-QA changes resulted in case classification moving from not meeting the threshold, to

³⁰ Applied margin of error of +/- 5.5 percentage points

having poor take-on and only 9% moving the opposite way. In view of this, had the QA process been applied to a greater sample of the dataset, and the trend had continued, then the overall percentage of cases having poor take-on would increase.

What are the most prevalent categories of poor take-on procedures?

The results show that within the dataset, poor take-on was prevalent and occurred in all eight of the potential categories identified by The Insolvency Service.

The table below highlights the prevalence of poor take-on within these categories:

Table 3: Prevalence of categories of poor take-on

Categories Prominence	% of All Cases	% of cases with poor take-on
Income and expenditure concerns	45%	75%
Failure to ensure the debtor understands the terms of the proposal	31%	51%
Other options not correctly discounted (refused) by debtor	30%	51%
Other options not correctly disregarded by insolvency practitioner's staff	27%	45%
Vulnerability	18%	30%
General incorrect information given	15%	25%
Other debt solution options not explained	10%	17%
Failure to ensure the debtor understand the modifications proposed by the creditors	10%	17%

Concerns as regards the consumers' income and expenditure was the broadest category for review. This may in part be because concerns about the recording of income and expenditure ('I&E') could take multiple different forms, such as consumers having income derived solely from benefits, income and expenditure being manipulated to meet a certain distributable income level, and whether disposable income was within, or close to, the DRO limit; all of which were seen during the research.

It was noted that there were also examples of foreseeable future expenditure or changes in circumstances not being factored into some I&E calculations, putting the sustainability of an IVA in question. Some cases did not have the I&E scrutinised sufficiently to determine whether a DRO could be discounted, and some cases joint income was used to calculate the disposable income, which is allowed but could have meant some consumers would have been eligible for a DRO if their sole income was used in the calculation.

Other results included:

- In more than half of the cases where there was poor take-on, the IVA provider did not ensure the consumer understood the terms of the proposal, and this was evidenced during

call reviews where the IVA fees, windfall clauses, and what should happen if the consumer had a change in salary were not clearly explained.

- The categories of 'other options not correctly discounted (refused) by the consumer' and 'other options not correctly disregarded by the insolvency practitioner's staff' are similar in terms of occurrence; being present in 30% and 27% of the dataset and 51% and 45% of all poor take-on IVAs. An example of this would be the failure of the IVA provider to discuss the greater merits of entry into a DRO as opposed to an IVA solution.
- Matters relating to a consumer's vulnerability arose in 18% of the dataset and 30% of the poor take-on cases. An example of this is where the IVA provider did not enquire if the consumer had any vulnerabilities or, if the consumer had advised of such a vulnerability, this not being mentioned in their IVA Proposal.

The SIP 3.1 telephone conversation between the IVA provider and the consumer are intended to address several matters relevant to the research, including:

- A review of the consumer's personal circumstances, with specific reference to the presence of any vulnerabilities.
- A consideration of the consumer's income and expenditure with a view to identifying any quantum of disposable income.
- A discussion as regards alternative debt solutions available to the consumer and the appropriateness of the same.
- A discussion regarding what any proposal put forward by the consumer may look like and the consequent obligations incumbent upon the consumer. And,
- A discussion regarding the IVA process and any matters that may arise.

The above list is not exhaustive but provides insight into the intended nature of the call, its content and the areas in which the call handler ought to apply best practice. However, in 82% of cases where call data was provided there was poor take-on. This suggests that call handlers are not sufficiently complying with the requirements of SIP 3.1.

What proportion of the IVAs where there was concern about poor take-on came from different take on procedures?

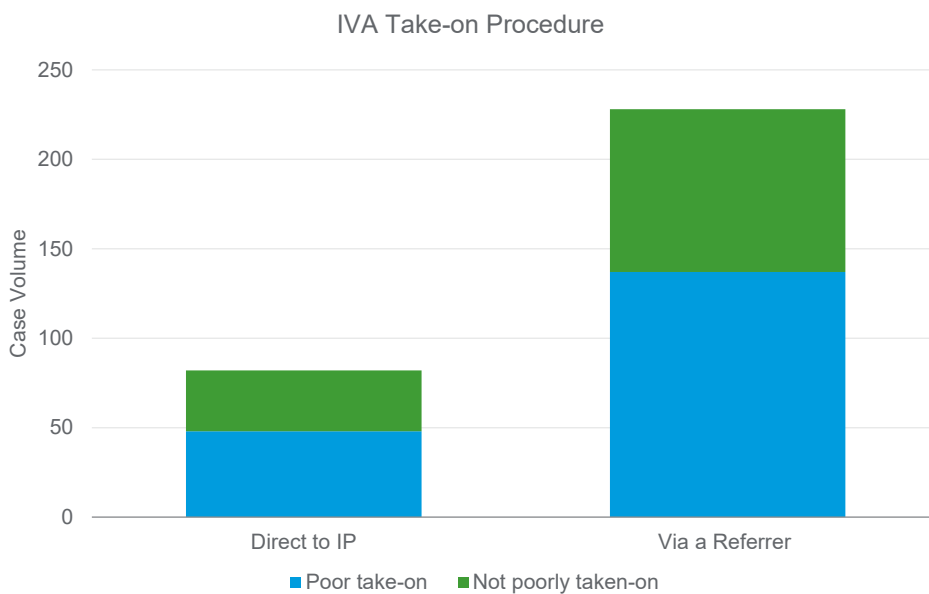
The analysis identified whether the consumer in each of the sample cases was introduced via a debt-packager, or whether they voluntarily approached the IVA provider directly. Where the approach was made via an introducer, it was further determined whether the introducer was FCA-regulated or non-FCA regulated. This resulted in three sources of take-on procedure:

1. Via a non-FCA regulated introducer.

2. Direct to IVA firm.
3. Via an FCA regulated debt advisor.

The findings to this research question carry greater uncertainty due to smaller sample sizes and the relevant sub-groups. Results suggest that whether the case came in directly (59%) or via a debt-packager (60%), there is a negligible effect on whether the case would have poor take-on.

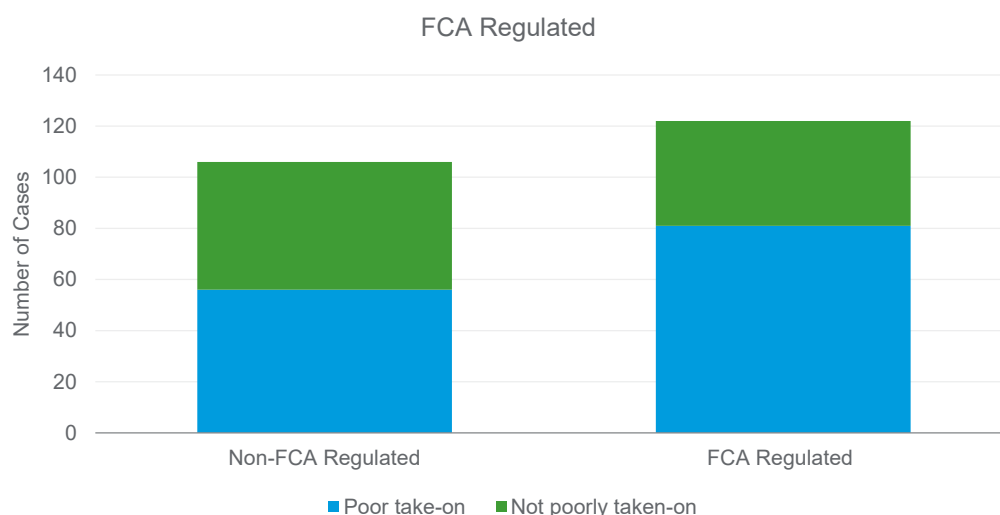
Figure 4: Take-on Procedure



The analysis provides further insight into whether the FCA regulation of the debt-packager would provide greater mitigation against the potential for poor take-on. As shown in the charts below, the results suggest a greater prevalence of poor take-on within the FCA regulated debt-packagers (66%), by 13 percentage points, as opposed to non-FCA regulated introducers (53%). The difference in these proportions is statistically significant.³¹ That means that despite the smaller sample sizes of these sub-groups, we can be confident that the proportion of poor take-on in IVAs involving FCA regulated debt packagers is higher than in those IVAs involving introducers who are not regulated by the FCA.

Figure 5: Take on Procedure: FCA Regulation

³¹ Tested used a one-tailed two proportion Z-test, $Z = 2.0$, $p = 0.02$



Additional Analysis

To provide additional context around the dataset, further analysis has considered:

- the reason for termination of an IVA.
- the levels of debt.
- the agreed level of dividends within an IVA.
- the level of surplus income.

Reasons for termination

The primary reason for termination was the consumers' arrears of payment, which occurred in three of every four cases in the dataset.

Table 4: Reason for termination

Reason for termination	Case Volume	% of all cases
Arrears of Payment	230	74%
Consumer's Request	75	24%
Breach of Clause in Proposal Other Than Payment	5	2%

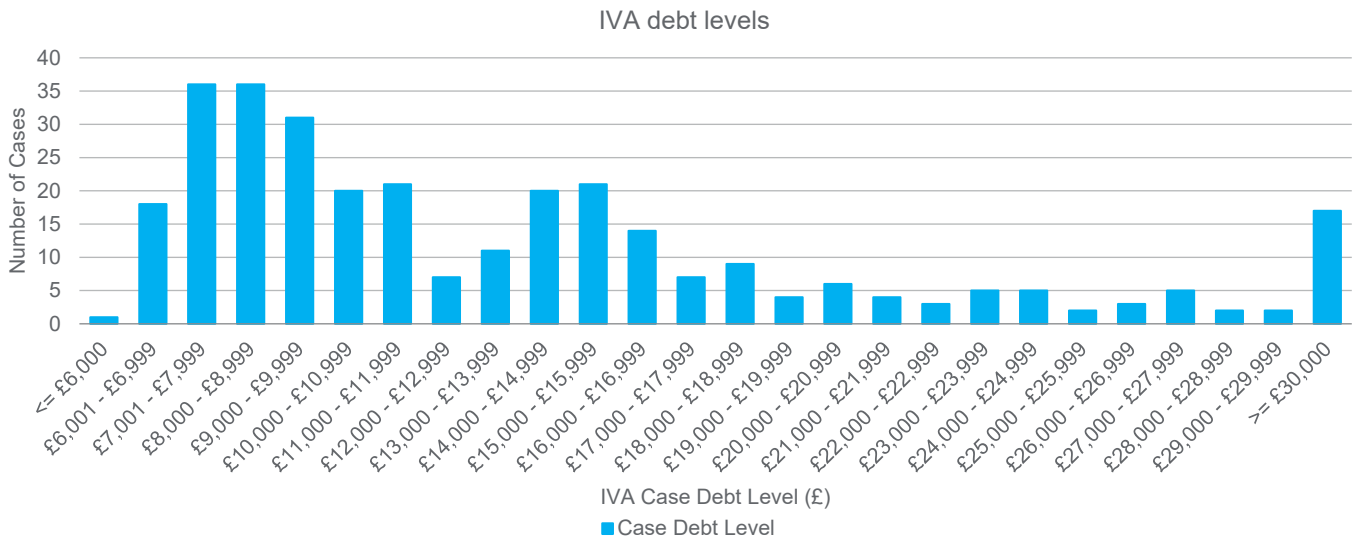
Only two further reasons for termination were provided as regards the dataset: termination at the consumer's request; and a breach by the consumer as regards a clause in the proposal other than payment.

Termination at the consumer's request was responsible for 24% of the dataset's terminations, being 75 cases from the dataset, and five cases were terminated for a breach by the consumer as regards a clause in the proposal other than payment.

Level of debt

Analysis shows the most prominent level of debt within the dataset was between £6,000 and £10,000.

Figure 6: Level of debt within the sample



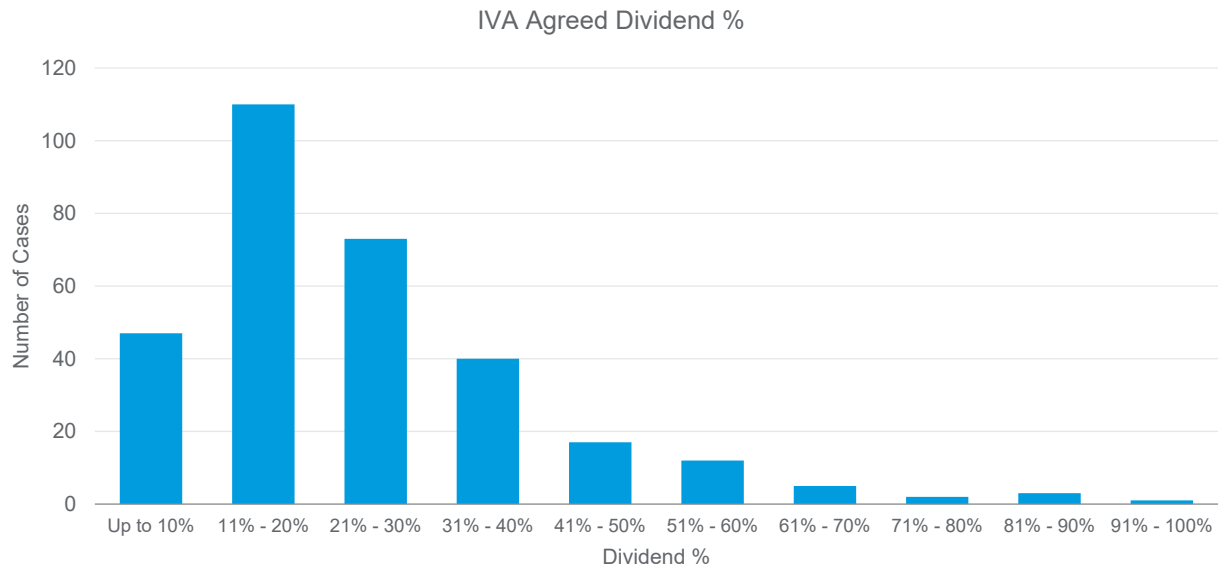
The median value of the level of debt within the dataset was around £11,200.

Dividend levels

A key outcome of an IVA agreement between the consumer and their creditors is the amount proposed to be distributed to creditors, over the life of an IVA, by way of a dividend or dividends. The proposal will detail the contributions to be paid into an IVA, both timing and quantum, as well as the level of dividends, and when the creditors can expect these dividends to be made.

The dataset included details of the dividend rate agreed with creditors within an IVA. The chart below shows the levels of dividend proposed to creditors within the dataset.

Figure 7: Dividend levels within the dataset



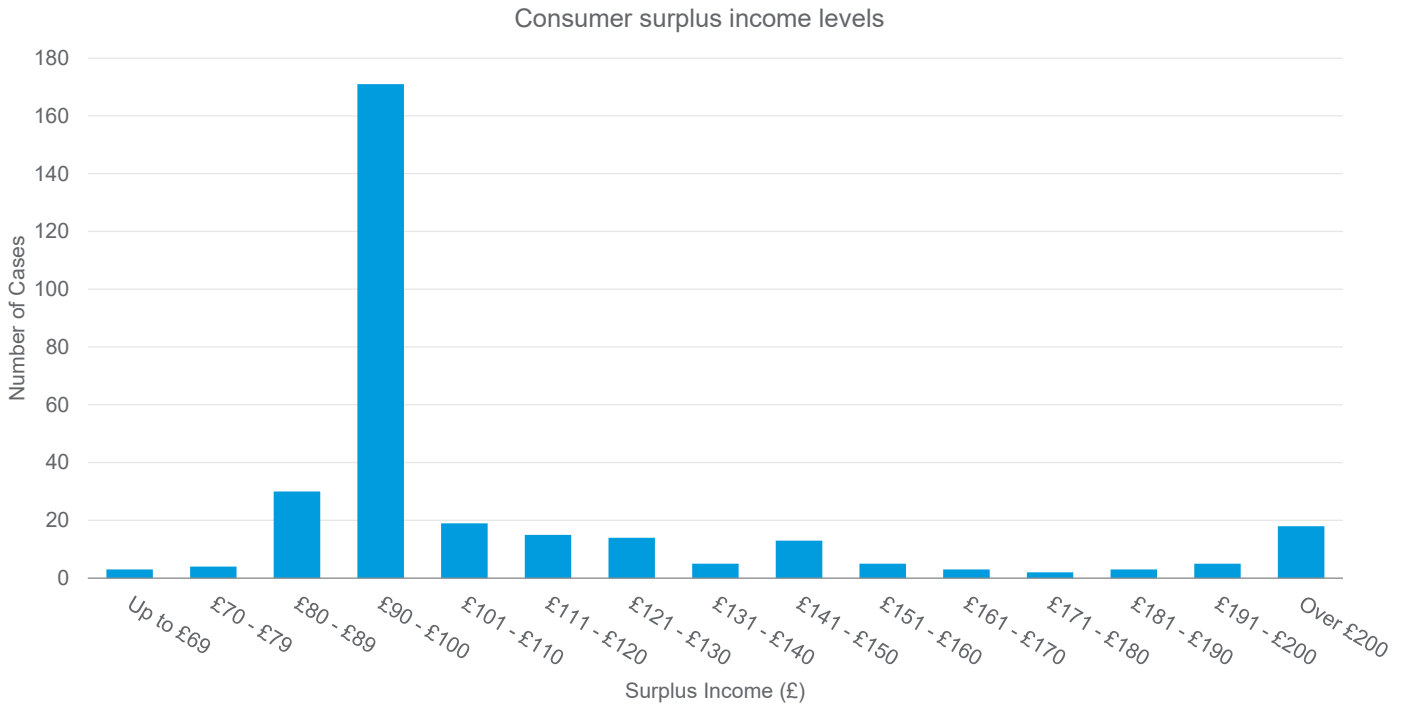
The median dividend within the dataset was 22%, or 22p in the £.

Surplus income

In considering what is appropriate to include within a consumer's IVA proposal, the consumer must be comfortable with the level of contributions being paid into the arrangement, and their ability to meet this commitment together with servicing their reasonable living expenses.

The research found that the most prominent amount of surplus income ranged between £90 - £100.

Figure 8: Surplus income levels within the sample



The median surplus income within the dataset was £100.

CONCLUSIONS

Why was this research commissioned?

The Insolvency Service released their summary of responses and next steps for the personal insolvency framework in August 2023³². They noted "most of the concerns [regarding IVAs] were in relation to the volume provider market and focused on regulatory problems regarding misleading or poor advice, mis-selling of IVAs, lack of transparency about fees and other charges and the behaviour of some insolvency practitioners and IVA volume provider firms"³³.

This followed media attention discussing similar themes in both March 2023 from Channel 4 and in July 2023 from the BBC.

Poor practice in the IVA market is detrimental to the economy, creating waste and has negative consequences for individuals dealing with problem debt, including vulnerable consumers. The Insolvency Service commissioned this research project to understand if any issues existed and, if so, the extent of the problem.

What has been achieved?

Three key research questions were provided by the Insolvency Service for review:

1. What proportion of terminated IVAs were identified as having experienced poor take-on?

The analysis estimates that there was poor take-on in 60% of cases of the dataset. This builds on previous research by providing empirical evidence that there is a problem within the target population, and this problem is extensive.

25% of the dataset had a score of zero. So approximately one sample case from every four was taken-on in such a way that clear unbiased advice was provided and evidenced, the insolvency practitioner had considered the detail relevant to the consumer and that alternate options were fully discussed, understood and discounted by both the insolvency practitioner and the consumer.

2. What are the most prevalent categories of poor take-on procedures?

The results from the analysis show that poor take-on occurs across a range of categories. The most prominent category of poor take-on related to the income and expenditure of consumers.

These concerns were evident in 45% of the dataset, typically during the SIP 3.1 telephone call between the consumer and the IVA provider. A purpose of the SIP 3.1 call is for the IVA provider to

³² [Review of the personal insolvency framework: Summary of responses and next steps - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/117121/Review_of_the_personal_insolvency_framework_-_Summary_of_responses_and_next_steps.pdf)

³³ [Review of the personal insolvency framework: Summary of responses and next steps - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/117121/Review_of_the_personal_insolvency_framework_-_Summary_of_responses_and_next_steps.pdf)

offer the consumer advice, free from bias, and transparent in nature. To this end, it is important that the SIP 3.1 telephone calls take the form of two-way telephone conversations and not simply allow for a call handler to progress through a script and checklist with little regard for the nuances of a consumer's responses and the impact of their personal circumstances on any future IVA. It is crucial that the call handlers responsible for any such calls appreciate the commercial aspect of the process and the likelihood of a consumer meeting the long-term obligations of an IVA.

3. Within different take on procedures, what proportion of cases had poor take on?

The dataset has been analysed to show if the rate of poor take-on varies dependant on whether the consumer was referred to the IVA provider by a debt-packager, or whether the consumer went direct to the IVA provider.

The analysis shows that poor take-on occurred in 60% of cases when there was a referral, compared to 59% of cases when there was none. This difference in proportions is not statistically significant and suggests that the likelihood for poor take-on is unlikely to deviate regardless of the origin of a given IVA.

When reviewing the difference in the rates of poor take-on between FCA regulated and non-FCA introducers there is a difference in the rates of poor take-on. 66% of FCA regulated debt-packager referrals resulted in poor take-on, compared to 53% from non-FCA regulated referrals. As this difference is statistically significant, we can be confident that the proportion of poor take-on in IVAs involving FCA regulated debt packagers is higher than in those IVAs involving introducers who are not regulated by the FCA.

Potential further areas for research

This research set out to determine the proportion of terminated IVAs which had poor take-on and to determine common themes.

As a random stratified sample was used in comprising the dataset, the results can be generalised across the target population, being 10,170 IVAs both registered and terminated between 17th September 2021 and 17th September 2023.

It has been shown that poor take-on occurred in the majority of IVAs in the dataset, but the findings do not show whether and to what extent the scale of poor take-on has changed over time. Further research could consider this issue.

Furthermore, ongoing and non-terminated IVAs were not included in the dataset. The rationale for not including such IVAs in the research was an expectation that if poor take-on did exist, it would

be more likely to be discovered in the chosen target population of IVAs (IVAs both registered and terminated within 2 years). However, as the problem in this population has been found to be extensive, further research could expand the scope of the target population to all IVAs. Just because an IVA was not terminated does not mean that it was not subject to poor take-on, so exploring the extent of this in a wider group would further the evidence base.

It cannot be concluded from this research that poor take-on ultimately caused the eventual termination of an IVA. Further research could examine if such a causal relationship exists.