

A comparative study of fast-track and post-bankruptcy individual voluntary arrangements

A report produced by The Insolvency Service.
This information is also available on The Insolvency Service website at
www.insolvency.gov.uk

Contents

Section 1: Executive Summary	3
1.1 Introduction	3
1.2 Key findings	4
1.3 Methodology	6
Section 2: Results	9
2.1 The level of post-bankruptcy IVAs and FTVAs	9
2.2 The level of nominee and supervisor fees in post-bankruptcy IVAs and FTVAs	13
2.3 Details of modifications made to post-bankruptcy IVAs	15
2.4 The time taken between the date of the bankruptcy order and approval of the post-bankruptcy IVAs/FTVAs	17
2.5 The level of and time taken between the approval of the post-bankruptcy IVAs/FTVAs and the annulment of the bankruptcy order	18
2.6 The length and type of post-bankruptcy IVAs/FTVAs	20
2.7 The failure rate of post-bankruptcy IVAs/FTVAs	22
2.8 Returns to creditors in post-bankruptcy IVAs/FTVAs	23
2.9 The profile of the post-bankruptcy IVA/FTVA debtors	24
3.0 Post-bankruptcy IVA/FTVA debtor satisfaction survey results	28
Appendix	
1. Questionnaire	

Section 1: Executive Summary

1.1 Introduction

This report looks at the results of surveys and sampling exercises carried out by The Insolvency Service. The aim of this work was to obtain information regarding post-bankruptcy individual voluntary arrangements (IVAs) and fast-track voluntary arrangements (FTVAs).

On 1 April 2004, provisions of the Enterprise Act 2002 came into force that changed the personal insolvency regime. One of the changes was to the IVA provisions, whereby the Official Receiver can act as nominee and supervisor of post-bankruptcy IVAs. Such post-bankruptcy IVAs - where the Official Receiver is the nominee and supervisor - are known as FTVAs.

The Insolvency Service is undertaking a retrospective (ex-post) evaluation i.e. after the adoption of the Enterprise Act 2002, to know better what happened after the implementation of the Act and to apprehend the real effects of the legislative action. The evaluation attempts to comprehensively assess whether, to what extent and how the provisions of the Enterprise Act 2002 met its policy objectives.

The Insolvency Service carried out a case sampling exercise of post-bankruptcy IVAs where the IVA was entered into prior to 1 April 2004 (pre-Enterprise Act 2002), together with a survey of those IVA debtors. A similar exercise was undertaken as regards FTVAs entered into after 1 April 2004 (post-Enterprise Act 2002). This work was undertaken as part of the evaluation of the provisions relating to IVAs contained in the Enterprise Act 2002, to assess whether FTVAs support the 'fresh start' of a bankrupt by providing an accessible alternative to bankruptcy, and provide improved returns to creditors.

1.2 Key Findings

- Since the implementation of the Enterprise Act 2002, there has been a nominal number of FTVA's obtained, and they account for less than 10% of the post-bankruptcy IVAs obtained since the implementation of the Act.
- Although the statistics in this report relating to FTVA's are based on all FTVA's obtained in the 3-year period ended 31 March 2007, it should be remembered that there has only been a nominal number of FTVA's obtained when interpreting these figures.
- The average nominee fee (excluding VAT) charged in post-bankruptcy IVAs in 2001/2 was £1,678. The nominee fee in FTVA's is currently set at £300 (excluding VAT).
- As regards the supervisor fees, these are charged on a time and cost basis in the majority of post-bankruptcy IVAs in 2001/2, with an average level of around 11% of realisations being charged. The supervisor fee in FTVA's is currently set at 15% of realisations.
- It was commonplace for modifications to be introduced at the meeting of creditors held to consider the IVA proposal and post-approval modifications occurred in about 11% of all post-bankruptcy IVAs entered into in 2001/2. No modifications can be made to FTVA's.
- Over the 3 years ended 31 March 2007, the average time taken between the date of the bankruptcy order and approval of a post-bankruptcy IVA is less compared to the average time taken to approve an FTVA.
- 92% of the bankruptcy orders were annulled following a post-bankruptcy IVAs that was entered into in 2001/2. Since the implementation of the Enterprise Act 2002, the level of cases being annulled following the approval of a post-bankruptcy IVA (excluding FTVA's) has slightly increased to 94% in 2005/6. Annulments have been obtained in 95% of the FTVA cases in the three years since the implementation of the Enterprise Act 2002.
- Over the 3 years ended 31 March 2007, the average time taken between the approval of the post-bankruptcy IVA and annulment of the bankruptcy is less compared to the average time between the approval of an FTVA and such annulment.
- The most commonly proposed length of a post-bankruptcy IVA in 2001/2 is 1 year or less, with an average length of 27 months. Most commonly, no time is specified for the duration of an FTVA. Where specified, the average length of an FTVA is 34.5 months.

1.2 Key Findings (continued)

- The majority of post-bankruptcy IVAs in 2001/2 are based on contributions and/or asset realisation, whereas the majority of FTVAs are based on contributions and/or third-party funds.
- To date, around 36% of all post-bankruptcy IVAs obtained in 2001/2 have failed and on average, these post-bankruptcy IVAs failed after 2 years. To date, 15% of FTVAs have failed, and on average, these FTVAs failed after 18 months.
- The average proposed return to creditors in post-bankruptcy IVAs in 2001/2 was 77p in the pound, compared to 57p in the pound in FTVAs in the 3 years ended 31 March 2007. The average actual return to creditors in the post-bankruptcy IVAs in 2001/2 that have successfully completed was 76p in the pound, compared to 71p in the pound in the FTVAs that have successfully completed to date. It appears that the higher average 'pence per pound' return to creditors in post-bankruptcy IVAs is due to a smaller deficit in bankruptcy liabilities over assets, which is primarily due to those cases having a higher level of bankruptcy assets.
- The debtors are predominantly male debtors and most commonly fall in the age range 40-49 in both post-bankruptcy IVAs in 2001/2 and FTVAs.
- Around 80% of debtors in post-bankruptcy IVAs are traders, compared to only 40% of debtors in FTVAs. The lower level of traders seen in FTVAs is probably due to The Insolvency Service's guidelines on FTVAs that preclude the Official Receiver agreeing to act as nominee for an FTVA in certain types of cases.
- Overall, FTVA debtors are more likely to be satisfied with the FTVA process, compared to post-bankruptcy IVA debtors regarding the IVA process.

1.3 Methodology

In 2004, a case sampling exercise of post-bankruptcy IVAs was undertaken. The sampling frame was all post-bankruptcy IVAs entered into in 2001/2¹ (pre-Enterprise Act 2002). The following information was obtained from the supervisors of the IVA and, where necessary², the court files:

- The level of the nominee and supervisor fees
- Details of modifications made to the IVA
- The time taken between the date of the bankruptcy order and approval of the IVA
- The time taken between the approval of the IVA and the annulment of the bankruptcy order
- The length and type of IVA
- Details of when and why any IVAs had failed
- Returns to creditors
- The profile of the IVA debtor – covering gender, age, employment status, cause of failure and asset and liability levels

Further, the post-bankruptcy IVA debtors were asked to complete a questionnaire regarding their satisfaction with the post-bankruptcy IVA process.

This work was repeated for all FTVAAs entered into in 2004/5, 2005/6 and 2006/7 (post-Enterprise Act 2002).

In some instances, all the requested information was not collected because, for example, the supervisor of the IVA did not respond to The Insolvency Service's request for information. Details of the sample sizes and the number of cases where information was available are shown at Table 1.

As regards the surveys of debtors, details of the response rates are shown in Table 2. Some respondents did not answer all the questions in the questionnaire. All percentages in this report have been calculated on the basis of the total responses received to a question.

A copy of the questionnaire can be found at Appendix 1.

¹ The period 2001/2 refers to the year ended 31 March 2002.

² In some cases, the supervisor did not respond to The Insolvency Service's request for information. In such cases, information was extracted, as far as possible, from the court file.

1.3 Methodology (continued)

Table 1: Sample Sizes – for case sampling exercise

	Post-bankruptcy IVA debtors in 2001/2 (pre-Enterprise Act 2002)	FTVA debtors in 2004/5 – 2006/7 (post-Enterprise Act 2002)
Population³	112	20
Size of sample where information was available on:		
Nominee fee	111	20
Supervisor fee – proposed/actual	109/58	20/12
Modifications	112	N/A
The time taken between date of bankruptcy order and approval of IVA/FTVA	112	20
The time taken between approval of IVA/FTVA and annulment of bankruptcy order	112	20
The length and type of IVA/FTVA	111	20
Details of when and why any IVAs/FTVAs failed	112	20
Returns to creditors – proposed/actual	109/54	12
Gender of debtor	112	20
Age of debtor	98	17
Employment status of debtor	107	20
Cause of failure	107	20
Assets and liabilities of debtor	110	20

Table 2: Response rates to satisfaction survey

	Sample size	Response rate (count)	Response rate (%)
Post-bankruptcy IVA debtors in 2001/2 (pre-Enterprise Act 2002)	112	40	35.7
FTVA debtors in 2004/5 – 2006/7 (post-Enterprise Act 2002)	20	9	45.0

³ Based on internal statistics maintained by The Insolvency Service.

1.3 Methodology (continued)

Additionally, information was collated on non-FTVA post-bankruptcy IVAs entered into in 2004/5, 2005/6 and 2006/7 (post-Enterprise Act 2002) regarding:

- The time taken between the date of the bankruptcy order and approval of the IVA
- The time taken between the approval of the IVA and the annulment of the bankruptcy order

Details of the sample sizes and the number of cases where this information was available are shown at Table 3.

Table 3: Sample Sizes – for timeliness information for non-FTVA post-bankruptcy IVAs after the implementation of the Enterprise Act 2002

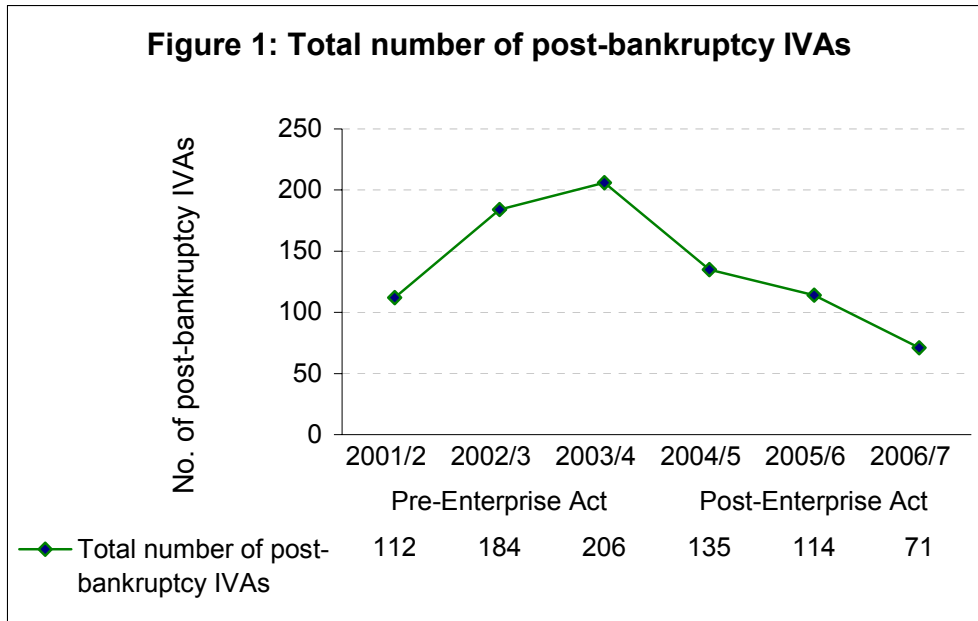
	Post-bankruptcy IVA debtors		
	2004/5	2005/6	2006/7
Population⁴	127	105	68
Size of sample where information was available on:			
The time taken between date of bankruptcy order and approval of IVA	127	105	67
The time taken between approval of IVA and annulment of bankruptcy order	116	99	60

⁴ Based on internal statistics maintained by The Insolvency Service.

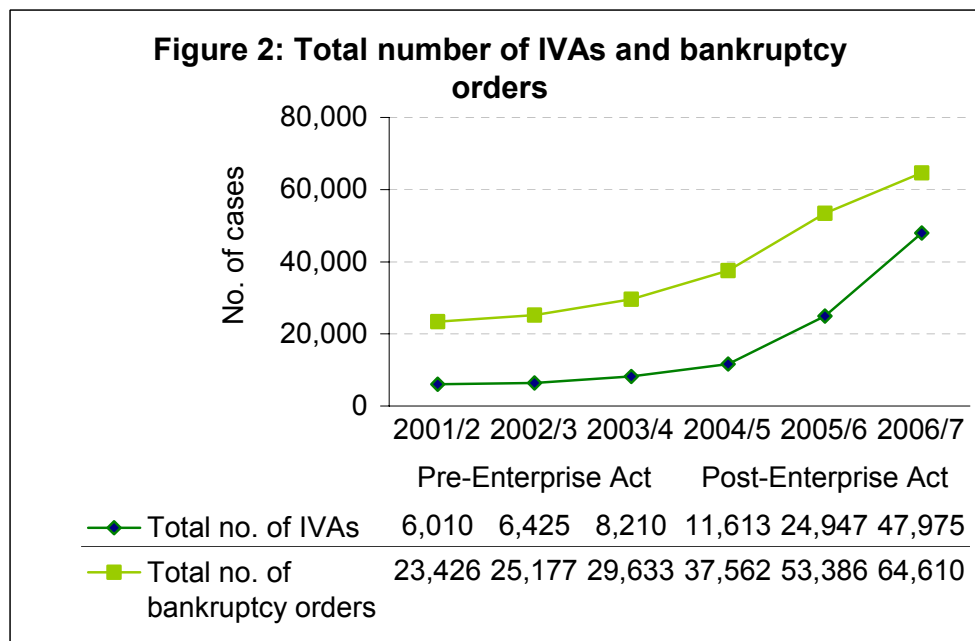
Section 2: Results

2.1 Level of post-bankruptcy IVAs and FTVAs

- The overall number of post-bankruptcy IVAs (including FTVAs) has fallen since the implementation of the Enterprise Act 2002 (see Figure 1).



- However, the overall numbers of IVAs and bankruptcy orders have risen since the implementation of the Enterprise Act 2002 (see Figure 2).



2.1 Level of post-bankruptcy IVAs and FTVAs (continued)

- Since the implementation of the Enterprise Act 2002, there has been a nominal number of FTVAs obtained (see Table 3), and they account for less than 10% of the post-bankruptcy IVAs obtained since the implementation of the Act.
- Currently, post-bankruptcy IVAs account for less than 1% of all IVAs obtained, and post-bankruptcy IVAs are obtained in less than 1% of bankruptcy cases (see Table 3).

Table 3: Post-bankruptcy IVAs/FTVAs compared to IVAs and bankruptcy orders

	Pre-Enterprise Act 2002			Post-Enterprise Act 2002		
	2001/2	2002/3	2003/4	2004/5	2005/6	2006/7
FTVAs ⁵	-	-	-	8	9	3
Total number of post-bankruptcy IVAs ⁶	112	184	206	135	114	71
FTVAs as % of post-bankruptcy IVAs	-	-	-	5.93%	7.89%	4.23%
Total no. of IVAs ⁷	6,010	6,425	8,210	11,613	24,947	47,975
Post-bankruptcy IVAs as % of all IVAs	1.86%	2.86%	2.51%	1.16%	0.46%	0.15%
Total no. of bankruptcy orders	23,426	25,177	29,633	37,562	53,386	64,610
Post-bankruptcy IVAs as % of bankruptcy orders	0.48%	0.73%	0.70%	0.36%	0.21%	0.11%

- A further 28 FTVAs were proposed in the 3 years ended 31 March 2007, but were unsuccessful; the proposals were rejected by creditors in 14 cases, the Official Receiver refused to act in 13 cases and in the remaining case, the proposal was withdrawn by the debtor.

⁵ Based on information held on The Insolvency Service's internal database and represents all FTVAs entered into in the relevant financial year.

⁶ Based on information held on The Insolvency Service's internal database and represents all post-bankruptcy IVAs entered into in the relevant financial year.

⁷ Based on statistics published by The Insolvency Service (previously the DTI Statistics Directorate) (not seasonally adjusted)

2.1 Level of post-bankruptcy IVAs and FTVAs (continued)

- Information regarding FTVAs (and post-bankruptcy IVAs and annulments) is provided to every bankrupt. It is contained in The Insolvency Service's publication 'A Guide to Bankruptcy'⁸, which is sent to every bankrupt.
- It should be noted that under The Insolvency Service's internal guidelines, the Official Receiver will only agree to act as nominee for an FTVA in cases where:
 - assets are readily and easily available⁹, e.g. cash at bank, contributions from PAYE income, or the introduction of third party funds;
 - the creditors will receive additional monies that would not normally be available in the bankruptcy e.g. the inclusion of third party funds or contributions from income over a period longer than that which could be obtained in bankruptcy; and
 - There are no clear grounds for a bankruptcy restrictions order (BRO), or for the submission of a criminal allegation statement of fact¹⁰.
- Therefore, the number of cases suitable for an FTVA is restricted.
- Indeed, an analysis of the 68 non-FTVA post-bankruptcy IVAs in 2006/7 shows that in 66 of the cases, an FTVA would not have been appropriate under the guidelines issued to Official Receivers (see Table 4). In the remaining 2 cases, the possibility of an FTVA was raised with the bankrupt.

⁸ The Insolvency Service – 'A Guide to Bankruptcy' is available at:
<http://www.insolvency.gov.uk/pdfs/guidanceleafletspdf/guidetobankruptcy.pdf>

⁹ Other assets capable of inclusion in an FTVA include the bankrupt's interest in a property where the bankrupt is able to introduce a 'cast iron' purchaser who is content to use The Insolvency Service's low-cost conveyancing scheme. The Official Receiver should not agree to act as nominee in cases involving complex asset realisation, e.g. where there has been trading or where the assets are 'risky' or time consuming to realise. Should the bankrupt wish to proceed with an application for an IVA he/she should be advised to seek the advice of an insolvency practitioner

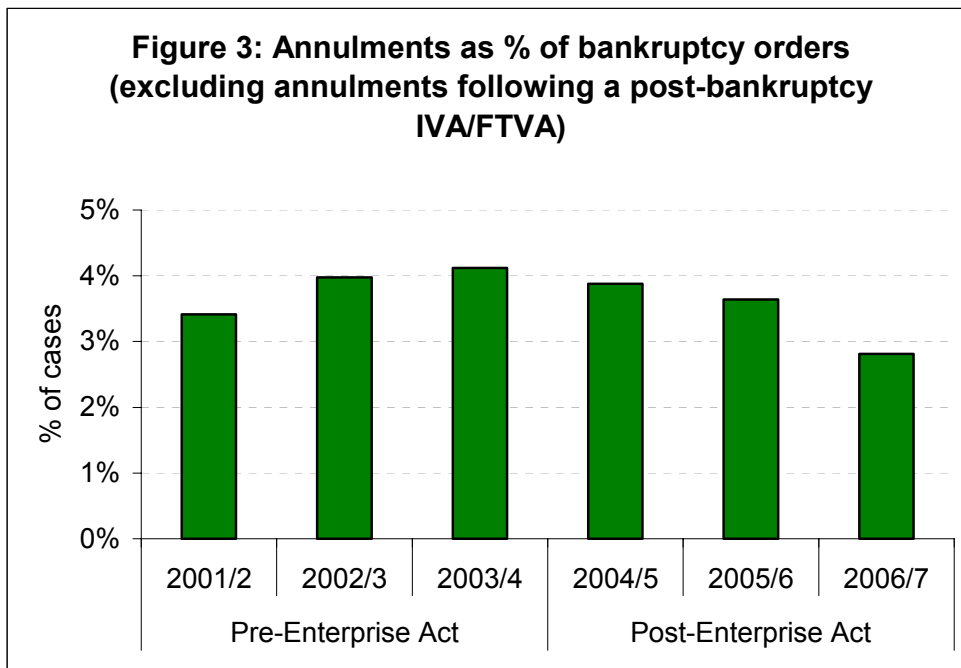
¹⁰ This is to avoid a conflict of interest between the duty to protect the public and a duty to obtain the best return for creditors. The duty to protect the public takes precedence.

2.1 Level of post-bankruptcy IVAs and FTVAs (continued)

Table 4: Reasons why non-FTVA post-bankruptcy IVAs in 2006/7 were not suitable for an FTVA under The Insolvency Service's guidelines

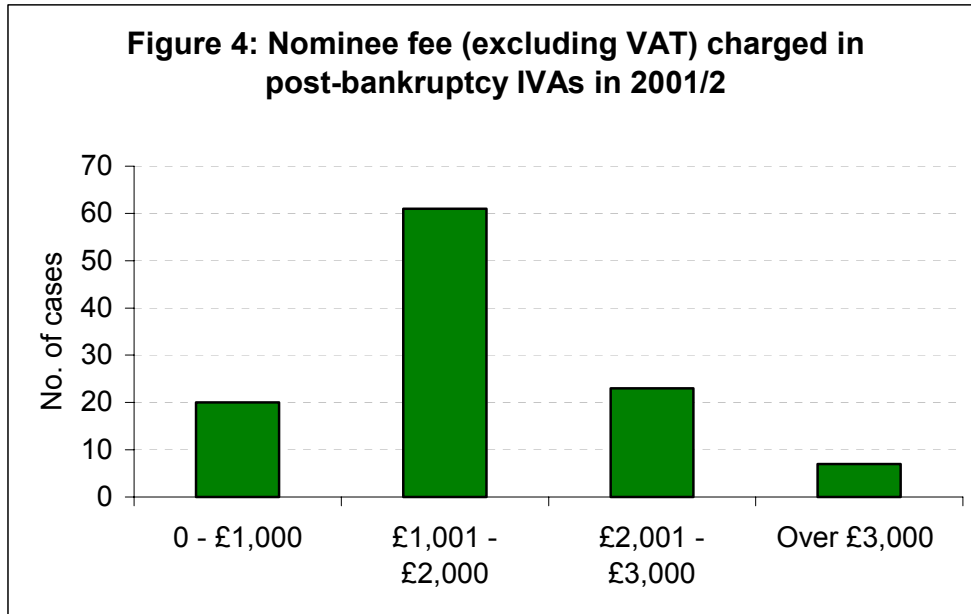
Reason	Number of cases
Bankrupt was self-employed and funds in FTVA dependent on that trading, e.g. contributions or trade assets	38
Not a simple asset realisation case	11
Bankrupt did not surrender to the bankruptcy proceedings	6
Further investigation required	4
Bankrupt already in process of obtaining post-bankruptcy IVA	4
Other	3
Total	66

- It should also be noted that, as with post-bankruptcy IVAs, the level of annulments (other than those following a post-bankruptcy IVA/FTVA) has also fallen post-Enterprise Act 2002 (see Figure 3).



2.2 The level of nominee and supervisor fees in post-bankruptcy IVAs and FTVAs

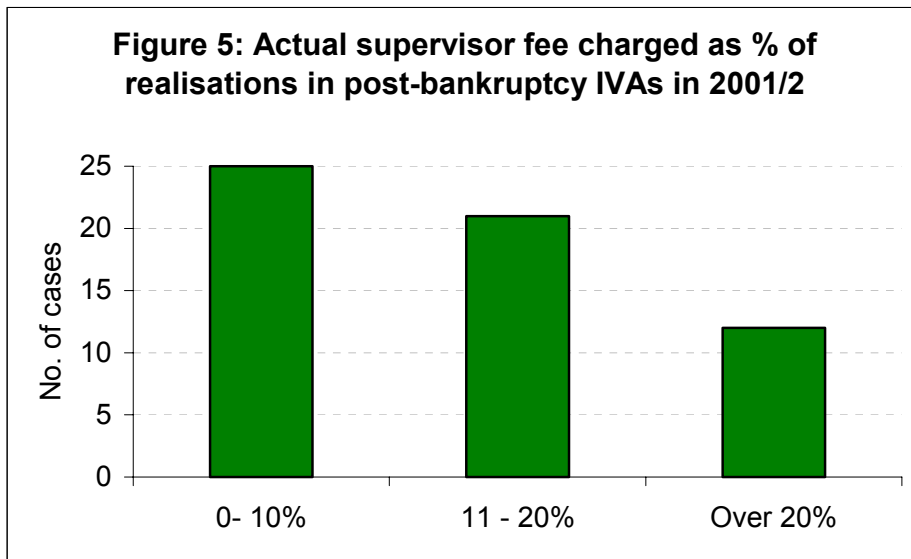
- The nominee fee (excluding VAT) charged in post-bankruptcy IVAs in 2001/2 is most commonly between £1,000 – £2,000 (see Figure 4), with an average¹¹ of £1,678 (excluding VAT) being charged.



- The nominee fee in FTVAs is currently set at £300 (excluding VAT).
- As regards the supervisor fees, these are charged on a time and cost basis in the majority of post-bankruptcy IVAs in 2001/2. Therefore, the supervisor fees are usually based on the complexity of the realisations, rather than the monies involved.
- In contrast, the supervisor fee in FTVAs is currently set at 15% of realisations.
- An analysis of the supervisor fees in post-bankruptcy IVAs in 2001/2 shows that the supervisor fee charged is most commonly under 10% of realisations (see Figure 5), with an average¹¹ level of around 11% of realisations being charged.

¹¹ The average is defined as the IQR trimmed mean. The data range has been trimmed to take into account outliers, with reference to the Inter Quartile Range (IQR). Outliers identified as data points where $Q1 - 1.5IQR > X > Q3 + 1.5IQR$. The outliers identified are valid readings, but are not typical.

2.2 The level of nominee and supervisor fees in post-bankruptcy IVAs and FTVAs (continued)



2.3 Details of modifications made to post-bankruptcy IVAs

- Analysis of post-bankruptcy IVAs entered into in 2001/2 shows that it is usual for modifications to be introduced at the meeting of creditors held to consider the IVA proposal. For example, the Crown requires standard terms to be included in an IVA regarding the filing of tax returns and payment of post-arrangement tax liabilities. Therefore, if these have not been included in the IVA and the Crown is a creditor of the IVA, the Crown will require a suitable modification.
- As regards post-approval modifications, 12 such modifications have been identified in the post-bankruptcy IVAs entered into in 2001/2 (see Table 5). This level of cases is about 11% of all post-bankruptcy IVAs entered into in 2001/2.

Table 5: Post-approval modifications introduced in post-bankruptcy IVAs in 2001/2

Nature of Modification	Number
Extension of length of IVA	8
Amendment of supervisor fees	1
Change in nature of realisations within the IVA	2
Further Crown modification	1
Total	12

- As regards the costs involved in modifications, these are rarely explicitly stated. Only three of the post-approval modifications have a specific cost stated (see Table 6). However, the costs involved in modifications need to be balanced against returns to creditors achieved as a result of any modification, rather than the IVA failing.

2.3 Details of modifications made to post-bankruptcy IVAs (continued)

Table 6: Costs involved in post-approval modifications made to post-bankruptcy IVAs in 2001/2

Nature of Modification	Cost (£)
Extension of length of IVA	2125.58
Extension of length of IVA, with the supervisor fees being restricted to no more than £2,000 plus VAT	258.50
Change in nature of realisations within the IVA	2,000.00

- No modifications can be made to FTVAs.

2.4 The time taken between the date of the bankruptcy order and approval of the post-bankruptcy IVAs/FTVAs

- Analysis of post-bankruptcy IVAs after the implementation of the Enterprise Act 2002 shows that the average time¹² taken between the date of the bankruptcy order and approval of a post-bankruptcy IVA or FTVA varies each year. However, over the 3 years ended 31 March 2007, the average¹² time taken between the date of the bankruptcy order and approval of a post-bankruptcy IVA is less compared to the average time taken to approve an FTVA (see Table 7).

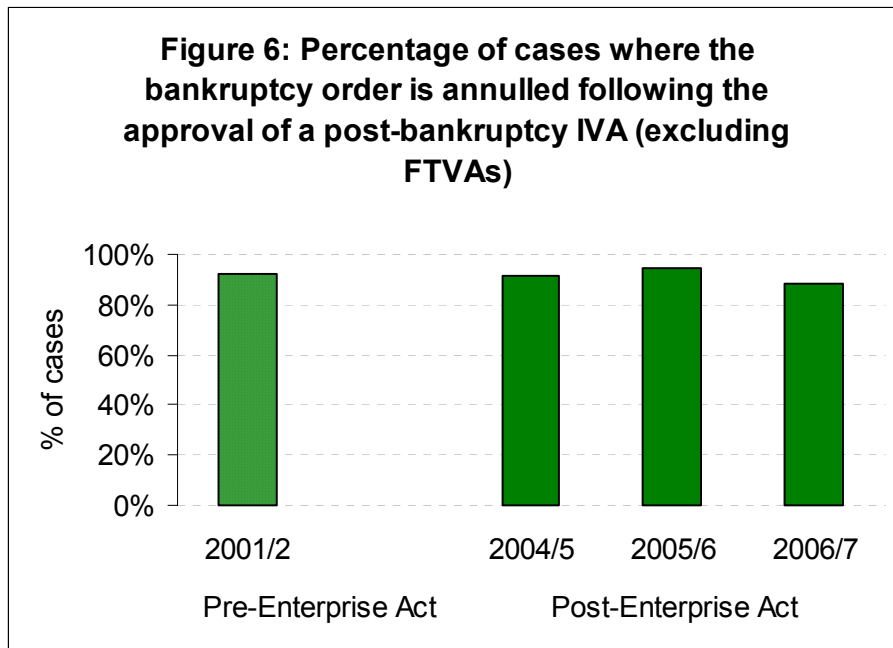
Table 7: Average time taken between a bankruptcy order and approval of a post-bankruptcy IVA/FTVAs after the implementation of the Enterprise Act 2002 (to nearest week)

	2004/5	2005/6	2006/7	Average over 3 years to 31 March 2007
Average time taken between a bankruptcy order and the approval of:				
Post-bankruptcy IVA	22 weeks	18 weeks	19 weeks	18 weeks
FTVA	18 weeks	23 weeks	14 weeks	22 weeks

¹² The average is defined as the IQR trimmed mean. The data range has been trimmed to take into account outliers, with reference to the Inter Quartile Range (IQR). Outliers identified as data points where $Q1 - 1.5IQR > X > Q3 + 1.5IQR$. The outliers identified are valid readings, but are not typical.

2.5 The level of and time taken between the approval of the post-bankruptcy IVAs/FTVAs and the annulment of the bankruptcy order

- Analysis of post-bankruptcy IVAs entered into in 2001/2 shows that 92% of bankruptcy orders were annulled¹³. Since the implementation of the Enterprise Act 2002, the level of cases being annulled following the approval of a post-bankruptcy IVA (excluding FTVAs) slightly decreased in 2004/5 and then increased in 2005/6 (see Figure 6) to 94% in 2005/6. The level of annulments for 2006/7 is low due to IVAs obtained in the latter part of 2006/7 not yet being annulled.



- Annulments have been obtained in 95% of the FTVA cases in the three years since the implementation of the Enterprise Act 2002.

¹³ According to available records, 103 of the 112 post-bankruptcy IVA cases in 2001/2 have been annulled.

2.5 The level of and time taken between the approval of the post-bankruptcy IVAs/FTVAs and the annulment of the bankruptcy order (continued)

- Analysis of post-bankruptcy IVAs after the implementation of the Enterprise Act 2002 shows that, on average¹⁴, the time taken between the approval of the post-bankruptcy IVA and annulment of the bankruptcy is less compared to the average time between the approval of an FTVA and such annulment (see Table 8).

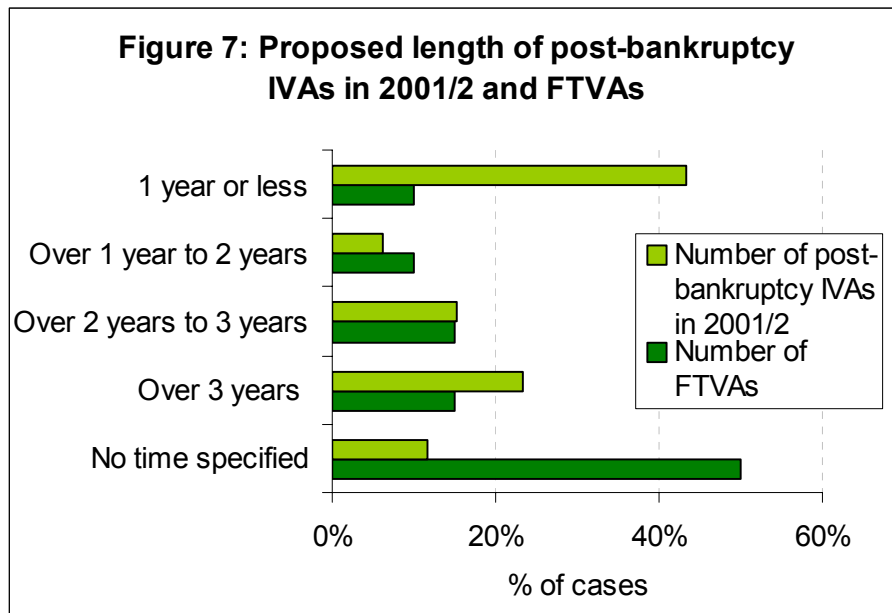
Table 8: Time taken between approval of a post-bankruptcy IVA/FTVA and annulment of the bankruptcy order after the implementation of the Enterprise Act 2002 (to nearest week)

	2004/5	2005/6	2006/7	Average over 3 years to 31 March 2007
Average time taken between approval of a post-bankruptcy IVA/FTVA and annulment of the bankruptcy order:				
Post-bankruptcy IVA	16 weeks	14 weeks	14 weeks	15 weeks
FTVA	15 weeks	18 weeks	24 weeks	21 weeks

¹⁴ The average is defined as the IQR trimmed mean. The data range has been trimmed to take into account outliers, with reference to the Inter Quartile Range (IQR). Outliers identified as data points where $Q1 - 1.5IQR > X > Q3 + 1.5IQR$. The outliers identified are valid readings, but are not typical.

2.6 The length and type of post-bankruptcy IVAs/FTVAs

- The most commonly proposed length of a post-bankruptcy IVA in 2001/2 is 1 year or less (see Figure 7), with an average¹⁵ length of 27 months.
- Most commonly, no time is specified for the duration of an FTVA (see Figure 7). Instead, the level of funds to be received is set. Where specified, the average length of an FTVA is 34.5 months.



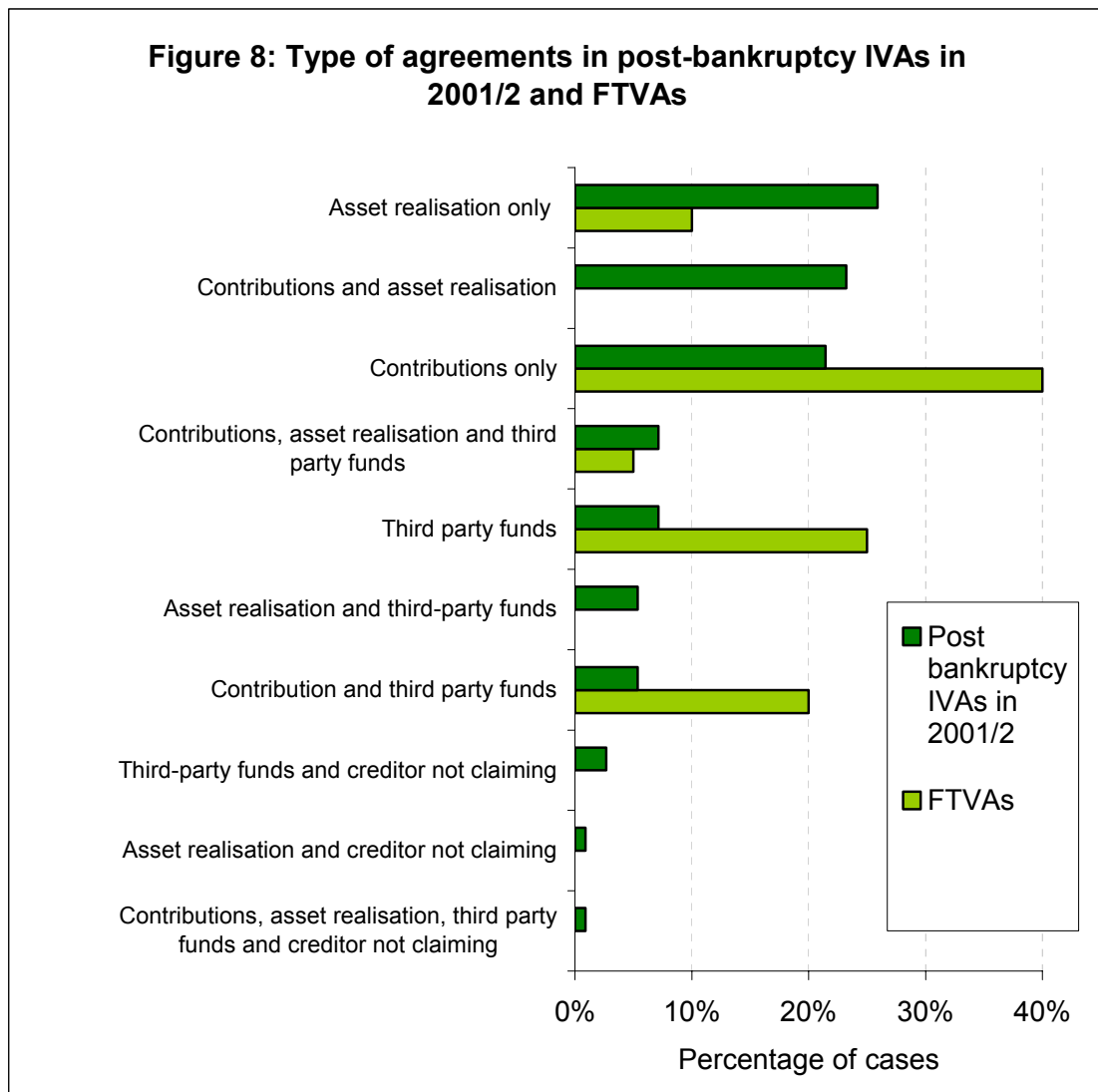
- Analysis of post-bankruptcy IVAs in 2001/2 that have successfully concluded to date shows that, on average, post-bankruptcy IVAs take around 11 months longer than the proposed length. On that basis, we would expect the average actual length of a post-bankruptcy IVA in 2001/2 to be around 28 months¹⁶.
- 12 FTVAs have successfully concluded to date and analysis of those FTVAs show that, on average, FTVAs last 16 months. However, as so few had the length of the FTVA specified in the proposal, reliable information on the actual length of FTVAs cannot be extracted.

¹⁵ The average excludes those proposals where the proposed length of IVA was not specified. The average is defined as the IQR trimmed mean. The data range has been trimmed to take into account outliers, with reference to the Inter Quartile Range (IQR). Outliers identified as data points where $Q1 - 1.5IQR > X > Q3 + 1.5IQR$. The outliers identified are valid readings, but are not typical.

¹⁶ The average has been calculated using the actual length of post-bankruptcy IVAs that have successfully concluded, plus the proposed length, plus 11 months, of post-bankruptcy IVAs that are on-going.

2.6 The length and type of post-bankruptcy IVAs/FTVAs (continued)

- The majority of post-bankruptcy IVAs in 2001/2 are based on contributions and/or asset realisation (see Figure 8).
- The majority of FTVAs are based on contributions and/or third-party funds (see Figure 8).
- This is consistent with the lower average asset levels seen in FTVAs (see Section 2.9)



2.7 The failure rate of post-bankruptcy IVAs/FTVAs

- To date, 40 post-bankruptcy IVAs obtained in 2001/2 have failed. This represents around 36% of all post-bankruptcy IVAs obtained in 2001/2. A bankruptcy order was then subsequently made against the debtor in 24 of these cases (19 on the petition of the supervisor of the failed IVA), which represents 60% of all failed IVAs.
- On average, these post-bankruptcy IVAs failed after 2 years.
- To date 3 of the FTVAs obtained in the three years ended 31 March 2007 have failed, which represents 15% of all FTVAs.
- On average, these FTVAs failed after 18 months.
- The failure rate and timeliness of failures may change in the future, as some post-bankruptcy IVAs and FTVAs are still on-going.

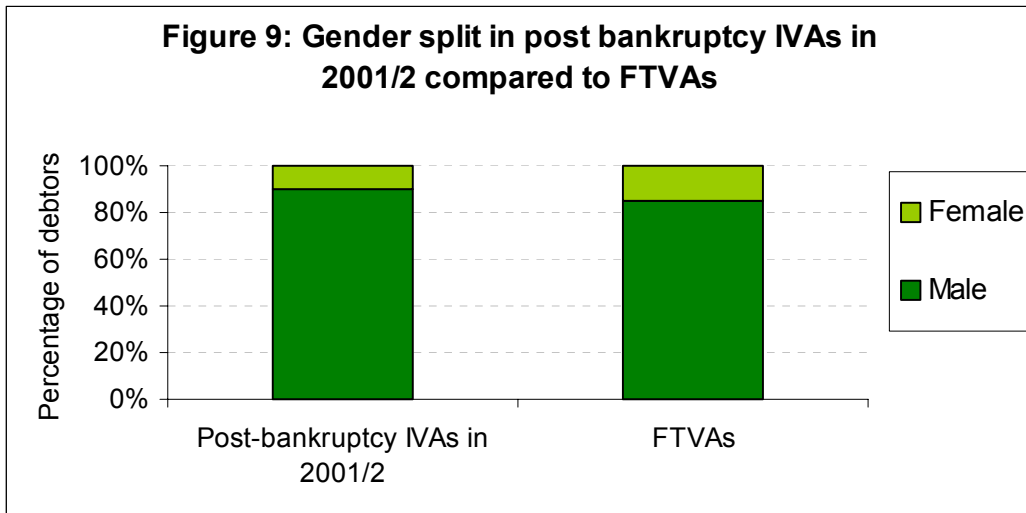
2.8 Returns to creditors in post-bankruptcy IVAs/FTVAs

- The average proposed return to creditors in post-bankruptcy IVAs in 2001/2 is 77p in the pound, compared to 57p in the pound in FTVAs in the 3 years ended 31 March 2007.
- The average actual return to creditors in the post-bankruptcy IVAs in 2001/2 that have successfully completed is 76p in the pound.
- The average actual return to creditors in the FTVAs that have successfully completed to date is 71 p in the pound.
- On the basis of the information available to date, FTVAs are currently providing a lower average 'pence per pound' return to creditors compared to post-bankruptcy IVAs.
- Looking at the relative levels of assets and overall deficiencies, FTVA cases have a lower level of assets, and a higher overall bankruptcy deficiency (see Section 2.9). Further, the majority of post-bankruptcy IVAs in 2001/2 are based on contributions and/or asset realisation, whereas the majority of FTVAs are based on contributions and/or third-party funds (see Section 2.6).
- Therefore, it appears that the higher average 'pence per pound' return to creditors in post-bankruptcy IVAs is due to a smaller deficit in bankruptcy liabilities over assets, which is primarily due to those cases having a higher level of bankruptcy assets.

2.9 The profile of the post-bankruptcy IVA/FTVA debtors

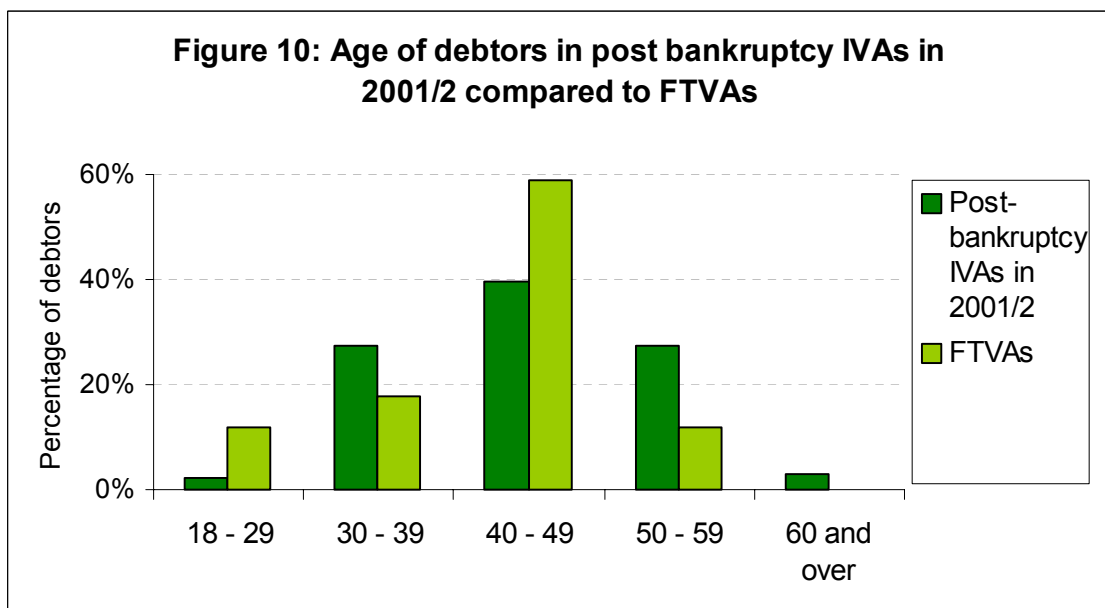
Gender

- The debtors are predominantly male in both post-bankruptcy IVAs in 2001/2 and FTVAs (see Figure 9).



Age

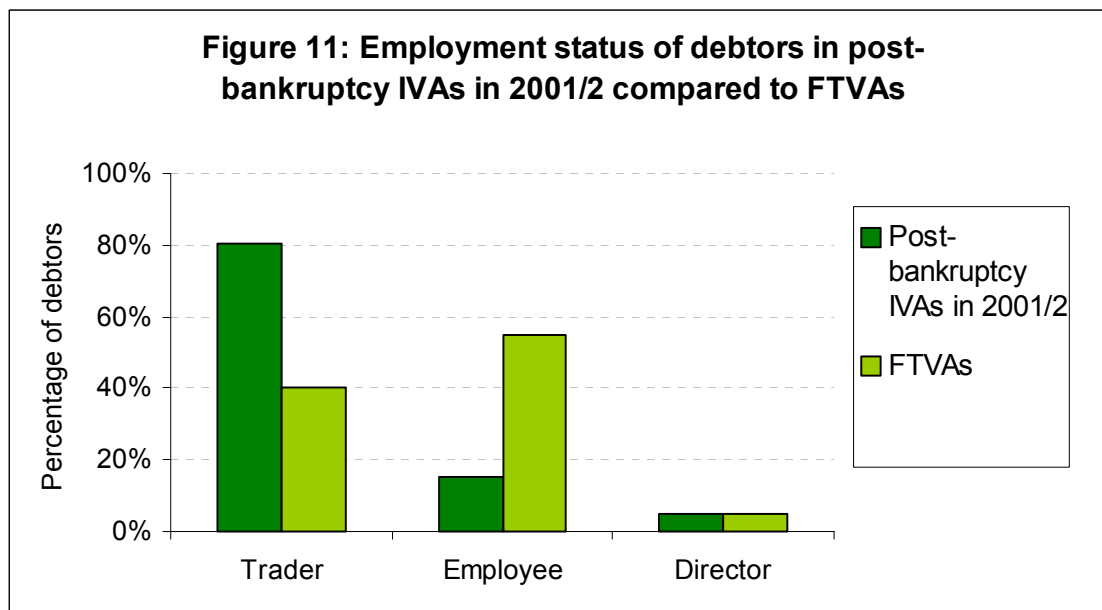
- In both post-bankruptcy IVAs in 2001/2 and FTVAs, debtors most commonly fall in the age range 40-49 (see Figure 10). However, the average age of debtors in post-bankruptcy IVAs in 2001/2 is 45, compared to 40 in FTVAs.



2.9 The profile of the post-bankruptcy IVA/FTVA debtors (continued)

Employment status¹⁷

- Around 80% of debtors in post-bankruptcy IVAs are traders, compared to only 40% of debtors in FTVAs (see Figure 11). The lower level of traders seen in FTVAs is probably due to The Insolvency Service's guidelines on FTVAs, which preclude the Official Receiver agreeing to act as nominee for an FTVA in certain types of cases (see Section 2.1).
- Over 50% of debtors in FTVAs are employees, compared to less than 20% of debtors in post-bankruptcy IVAs in 2001/2 (see Figure 11).

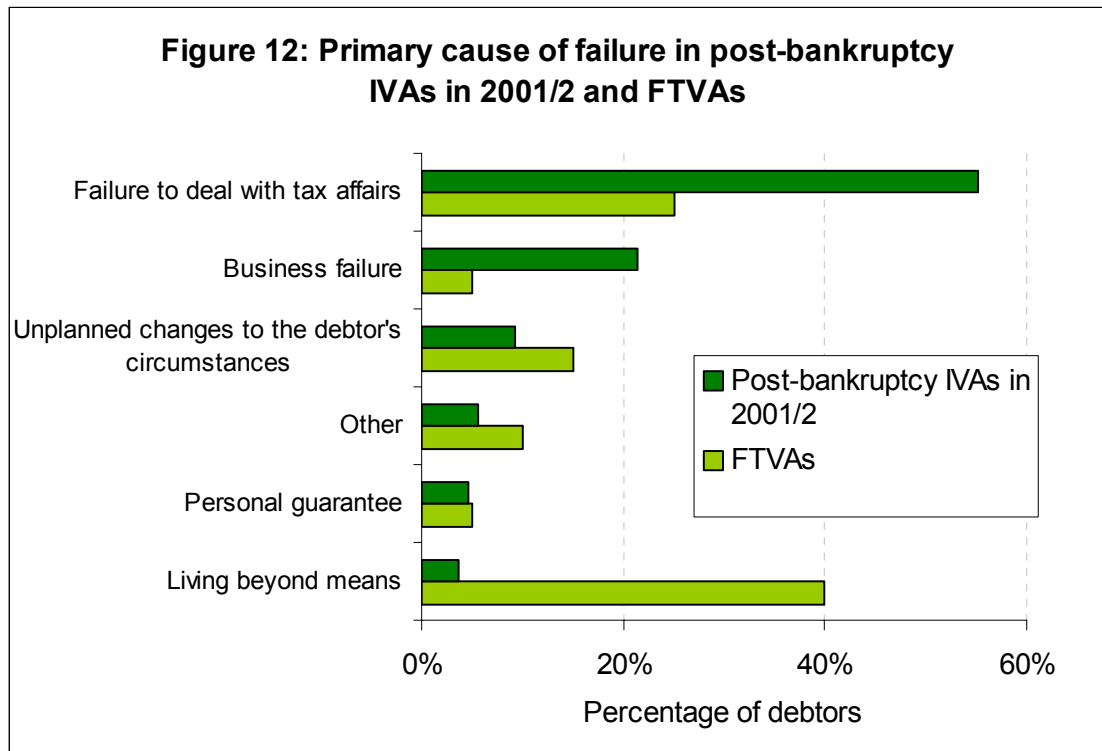


¹⁷ The employment status reflects the debtor's status that is consistent with the cause of failure where a debtor has changed employment status.

2.9 The profile of the post-bankruptcy IVA/FTVA debtors (continued)

Cause of Failure

- The most common cause of failure in post-bankruptcy IVAs in 2001/2 is a failure to deal with tax affairs, whereas the most common cause of failure in FTVAs is living beyond the debtor's means (see Figure 12). This is consistent with difference seen in debtors' employment status as detailed above.



2.9 The profile of the post-bankruptcy IVA/FTVA debtors (continued)

Assets/liabilities

- FTVAs have lower average bankruptcy asset and liability levels compared to post-bankruptcy IVAs in 2001/2 (see Table 9).
- FTVAs have a higher average bankruptcy deficiency compared to post-bankruptcy IVAs in 2001/2 (see Table 9).
- A lower proportion of FTVA cases had a surplus of bankruptcy assets over liabilities compared to post-bankruptcy IVAs in 2001/2 (see Table 9).
- These results are consistent with the lower returns to creditors seen in FTVAs compared with post-bankruptcy IVAs in 2001/2 (see Section 2.8).

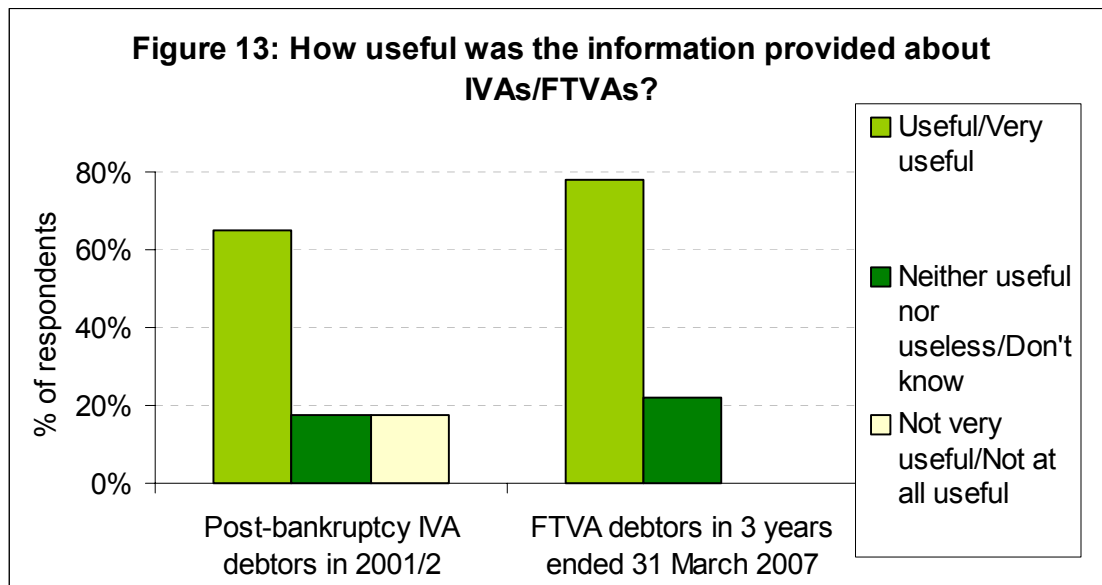
Table 9: Average¹⁸ asset and liability levels in post-bankruptcy IVAs in 2001/2 and FTVAs

	Post-bankruptcy IVAs in 2001/2	FTVAs in 3 years ended 31 March 2007
Average bankruptcy assets	£35,548	£5,345
Average bankruptcy liabilities	£42,482	£27,241
Average bankruptcy deficiency	£19,409	£33,619
% of cases where there was a surplus of assets over liabilities in bankruptcy	42%	35%

¹⁸ The average is defined as the IQR trimmed mean. The data range has been trimmed to take into account outliers, with reference to the Inter Quartile Range (IQR). Outliers identified as data points where $Q1 - 1.5IQR > X > Q3 + 1.5IQR$. The outliers identified are valid readings, but are not typical.

3.0 Post-bankruptcy IVA/FTVA debtor satisfaction survey results

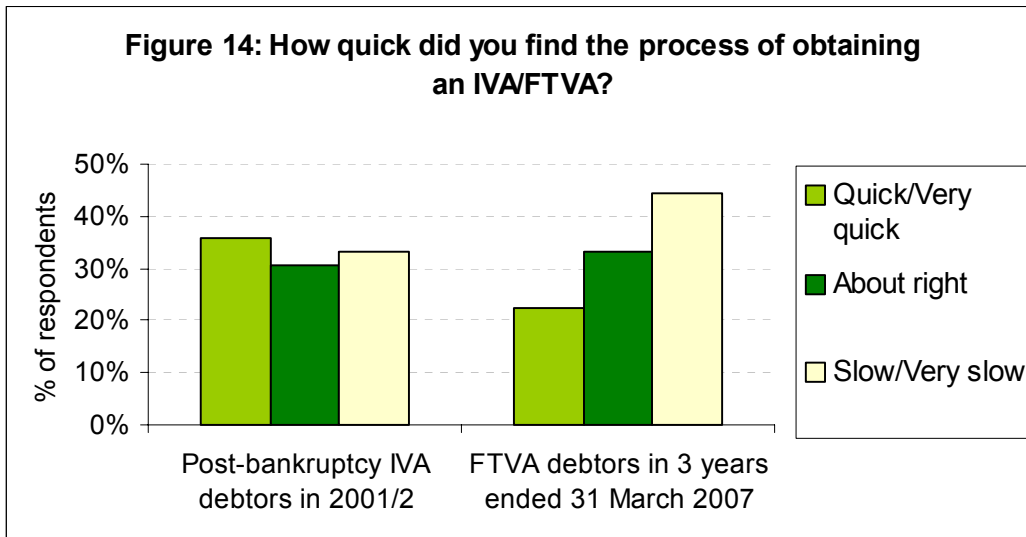
- Around 30% of the bankrupts who entered into post-bankruptcy IVAs in 2001/2 found out about post-bankruptcy IVAs from the Official Receiver/Insolvency Service. In contrast, over 50% of bankrupts who entered into FTVAs in the three years ended 31 March 2007 found out about FTVAs from the Official Receiver/Insolvency Service.
- Nearly 80% of FTVA debtors thought that the information provided about FTVAs was useful, compared to just over 60% of post-bankruptcy IVA debtors regarding information on IVAs (see Figure 13).



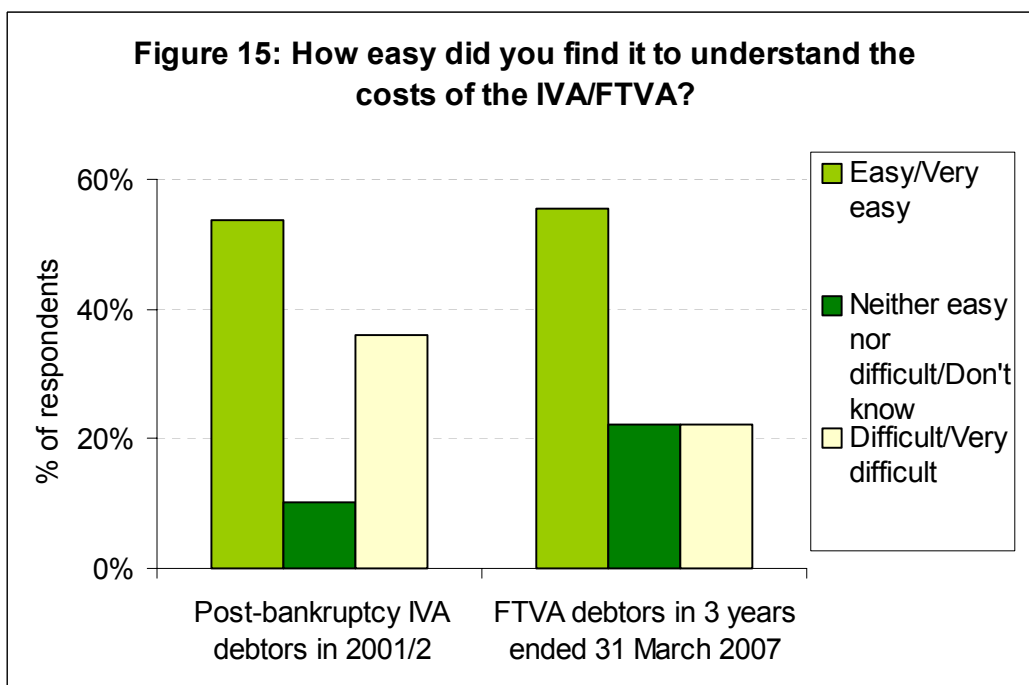
- All those who found out about FTVAs from the Official Receiver/Insolvency Service rated the information provided as very useful/useful, compared to 86% of debtors who found out about IVAs from the Official Receiver/Insolvency Service.

3.0 Post-bankruptcy IVA/FTVA debtor satisfaction survey results (continued)

- FTVA debtors found the process of obtaining an FTVA slower compared to debtors of a post-bankruptcy IVA (see Figure 14).

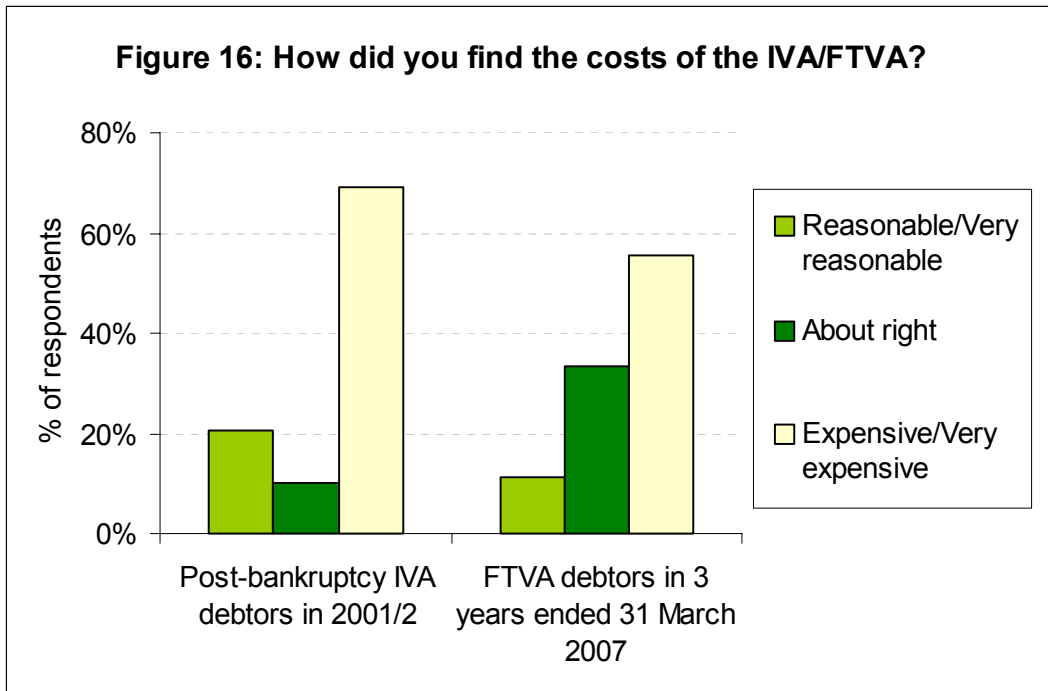


- Just over half of both post-bankruptcy IVA and FTVA debtors thought that costs were easy to understand, although FTVA debtors were less likely to think that the costs were difficult to understand (see Figure 15).



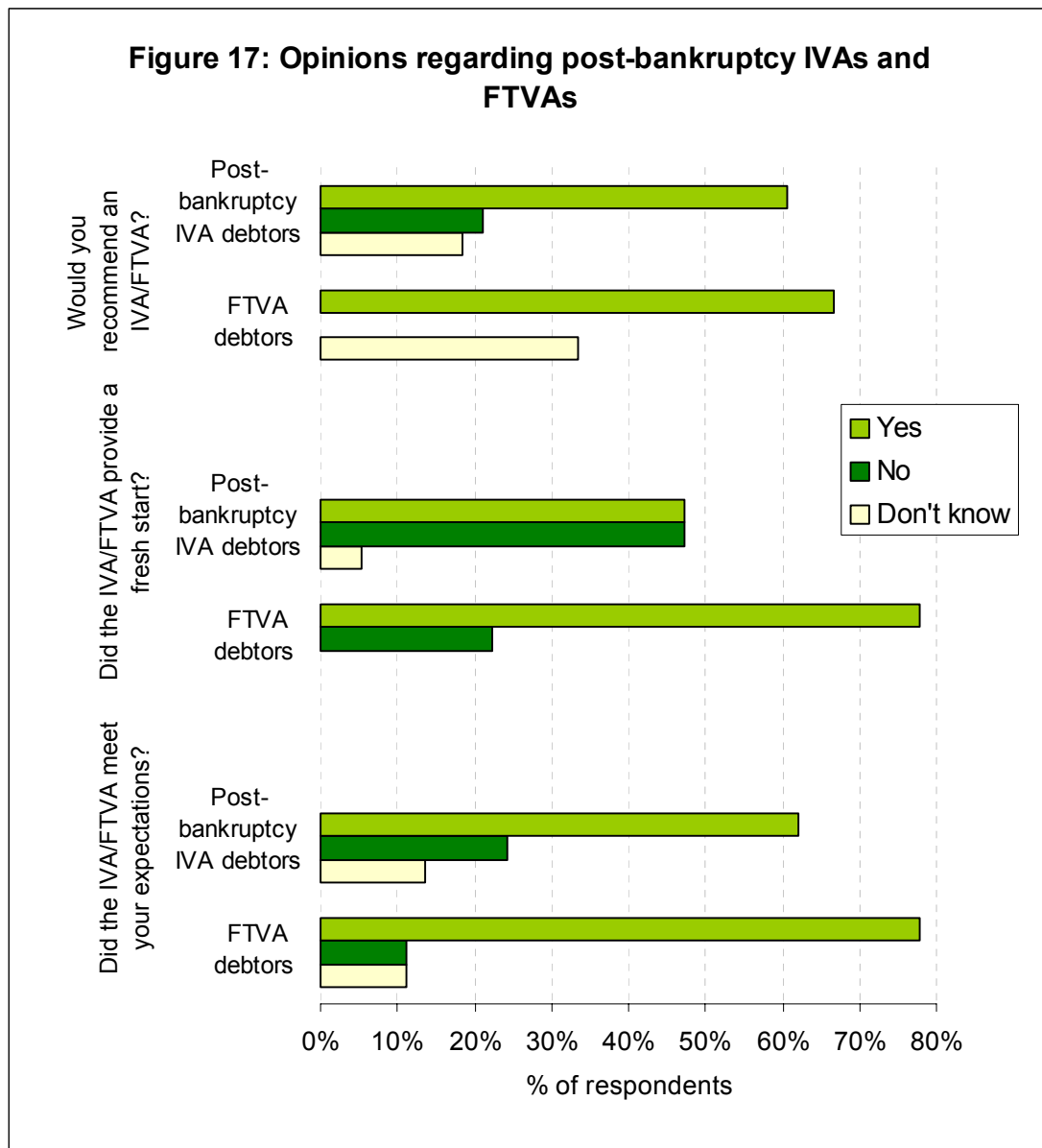
3.0 Post-bankruptcy IVA/FTVA debtor satisfaction survey results (continued)

- Around 55% of FTVA debtors thought that the costs of an FTVA were expensive, compared to nearly 70% of IVA debtors as regards the costs of an IVA (see Figure 16).



3.0 Post-bankruptcy IVA/FTVA debtor satisfaction survey results (continued)

- In general terms, FTVA debtors are more positive about FTVAs compared to post-bankruptcy IVA debtors regarding IVAs - FTVA debtors are more likely to recommend a FTVA, believe that a FTVA provides a fresh start and agreed that the FTVA met their expectations (see Figure 17).



3.0 Post-bankruptcy IVA/FTVA debtor satisfaction survey results (continued)

- Overall, FTVA debtors are more likely to be satisfied with the FTVA process, compared to post-bankruptcy IVA debtors regarding the IVA process (see Figure 18).

