



THEINSOLVENCYEXCHANGE

SCIVA – the Agent Perspective

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TDX Group Limited, City Gate East, Tollhouse Hill, Nottingham, United Kingdom NG1 5FS
P + 44 (0)115 953 1200 F + 44 (0)870 460 2694 E info@tdxgroup.com W www.tdxgroup.com

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SCIVA – A year in the making

- Delivering the protocols has not been an easy task
- The Creditor Agents want to thank ...
 - The Insolvency Service and British Bankers' Association for driving the agenda
 - The 4 Working Parties for delivering their common views
 - The Standing Committee for pressing ahead and steering the protocols
 - All parties that contributed their time, advice and opinion to the process
- Creditors have given their support to the protocols
- By acting on Client instruction, Agents will help deliver their commitments
- An Agent group as been established to help steer a common approach

The Protocols benefit all sides

- Creditors and Agents
 - Standardisation will increase
 - Waste should decrease
 - Dividends will be distributed more frequently
 - Creditors will feel more comfortable that advertising and advice is in line with a new set of standards
- Insolvency Practitioners
 - Will be able to build efficiency through standardisation
 - Common income and expenditure templates will improve submissions
 - Creditor requirements can be more visible and joined up
- Ultimately the Consumer benefits with ...
 - Better advice by knowing Creditor expectations
 - A faster solution
 - The IVA as a recognised, appropriate solution

The 'Standard' profile

- From experience the protocol compliant profiles will fit the 80:20 model
- “The profile is likely to be ...”
 - **In receipt of a regular income** either from employment or from a regular pension.
 - **Have 3 or more lines of credit from 2 or more creditors**
 - **Age is not a consideration**, nor is the debt level, though both factors will impact on the overall viability of the IVA
 - **The protocol is suitable for both home owners and non home owners**
- “But not...”
 - **Uneven/unpredictable income** - people with more than 20% of their income coming from bonuses or commission or who are unemployed.
 - **Benefit income** - a debtor with more than 20-25% of their income coming from benefits. For the avoidance of doubt, tax credit is not a benefit.
 - **Disputed debts** - there should be no known material disputes in relation to the debt.
 - **Investment properties** - those with investment properties would not be suitable for a straightforward consumer IVA.
 - **Possibility of full and final settlement** - where a full and final settlement is possible in year 0 (of over 65% of the total debt).
 - **Low surplus income** - if the consumer has a very small surplus income (i.e. 5 years of dividend payments amount to less than 20% of the outstanding debt) and there is significant equity in their home.

The definition is still pretty loose – but we're happy to work on interpretation by case

What about Non-Standard profiles?

- The protocol only defines a way of working for standard profile IVAs
- Non-standard cases will not be denied access to an IVA by the SCIVA protocol
- The final decision made by Agents will be assisted by the protocol
- A Non-Standard IVA can be clearly shown via the front sheet
- Agents can then manage the proposal under a separate set of criteria if required

For SCIVA to work effectively all documents must be in place

Protocols

- The SCIVA must be implemented as quickly as possible
- Any issues / concerns must be passed through the Standing Committee for consideration
- I&E guidelines in place

Front Sheet

- The front sheet is the flag to say an IVA is protocol compliant – Agents will assume protocols and SCIVA T & Cs are in place if flagged
- The SCIVA front sheet is a quick win

Proposal

- The new proposal format must be followed
- Agents have jointly placed common requirements into the standard proposal format
- Exceptions must be noted (but keep at a minimum)

Standard T & Cs

- The front sheet flags that all T & Cs are in place and followed
- No deviations are allowed unless shown as an exception in the proposal

All stakeholders will have part to play in developing SCIVA

IPs

- Uphold the protocols and 'spirit' of their intention
- Reduce cost and improve processes
- Work with Agents and Creditors

Creditors

- Support the SCIVA initiative
- Communicate clearly with IPs
- Improve processes and value the IVA as a solution

Regulators

- Encourage early adoption of the protocols
- Police the use of the protocols
- Work with Creditors and Agents to improve the process

IS & BBA

- Help retain the momentum
- Maintain the influence of the Standing Committee
- Guide both sides to implement a vital and adaptive set of protocols

What do we now need to concentrate on?

Implementation

- Implementation needs to quickly follow launch
- Cases flagged as SCIVA and fully protocol compliant asap
- Momentum needs to continue

Issues & Concerns

- This is step 1 of change
- The Standing Committee need to know what is / isn't working
- Agents working for Creditors will support this process

Next Steps

- Standardisation provides a base to launch other improvements (electronic submission etc...)
- BACS should be a top priority for IVA providers

Controls

- Regulators and industry bodies need to keep improving Creditor confidence
- 'Policing' the protocols is a key step in achieving this
- Clear communication also required

The role of the Creditor Agent

- The Agent ...
 - Enacts the requirements of the Creditor
 - Helps to manage risk and therefore protect the Creditor
 - Ensures every proposal is given a fair and balanced review
 - Engages and consults with the industry
 - Informs the Creditor with Management Information and industry insight
 - Has a responsibility to improve the IVA process where possible

A regular Agent meeting is now in place

As the protocols have been developed the following Creditor Agents have held regular meetings to define and integrate common views:

- Eversheds
- Grant Thornton
- KPMG
- PwC
- The Insolvency Exchange

This Agent group represents many of the major Creditors and IVA debt purchasers

These meetings will continue quarterly during 2008 to discuss industry changes and align the actions of the group where possible.

Agents have worked to reduce Modifications for SCIVA

- Agents appreciate that modifications have increased lately
- Delays to launching SCIVA are mainly responsible
- Agents have worked to remove modification under SCIVA
 - Agents worked through traditional modifications
 - Many were replicated, but worded differently
 - Modifications were distilled into 20 core requirements
- The majority of these are now in the Proposal and T & Cs
- For SCIVA compliant cases minimal modification should be needed (for example)
 - Individual Creditor fee requirements
 - Distribution based on fees

NB

Where SCIVA exceptions have been noted in the proposal these may still prompt modification if the original protocol can be supported.

What about rejections?

- Under the new protocols we believe that
 - Accepts should increase
 - Standard Modifications should reduce
 - Rejections should reduce
- In all cases of rejection the Agent can provide a reason to the IP
- The Standing Committee will collect information on cases from IPs where rejection or modification is deemed inappropriate
- Agents and Creditors will also feed into this process reporting process
- Creditors still retain the right to reject a proposal

The key messages are ...

- Without the protocols the current pain increases
 - Disengaged Creditors
 - Expensive processes
 - Poor service
 - Lower levels of debtor support
- Creditors have committed to the protocols at a senior level
- Agents will follow their Client instructions
- Implement SCIVA as quickly as possible
- Agents will help individually or via the Agent group where appropriate
- Not everything will be fixed on 1st February but it's a good place to start