Individual Voluntary Arrangements

Managing within a Credit Union

Transcript

March 19, 2024, 9:58AM

EC

Chris Warburton 3:15

Alright.

Should we maybe get started? So, so.

Uh, welcome everyone to the to the webinar.

We're gonna talk a little about involuntary arrangements today, managing within credit union, and I suppose this just to set the scene a little bit, this webinar really came out as a result of the last event we had back in December that Kevin and I put on and certainly which is really around collections in credit unions, this one, this event here was really just a reflect that because we got a lot of feedback during that whole process and sort of setting up that webinar really around IVAs being a really a hot topic of discussions, definitely some frustration.

Around the IVA process, so this webinar was specifically just to drill down into that process and just in terms of the agenda here.

So I'm going to talk a little about some of the known challenges, a bit of background information.

Umm, you know?

And then we've got Lee Asher from uh, who's the lead consultant at Trust folio and sort of in the debt tech space is going to talk a little bit about just setting, just like, what is the process for an IVA?

I'm sure most of you guys are already aware of that, but just to sort of level set that then we've got Peter, Wordsworth and Kevin who are going to talk a little bit about from consumer duty services.

We can talk a little about some data they've got around IVAs and IVA voting behavior in particular, which I think that's gonna be very interesting for folks.

And then lastly, I think then then he's gonna come back and just talk about some of the process opportunities and obviously we've got time for questions.

Really, really sitting at the end as well.

Umm so.

So with that being said, I'm gonna sort of start and as this was just really a bit of a a

bit of an overview I suppose.
And just to say, well, where does the IVA sort of environment currently kind of sit?
And I just pulled this from, I think it was the insolvency stats that sort of came out right.
And you can sort of see this, I mean sort of England and Wales sitting on the on the on the left and you know I did add Scotland and Ireland, Northern Ireland sort of sitting on the right.
And as we've been through quite a journey, I suppose just in terms of IVAs over the last over the last few years, I mean if back in 2015 some of the changes that kind of happened, you know we saw the DRO debt limit increase to 20,000 back in 2015 and we started to see Ivy starting to go up 21.
We saw it increase again to 30,000 and again we start to see it increasing again.
And then there's a lot of concern really around IVAs.
I I would characterize it as then we saw the FCA requesting authorization for Google Ads, which seemed to have an effect in terms of taking some of those the froth out of the market.
And then obviously late last year, we had the ban on package referral referral fees as well.
So we can sort of see how it sort of spiked and then really with some of the action, it started to come down again and we wanted to put this on here though, just because if you look at debt relief orders, there's been some changes and it feels like there's been a bit of a swap set that's kind of happened in terms of debt, DRO starting to increase a little bit.
And obviously just, you know, announced the the latest sort of budget statement we had, you know the removal of the 90 pound fee referral, uh, a fee being removed.
And also then there's that least debt limit being increased to 50,000.
So we're on this sort of up ticking downward downward trend in terms of IVAs in England and Wales, but we're on an uptick in terms of debt relief orders.
I'm picture in Scotland and Northern Ireland.
Interestingly, doesn't.
We don't quite see the same kind of pattern that that that sort of happening, but I wanted to put those on there just so just so people were kind of aware.
And then and then just as well, just looking at you know, where do IVAs come from?
We've got some stats really around that.
I mean, I've got the 22 data there.

Kevin kindly provided the more recent data there and you can see that there's a couple of larger providers that are basically providing a lot of equivalents in the market.
You know, with Credit fix and so insolvency group being up the top and then what's happened I suppose just to the bottom here in terms of what are the latest volumes that have happened sort of really since since the start of this year.
And we have seen a little bit of a recurring spike back in IVA gas at the start of this year.
In January and February, I think there was a little bit sort of chatting with Peter.
Sounds like there's a little bit of backlog that's been kind of worked through.
So in reality, it's probably sort of averaged out a little bit there as well.
Before we went to, before we went to started this.
Webinar we also sent out survey.
Really just to get peoples who attending their kind of feedback on the process.
Umm.
And you know, so and it had a couple of questions in there just to sort of level set I suppose for the panel here.
First question we asked was, do you really believe that IVAs can be a good debt solution?
You can see that there's probably a majority of people saying yes, uh, you know, but are people confident in whether customers and members could only enter when appropriate?
And I think this is sort of reflects some of the concerns that I heard from the last, the last credit Union event with the vast majority of people saying no, umm, how often do you support IV's solution for your Members?
If you just look at rarely and infrequently, it probably adds up to sort of like over 50%, and we'll see some sort of data on that later.
And then do you receive dividend payments?
Vast majority people say yes, although if you actually look at some of the comments, people feel that some of the dividend repayments maybe take too long, you know and don't and don't don't really come back in a large a large enough amount.
But certainly I think there's there's comments here really around lengthy time to receive dividends.
I think it was the third one down.
Umm, just to look at some of the other comments that came back, I mean, definitely

there was.
Poor ongoing communication from insolvency practitioners was one of the comments.
Instances of IVA being placed when a DRO would have been would have been more possible would have been possible.
The concerns around as vulnerable people being targeted by IVA companies, and I suppose this other one I wanted to point out here, was lack of clarity.
Uh. Uh.
On who is it lack of notification?
Sorry.
Uh on the comment around lack of notification of proposed IVA creditor meetings as well.
So that was one of the ones that came out as well.
We did get some questions.
I'm gonna come to come to this right at the end of the session, just in terms of some of the questions we had just from the group and what I'm gonna propose is we come back to this really at the end of the end of the presentation.
I'm so.
So with that, I was basically gonna hand over to to Lee.
And Lee was just gonna level set a little bit, really.
Around what does the what does a credit union process?
Uh, what does the sorry, the IVA, the IVA process look like and just really explain that?
Suppose just some of the dynamics.
So.
So, Lee, I'm gonna hand over to you.
I'm gonna try and I'll find your slides.
A couple of slides.

LU **Lee Usher** 10:46
Thanks, Chris.
Just while you're doing that, it's maybe worth introducing myself just briefly.

Chris Warburton 10:50
Yeah.

LU **Lee Usher** 10:50

Umm, I do lead on the Credit engagement side for just for you just for your a tech company providing digital solutions to different sectors and I am the credit services director on a consultancy basis for those guys at the moment prior to that.

So I have around 2025 years in financial services on the CV, mainly collections, strategy, customer support strategy, type rules, have spent a bit of time with the money and pensions service again in a consultancy basis over the course of 2020-2021 and and that really brought me into the IVA space.

So mostly I've looked at debt management collections as a whole over the last couple of years.

I've really sort of started to focus more on on this side of the the collections strategy so I can see my slides or up on the screen there.

Hopefully everyone else can just wanted to start briefly now.

I'm not an installment.

See practitioner.

Most of this information is what I've gleaned from the IP's work with and also the Credit as we've engaged with over the last couple of years we thought was worthwhile just to cover briefly what the fundamentals of an Ibe and what is the process for someone entering into an IVA.

So firstly, an individual volunteer intern IVA, it's informally formal, legally binding agreement between you, the creditor and your customers to pay back debts over an agreed period of time, normally five years.

This means it's proved by the court and there's certain rules that creditors and the individual and debt the customer have to stick to.

So for instance, from a credit perspective, when an individual enters into an IVA I you guys have to stop charging interest on the debts and cease cheers and Bob payments.

The individual, for example, they need to make the agreed payments under the terms of the IPA, and that's usually a single monthly repayments or lump sum bio dependent payments that come into buyer insurance.

Practitioner uh individuals have to update the IVA provider if income changes.

If it increases or lump sums are received and that could be picked out in increased payments, dividend payments to to get the creditors and also individuals shouldn't take out any further credit without permission.

So for example, further loans with the credit union, there's no problem or maximum debt limits or an IVA, although the fees are involved usually sit around three and a half £4000.
So if the total debt is below served 66 and 1/2, you might want a question whether or not that's the best outcome for the the customer and and yourselves is the creditor so that this slide here, it really just outlines the process normally follows when setting up an IVA.
It was an individual and then so once you practitioner the IVA, it's gotta be settled by a qualified person called and insults your practitioner and they will charge a fee.
But the services and support they provide and carrying out their duties, the and so on to practitioner, has to comply with statutory requirements and follow best practice and ethical guidance.
Now the insolvency sector was I see it and I've come to learn over the last year or two and engagement with the sector, especially in relation to ideas that can be separated into two different elements.
So you've got one the IT LED in some two firms.
They are usually volume based income driven approach and it tends to be where we see or where I see most of the challenges and criticism from our credit apartments and the credit as we work with and then you've got the the second element which is the IP LED insolvency firms and they tend to be more outcome driven and and their approach individuals advised and supported properly and the aim really what I see and what I hear from our credit engagement is they they try they do try to generate the right outcomes for all stakeholders that's the.
Credit around the individual in debt.
So where we see the proper due process being follows the steps outlined on this slide are an example of the insolvency practitioner in the customer journey is thing that will happen is in assessment at the point of identifying financial difficulties, assessment of the customers.
Affordability will inform what appears to be the best option at that time.
The IP will then meet with the clients and get to know the client.
Understand the client circumstances around the case and affordability, and why Steve portability might suggest one outcome, the circumstances, the employment, for instance, that might suggest another outcome is in the best interest.
So it's important that that getting to know you that meeting takes place, research information, gather and evidence gathering and preparing the file.

There should be a verification process in terms of checking the debt balances with credit files and I know we part feedback just recently from speaking to a credit union that sometimes credit union debts aren't shared.
At the point with the insolvency practitioner.
So it's important again that that that process takes place and then we have the sort of the draft and and the the check in process producing the IVA documents that's going to be shared with all of the stakeholders, including viewers, the creditor, ensuring the proposals are robust, clear and all the information is relevant and included to meet the IVA standards.
And then the last step in the process is the formal meeting of creditors where the (IVAs) either accepted accepted applications or rejected.
So whatever you're view on the fees, it's worth considering that there is expertise level of work and understanding that goes into an IVA proposal when it's done right.
And I suppose that is the key.
Chris, can we just move on to the next slide, please?

Chris Warburton 17:19
Uh-huh.

LU **Lee Usher** 17:23
So what are the key messages?
I wanted to get across.
Today is the power you have is credited as to influence better outcomes, and that's what we all want.
Yeah.
So you guys can be the difference in a good idea.
You've been accepted or a bad IVA have been rejected.
I've invested hundreds of hours on behalf of Trustfolio over the last year or two, engaging with the Credit sector, and mainly that's a public sector look.
Authorities trying to educate and influence them to take a more responsible approach when Bolton, uh and and Managing IVA caseloads themselves, they'll admit openly the local authority SECTOR that they haven't put as much focus as there's there should have done on these cases up to now and I'm also asked pretty much every time why should we bother, especially from the non FCA regulated or consumer duty creditors.

Why shouldn't bother investing time and effort in this?
And I understand that the main see the volumes as huge in comparison to the workflows they've got to deal with.
Credit is might not think that they return from the dividend payments is worth the effort and I really do understand the the resource pressures that that credit is are under and there might not see this as a big ticket area for focus change, but they're all commercial wins.
I'll come back and I'll talk through some case studies after after Kevin and Peter spoken, but there's definitely commercial wins for you guys.
Credit is and managing these cases differently as well as mitigating the risk to the individual in debt, they're entering into a solution that doesn't best fit there circumstances.
Now the insolvency sector is coming for a huge amount of criticism over the last few years, most of the negative stuff being named lead generators, Perera, advice and so on.
So practitioners themselves, some of that's been justified and it's obvious that there are organizations out there who see individuals as an opportunity to generate income as opposed to helping those who need it forced.
But what's not being talked about as much until now is the role that credit is have placed in the process and I, and I think consumer duty, which Peter might touch on, brings this even more into focus as we move forward through the next few months.
So as as the slide shows here they generates packages, advice providers, whatever you wanna call them, and insolvency practitioners themselves do influence or can influence customers into applying for an idea, but they don't have the power of themselves to make an IVA.
Ultimately, that's the creditor who votes to accept or reject the the proposals that come in.
So in our view won't happen unless the credit or their representative awards to accept that (IVAs).
So we see this presents a significant risk to creditors, especially regulated creditors where individuals could be suffering detriments that they could have helped prevent at some part of the the the process.
We now have some really good conversations with credit unions moving away from public sector and moving into the credit union space credit unions who are interested in understanding how they're gonna improve their own policies, processes

and voting procedures.
They're asking trustfolio for support and training with this, so it's encouraging to see so many of you on the webinar is well to talk about what's often being a a part of the collections process that's been neglected.
So ultimately, I suppose our call to action is for creditors to place more focus, much greater focus on the longer term impacts, good, bad on individuals, your customers entering into an Ivy.
So what does that mean?
Well, the first thing I would say and again I'll come out of this if we've got time to look at some of the key studies.
The easiest thing you could start to do is limit all of your debts and submit and proof of debt forms.
Even if you don't vote or you reject still claim your debts, I think the the the pool in that Chris talked around is more to do than thought, but there's still an element of you who won't be claiming debts and there's there's there's debts, dividend payments sitting there within salty practitioners that that you could be having peered into your accounts develop an informed Vaughan policy, engaged with the sector like you do now understand the circumstances when you should be accept and reject and when to use modifications.
All of this it's not as difficult as what you might sort of.
First thing, it is with the tech and data that's available now and importantly, develop better oversight of the cases and start and engaging with that process more develop oversight of the insanity practitioner sector who are the good guys who want to go, who need a little bit more interrogation when the proposals come in.
So if you're doing that stuff now, brilliant.
You'll be meeting the standards and and the risk to your customers will be medicated to a certain extent.
If you're not doing this like I said, it might sound like a huge amount of work and effort to implement those processes.
But like I've also said that there's never been as much technology or data available now, relatively inexpensive to facilitate and approach in managing these cases in a much more simple, efficient and effective way.
So that's that's my time.

Chris Warburton 22:46

Yeah.

Lee Usher 22:48

I think I might have gone over that, Chris.

Probabilities in my have, but that's that's my summary and I'll come back if you need me to after.

Chris Warburton 22:50

No, that's good.

OK.

OK, perfect.

So I think so here you just mentioned around I suppose the voting piece that sort of that sort of came out and I think we're gonna now hand over to Peter who's going to talk about some of the data that they've gathered.

So Peter just may just want to just quickly introduce yourself, just real quick.

So you've got actually on the screen right?

So hopefully everyone can see your presentation.

peter wordsworth 23:23

Yeah, that's great.

Thank you.

Chris, can you hear me alright?

Chris Warburton 23:25

Yes, I can.

Yeah, yeah.

peter wordsworth 23:28

As OK.

Brilliant.

OK.

Well, good afternoon everybody.

Thank you very much.

I'm Peter Wordsworth.
I'm a director with consumer duty services and I think I'm a self confessed sort of IVA nerd.
I think probably describe myself as I've been fascinated and involved in IVA since 2000, when we built the first sort of IVA voting platform for Max recovery back in Eversheds, which I'm pleased to say is still in existence today.
Nearly 1/4 of a century further on.
And most recent, Lee spent three years at step change, like to see what Sarah Cheatham there, who's now the head of insolvency.
There, I spent three years as there is predecessor running the IVA and DRO operation where we sort of just over 50% of all the did all the DROs in the country prior to the maps retendering sort of process in the last year.
But that's giving me an interesting insight into into DROs, which might become quite relevant as we as we move forward.
But my fascination and interest has always been around IVA's and and it's honestly sort of debt solutions.
And when we set up consumer duty services, we wanted to bring a sort of data driven approach to that.
And so we'd like to share some data with you today.
And you know, we regularly post up on up on LinkedIn in terms of articles around IVA S and and developments in the industry, and there's a lot going on.
And so today you seemed like a really good opportunity to look at what is going on.
So going into the data.
We're very lucky in as much that we've been able to work with a number of key players in the industry and we have very grateful for the support we've had from step change from pay plan, from Mccambridge Duffy, looking at to work at on an anonymous basis, looking at data and seeing how creditors are voted over the last few years this looks and we looked at for today we looked at how credit unions are voted over the last three years.
And in respect of IVA's, where they where they are creditors and present and the data was really interesting.
So what this showed us is perhaps not surprised me and bears out what Chris survey was sort of showing us.
With the sort of 20% approval rate, a sort of 38% rejection rate and a 40% no vote.
So in a in a nutshell, in a kind of you know I have one in every five IVA S gets

supported by credit union, but a credit union is almost twice as likely to reject it.
Uh, or twice as likely to know vote.
So you know in in summary, credit unions are sort of are four times more likely to reject or no vote than the art support and wanted to see what that looked like in terms of the major creditors.
So these are the sort of banks credit card companies, primary creditors and how they're voting behavior compares to to that.
And what we see is that for every five sort of IVAs, we're getting over three approved less than one rejected and about one no vote.
So what what we then did is we then said OK, so how does that compare?
If we strip out the no votes in terms to that and on the next slide we looked at.
How?
What that looked like and and what we see there is that, uh, we are.
We can see that credit unions are basically three times as likely to reject an IVA me and and that that the major creditors are more than twice as likely to approve an IVA.
We were that's proposed.
So what we see is how it's not surprisingly, and I think the set goes back to some of the comments we saw Chris in the last event, which you and Kevin hosted about that sort of negative view of IVAs.

Chris Warburton 27:27
Hmm.

peter wordsworth 27:31
And I completely understand that.
And then I describe myself as an IVA nerd.
That is not to say that I'm evangelical about that, that solution, and I've watched with fascination, but not necessarily always with great pleasure about what's been happening.
Going to IVAs over recent years, so I wanted just to to go into a little detail about what has what has happened and that we've seen and what is changing because I think today is a really interesting time to be talking about EVAS with everything that is changing.
But if we look at what went wrong, when you go back to your graph, Chris, in terms of the growth we saw seven years of significant growth in IVAs volumes that we saw

seven year consecutive growth and that was not we sort of described these as seven years of hurt for the creditors.
Really.
What was driving a lot of that growth as we saw introduction of funding third party funders, we saw funding introduced a firms being paid significant fees for referring potential IVAs to to large corporate IP firms and that led to allegations of miss selling and we've seen we've all seen cases where we're going where people have have not missed a payment of suddenly ended up with an IVA proposal or whatever and we've all seen plenty of examples where we're going.
We're not sure how whether that is likely to be a successful IVA or whether that's appropriate.
So there was serious allegation submitted selling.
We saw the value of contributions drop significantly during that seven year period as we looked for volume into the sector and introduce a firms that are sort out volume.
We saw value contributions going, going down across the industry.
I know it's step change.
We had quite a high threshold which we felt was appropriate for IVAs, but we saw a lot of lower value income and if it only proposals coming through etcetera, driving down the value of that and that's not surprisingly as resulted in higher failure rates.
Now there's a there's a big lag in failure rates because and Ivo typically runs five years, so we're unable to really see what, how things performing very immediately.
But the last Insolvency Service statistics show that failure rates increased for the last two years, where we have reliable data from 25% to 33%.
So from from less than from more of 1/4 of IVA failing to nearly 1/3 of IVAs failing, and that's not surprising given that rate of growth in what we were seeing there.
So if a creditors we've seen sort of seven years of higher volumes and lower returns and I think that is that period has driven a lot of.
This trust a lot of disengagement.
Uh, with the sector and I completely understand that.
And I I I sort of empathize with with creditors views in terms of that.
But today we can't really change much of what happened in that sort of those seven years.
But we do want to focus a lot on what has changed because I think, uh umm, you know, we reached a point where we knew where the market accepted the industry, accepted that things had to change and a lot has changed.

And I think this is really important message and we're getting this message out to creditors starting off with the credit unions today.
But we're also having a creditor event on the 27th, and we're going to be following that up with, I'm sure, another online sort of creditor event to really get that message out there that you know, whilst firms have understandably had a negative view and have understandably perhaps disengaged from IVA, a lot has changed since 2022 and it's really important and really easy to miss that.
But it's really important to understand what has happened and to to think about that.
Firstly, as Lee as referred to already and Chris has talked about, we've had the ban on the introducer firms being paid fees by the FCA, so that is driven very different market dynamic.
Umm, the Insolvency Service announced that it has launched an investigation into allegations of MIS selling of IVAs.
So were they have appointed independent firm to undertake an investigation to see whether that is substantiated or not, but certainly that is good.
All the major IP firms focusing on their internal little controls and processes to ensure they are complying with their SIP 3.1 regulations and requirements in terms of advice before proposing the IVA I'm we have seen as a result of perhaps a combination of the introducer firms you know ban perhaps as a result of increasing cost due to macroeconomic issues.
And the cost of living crisis, we've seen volumes of IV a decrease in the last set of statistics published by the Insolvency Service earlier this month.
We have seen that the volumes of IVAs in 2023 decreased by 25% and are now down at the levels they were in 2018.
So we haven't seen those volumes there since 2018.
Significantly, we seen the waiter equities gonna be treated changing.
Uh and Mel?
Who's uh on the call today?
Uh has done a lot of work with the IPA and the Insolvency Service and Georgina's leading a lot of work in this form service on this as well, changing the way equity is treated for a long time, we've had a rather crazy situation whereby equity was sort of if you had a house and you're in the house, you were expected to read mortgage in year sort of four or so and there was the uncertainty about whether you could mortgage, remortgage and then you ended up having another year added on to it.
And there was a lot of uncertainty and one of the things that we know that people

don't like going into longer term arrangements is certainty.
And so we are really pleased and excited to see the way that equity is being treated in proposals looking to change that in the IVA Protocol and looking at having making a much more straightforward approach where we will be up front about putting another year on to the extending the term of the IVA to factor in and take account of that available equity.
And we hope that will drive more proposals with potential equity in that.
And finally, we're not finally got two other big changes and the the the scale of these changes in one year is is all very, very significant.
They're all quite significant in their own right, but the combination of them all is very powerful.
Umm.
Unexpectedly, the Chancellor and his infinite wisdom decided to increase the total debt limit of the RO from 30,000 to 50,000 to double the value of the allowable car allowance to to 4000 from 2000, and to abolish the 90 pound fee.
Now I am all in favor of the car increase because I think that is that is welcome.
I'm all in favor of abolishing the fee and making that debt solution more affordable to those people in need of it.
I would like some comfort that the 80 pound of the fee that was allocated the Insolvency Service to regulate DROs was being backfilled by government so that we can have comfort and knowledge that that DRO process is being properly process being properly governed as we've seen what happens to IVA potentially when they are not when a debt solution is not properly managed.
But I have not yet had that sort of assurance.
But I'm hoping that will be forthcoming.
Uh, and I am just a little bit concerned about increasing that level to £50,000 and what the impact of that is going to be on credit.
The availability of credit and the cost of credit for those people who rely on it.
So Kevin and I have posted up a number of articles on the potentially the unintended consequences of those changes, but it is something we need to factor in when we're thinking about IVAs, you know about what the impact of those changes is going to be.
And finally, and belies referred to this already as the consumer duty was introduced last year and it was interesting because we had always assumed from all the conversations with the from the FCA and all the communications they had about

supplying your supply chain and all that good stuff.
And then need to put the consumer at the center of your decision making process.
That clearly that would impact how people work thinking about IVAs and we're voting.
But there was some debate about whether consumer duty reached down and and and touch to sort of IVA and whether we needed to consider that when we were voting on an IVA and how we treated an IVA proposal when it came in to us as a regulated entity.
And so we attended an event in September step change event which was excellent and they had secured or they had got Sheldon Mills talking at that event and we took the opportunity to ask him the question about whether McVay, whether consumer duty applied to them.
And although Sheldon Mills didn't answer the question on the day, he did give an assurance that he would answer that question.
Uh in September.
And I'm delighted to say that hot off the press, we got that answer in March 2024, but we were grateful for that because they had we had spoken to them and had a number of conversations with them, umm and they confirmed categorically that consumer duty does apply.
This is this is the words from their letter.
The consumer duty does apply to the FCA regulated firms when they are voting in an IVA in IVA proposals or variations.
They expect firms to satisfy themselves that their processes take account of their obligations under the duty to deliver good outcomes for retail customers.
And that is in line with existing requirements under CONC.
7.3 point 4 for firms to treat customers in default or arrears.
Difficulties with forbearance and due consideration, so we are now finally in a a very clear position, which we are grateful for the FCA for doing UMM, because now we don't no longer have a debate about whether we have to consider their obligations under consumer duties or regulated firm when voting.
We absolutely do and it's very clear that the FCA is going to expect firms to do so.
So I think that is that is a bit of a sort of a game changer for us, but it is one part of all those sort of changes that we've seen coming in in the last year.
So it is a very different landscape than we were looking at in 2022, which I think is by and large pretty much all of that has been positive.

So Kevin, if we go on to the next slide, I'm helpfully being through grateful for my driver Kevin, who's who's much more in who much more tech savvy than me.
So with all those changes, what do you as creditors now need to consider before voting?
Umm, firstly I think that you know now we now know that we need to under the consumer duty to consider the consumer outcome when we're looking at an IVA proposal.
So do we believe that this IVA is a is a good outcome?
Is it likely to be unsustainable?
Do we not believe it's appropriate?
Do we think it represent it represents a poor outcome and we're not saying that all IVA proposals are good outcomes, but what we are saying that under the consumers Utu are going to be required to consider whether you believe that IVA proposal represents a good or about outcome for the consumer, for whatever reason.
One thing I think I should be clear on is that when an IVA fails early because of the way the fees are structured, a lot of the money that the debtor has paid will have gone in IP fees and therefore an early failure of an IVA in the first year to two years is a usually almost certainly a very poor outcome.
And well, that's one of the things we're really focused on in terms of how how to avoid that and looking into identify those cases at risk of that.
One point to note, that's really important for for people to consider on the on this call is that.
We it's the FCA is very data hungry, yeah.
If we've all looked at what the FCA requiring regulated firms to provide the level of detail they want, the level of evidence they want, what I would urge you is that where you are considering the consumer outcome in those decision making processes, make sure that you have some evidence, preferably some data, which you can point to that rely that you can evidence that consideration on sort of vanilla statements that we always consider the consumer outcome before voting will not really cut the mustard.
For the FCA, I'm afraid to say they will want to simply ask you for that to produce that evidence that you have done that and not what basis you've done that we've worked today.
We're not talking about this.
We've developed a sort of an integrity score to facilitate that, but we are using.

We're working with the whole industry to deploy that score and help to deploy that score, so we will be working directly with all the sort of the IVA voting agencies and where they don't use agencies with creditors directly to help them identify what IVA proposals maybe are sustainable and and and which are not.
But that is not about this is.
That's not the purpose of today.
The purpose of today is to get people to understand how much has changed recently in terms of IVAs the obligation and the need to consider the consumer sort of outcome and to think about how they're going to do that moving forward.
If we can help be part of that journey, we're delighted.
But today is really just about raising awareness and and helping people understand what has changed and and to take maybe take stock and and reconsider where we're going.
So my final slide I think is a is a sort of A, is it just to sort of a summary, which is that you know, why do I think it's time for credit unions to perhaps could reconsider and and and take stock and and reset in terms of IVA, I think there's a there's the FCA requirements.
You know, clearly we all wanna say the right side of the FCA, UM and none of us want to be on the wrong side of of of that.
Umm, I think importantly for you as as ethical funders, you know and providers of of valuable credit to those in most need.
I think that where we have an IVA proposal, you know, considering that the outcome for that consumer and helping to deliver better outcomes is clearly important to all of us.
But finally I think in and Lee also mentioned this.
You know, I think we we as as critical to focus on the on the better financial returns.
You know, if it is a sustainable IVA, uh, that could potentially moving forward include the higher value proposals because we will see lower value IVAs being swept up into DROs following the changes we will see hopefully more equity proposals coming in.
We expect to see volumes continue to be suppressed in IVAs, but values potentially increasing, which I think will be excellent news for everybody.
But also I think that there is a real danger here that if we vote, you know, down the IVA or we don't support them, they could be swept into a DRO.
Umm and I'm I've I have concerns about whether those DVR's are being properly, umm and, you know, diligently reviewed at this point in time given the volume we're

seeing being pushed through and the stresses and strains that's going to be putting that industry under.
Umm, so we know I'm a little bit concerned about that.
I'm, you know, I just think we need to be aware of that risk.
And so in terms of your entity where you have an individual with a repayment ethic who is coming forward with a proposal that we believe is sustainable, that could, I believe, represent a far better financial return for you as the credit union, the potentially the alternatives particularly at that lower end of the process.
So I think in summary, I would just urge you to to to have a I think about all the changes that have gone on that we are now in a very different world than we were back in 2022, uh, and to reconsider potentially how we think about IVAs and if we can help with any part of that process.
We we're we're delighted to do so.
That's pretty much everything I wanted to do, but obviously very happy to answer any questions people may have, Chris.

Chris Warburton 45:02
Hey, you upset when Peter had a couple of questions just straight off the bat, which is a very interesting data, but I suppose when we saw that decrease in IVAs that sort of taking place over the last couple of years, I mean what kind of level do you think is gonna level out at and does the decrease almost like represent IVAs that have been registered that maybe we're inappropriate we'll just let's use that kind of word.
I mean, so is it gonna reach a new level?
What level do you think that's kind of be?
And do you think that what we've got coming through now is is more appropriate?
I mean, do you have any kind of views on that or?

peter wordsworth 45:36
I I think it's really it's it's a very interesting question.
Melanie probably has a view on this.
Melanie Charles.
But I think the my expectations would be we will not see a return to the highest levels we have seen back at sort of 7000, IVAs a month, etcetera.
We've seen a little uptick at the end of in January this year.
That was because we had a backlog of registrations, which means that the decrease

we've seen is a little bit less sharp than we've been used to in that graph.
But my expectation if I was putting A and I had to be had to put a number out there.
I think we will probably end up this year with sort of an average of about 5000 IVA's a month potentially around 60,000.
I thought it might go down as low as sort of 45,000, you know earlier, but I think we will, we will probably end up in that 5560 thousand IVAs this year, which is significantly down on where we've been historically.
And I think that, you know, I don't think that's necessarily bad news.
I would like us to see, you know, I wouldn't be too upset to see fewer IVA, but higher value, you know, more sustainable IVA, I think that would be a welcome that would be a welcome sort of development.

Chris Warburton 46:56
But I mean, Melanie, I'm sure you want to comment.

KS **Kevin Still** 46:57
Alan probably at least got our hand up as well, so if we can bring both Ellie and Mel and that would be great.

Chris Warburton 46:58
I could go on.
Go on.
Yeah, Melanie.

MG **Melanie Giles** 47:04
Yes, I mean I I I agree with, with, with, with what Peter is saying, I mean the the the key thing is making sure that the IVA a for the individual is absolutely fit for purpose is sustainable and that the IP importantly can certify that the IVA has a good got a good chance not only a thing accepted at creditors meeting, but actually running its course.
So so my view a better test is, you know looking at the failure rates and trying to drive those failure rates down.

Chris Warburton 47:33
Hmm.

Melanie Giles 47:35

I think I PA numbers will very naturally come down because of the, you know, very significant change to the debt to the DRO criteria.
I mean moving that debt level up from 30 to 50,000 will put an awful lot of candidates that have possibly been shoehorned into IVA through at, DARE I say, some manipulation of how disposable income is calculated.
Don't not forgetting with the DRO, there is still a requirement to hit that the disposable income level.
Umm, so I think we will naturally see a reduction.
I think those of us in the profession that worked with IVA's every single day would actually welcome that.
I'm I I've been doing IVA's now since the mid 90s, so I I was around to see the explosion grow at the end of the 90s.
The early naughties and then to see what Lee has referred to as the as as the tech companies come on board and I I I think that sector will be hit more than the more traditional sector that I work in.
So I think we would welcome a reduction as long as those that were being still being put forward were sustainable and we're gonna run their course because an IVA is absolutely no use to anybody.
If creditors don't end up getting their money back, so.

Chris Warburton 49:04

So.
So I think in one of my slides I pulled it out around that those termination rates, which sort of seen a bit of an increase from I think it was IVA registered in 21.
I think it was and took their terminated within a year I think.
So we should start to see some of that stuff improve in terms of lower termination rates.
Is that kind of what that have that take away right?

Melanie Giles 49:21

I I I I I, I I hope so Chris.
And you know that it it's the hope.

Chris Warburton 49:25
Hmm.

Melanie Giles 49:27
I mean the large volume providers are being very tightly regulated at the moment.
I mean, I I regularly speak to regulators about their volume monitoring process and I am told that, you know things are improving.
I think it's probably gonna be a while before we can monitor the impacts on on returns to creditors.
But I do think that's improving and I think as we start as we start seeing a more selective process now where the the new DRO criteria does really open up you know more option to the for the for the indebted consumer that naturally the selection process, the signposting for what what ought to be a proper idea will will will eventually result in in in better stats.

Chris Warburton 49:54
Hmm.

Melanie Giles 50:21
But I think it's gonna be two or three years before we start seeing that most IVA will fail if they're going to fail, we'll fail between year one and year 2 statistically.

Chris Warburton 50:21
OK.
OK.
OK.

Melanie Giles 50:31
So I think it's gonna take a while for these changes to work their way through, but but it's all looking pretty positive from where I'm sitting.

Chris Warburton 50:36
OK.

Melanie Giles 50:39

I think Allie would hopefully concur with that.

Chris Warburton 50:39

OK.

Yeah, I was.

I was Ellie.

I thought you had a your hand up, so I don't wanna go to you first.

Ellie McKinnon 50:45

How amazing would it be if I still didn't know?

I think is we're all doomed now.

No, no.

I just wanted to touch on more to do with stuff the homeowner and the equity sort of treatments and how I think that will impact on volumes.

So and we won't go into a lot of detail, but over the course of a number of years, it's become harder and harder for a homeowner to access an IVA.

Hey I, a homeowner, has way more at stake when it comes to depth lotions etcetera, so the more homeowners we can open the IVA market up to the better the returns for creditors it becomes because it sort of becomes a self fulfilling prophecy.

So I think what we have seen is almost the perfect storm with the introducer market, which we all know has led to poor outcomes.

The lack of availability for homeowners, which has meant that the the split on IVAs between homeowners and rented, it's dropped from.

Yeah, there's less homeowners entering an IVA now than they used to be, and I think volume wise we'll probably be there or thereabouts is what Peter stay, because I think some of the what we're seeing as well is the consumer that's coming to this.

It's not more affluent, but we're seeing higher disposal, higher salaries coming through because those are the people now feeling the pinch on cost of living, interest rate rises etcetera.

And and again, typically there will be homeowners.

So we will start to see and people with better budgets, more sustainability entering into IVA, which sort will sort of then improve the failure rates and sustainability of these plans.

So lots and lots of stuff going on, but it's the understanding that equity will it.
It will increase possibly increase the volumes of IV's, but it'll increase good IVA where they'll be good outcomes for consumers.
Hope that makes sense.

peter wordsworth 52:33
Yeah, bye.

Ellie McKinnon 52:34
If anyone wants to.

Chris Warburton 52:35
OK. OK.

peter wordsworth 52:35
I concur with that deli.

Chris Warburton 52:36
And I was going to say if other people have questions, just put your hand up and I'll make sure I I come to you and.

peter wordsworth 52:36
Absolutely, yeah.

Ellie McKinnon 52:37
Yeah.

Chris Warburton 52:43
And Peter, I was gonna go back to your data just around.
So suppose rejection rates in terms of voting, some of the stuff that was right at the start.
I mean, what do you think of some of the drivers are particularly the credit union space?

PW **peter wordsworth** 52:50

Umm.

Chris Warburton 52:53

Do you have any kind of insight on that?

I'm happy to take feedback from, from from, from the people who joined as well in terms of like what's driving that is that because there's a feeling that there's almost like that they weren't appropriate or do you think there's like process kind of issues with that as well.

Do you have any kind of insight?

PW **peter wordsworth** 53:08

I I I I think there's a couple of things going on, Chris.

I think the no vote is probably a process issue in terms of potentially some frustrations we heard around notice of meeting of creditors.

You know, I, you know, and their processes around, you know, getting notification in time to vote etcetera.

So I think there could be some process issues around the no vote.

Sorry, the way they don't where credit unions are not voting, where they're voting against, I think it's just because if I'm honest, I think people just got fed up with them.

I think there's got fed up with seeing manufactured IVAs from that were being oversold or whatever and they just said, you know, we think this is just a racket and we're not having it.

Chris Warburton 53:37

Hmm.

PW **peter wordsworth** 53:48

And I think there was just a just general degree of frustration with that industry and I think that's kind of where the industry got to you by the end of 2022 where you know which was a great shame because IVAs when properly administered and done and are certainly as the likes of pay plan and step change have always done are a great debt solution.

Chris Warburton 53:48

Umm.

peter wordsworth 54:10

And I mean, but for the we've always said there are a great debt solution for the right people and I think we saw potentially too many of the wrong kind of people being put through for an IVA.

And I think the credit unions along with a lot of a lot of other creditors just got fed up disengaged and and felt quite negatively about it.

Chris Warburton 54:25

Yeah.

peter wordsworth 54:27

And I think that was born out in some of your of the survey results we saw in your.

Chris Warburton 54:30

Some of the feedback we got. Yeah.

peter wordsworth 54:31

Yeah, absolutely.

Chris Warburton 54:32

Yeah.

So we got a couple, a couple people, but the hands up.

So, Samantha, do you wanna just?

I don't know if it's related specifically to that was a different question, but go ahead.

Samantha Owen 54:42

And it was a different question, but it was relation to the previous presentation regarding how consumer duty impacts how we vote for IVA's and that the FCA have confirmed that it will impact for the FCA regulated terms.

Now my question is, obviously the view on how consumer duty would affect credit unions as we're kind of a double edged sword.

So we've obviously got member savings that we lend to people in loans.
Therefore, we have a protection to see what's best for our savers as well as to do what's best for our Members that we give loans to.
So if we look at the outcome for the IVA for the person that's in alone and assess whether that is the right outcome for them for a consumer duty purpose, then we're putting our savers and at work and we're not taking them through the consumer duty element.
So how would we manage the double ended sword to get both elements right?

PW **peter wordsworth** 55:33
Yeah.
Can I?
Can I just come back on that, Chris, because I think it's a really important and it's a really valid question and I think it's a really good question.
Umm, because this is this is the conundrum, isn't it?
But I think the important thing here to say is that it's not about if it's a good outcomes humor.
You have to support it.
Yeah, it is that we have to consider that in that decision making process.
There could be very valid reasons why you don't want to approve proof the IVA et cetera, but it has got to be in fact part of that consideration.
And you know, we've talked earlier on about whether IVA's now actually might make a potentially a better return for, you know, the credit union than than it being swept into a DRO.
But if we feel that they, you know, that they that the CIA is not appropriate because it's been oversold and they don't need one or whatever.
Umm.
And we've got some evidence to do that.
There's absolutely nothing to say.
You have to support that IVA.
I wanna be quite clear that the FCA is not saying if you don't support IVAs, you're not just meeting your consumer duty.
I think you need to consider it in as part of that process and you're quite right and you have are quite clear.
It's within that whole consideration process, but historically, you know for for a

number of parties that we haven't really considered that consumer outcome of that Individual.
We've kind of had a bit of more of a policy approach to voting.
I think it's fair to say, Lee, you know, we've seen, you know, sort of a lot of creditors use voting agents who vote who vote in accordance with sort of predetermined processes or policies.
And what we're now saying is that there are very valid reasons why you should vote for and against an IVA, but now we also have to factor in that consumer.
Sort of outcome within that process.
So it is not a, you know zout should vote for IVA's decree from the FCA.
It is that you shall consider the consumer within that process, if that makes sense.

Chris Warburton 57:35
OK.
Fabulous, Michael, you had your hand up as well as before we move.
Move on.

Michael Wilson 57:40
Umm, thank you very much.

Chris Warburton 57:40
Do you want?

Michael Wilson 57:41
I can you hear me OK.

Chris Warburton 57:43
Yeah, yeah, yeah, sounds good.

Michael Wilson 57:45
Yeah.
Brilliance.
About the point on why I'm credit unions were rejecting a high volume of IVA and just with my finance TV sadly couldn't join today, they went to a stage of we we obviously we deal with a lot of more financially vulnerable Members and try to help

them at the point where no one else will help, but we will see an increase in IVA.
Members.
Are taking loans out, you know, a month to three months before and had been entered into an IRA.
So it definitely not not communicating Buster.
Tell us they were talking about IVA or entering sort through into that process, but also on the flip side, when we did receive IVA notices, we would often get in contact with Members.
Kind of have a conversation with them.
If they understood what they were getting involved in, and quite often they would say no, they were not explained in full detail.
One I actually meant to them.
And then a lot of cases, they they themselves didn't actually want to go ahead with the idea.

PW **peter wordsworth** 58:39
Hmm.

MW **Michael Wilson** 58:43
Once we sent them independent information or direct them, the Citizens Advice Bureau or do something like step change.
You know, our Members actually said that actually if we knew, we wouldn't have gone down this route.
So in some of the cases, that's caused us to bingo.
Look, we're gonna reject this and work, and then the separately, because I'm at that point, we accept the IVA, it's taken out of our hands.

PW **peter wordsworth** 59:01
Yeah.
Yeah, Michael and I think that's absolutely perfect example of where you should vote against an IVA.
You know, I mean and and in doing so would absolutely be doing the right thing under consumer duty if the individual doesn't really understand what they're getting themselves into and they haven't understood the implications of it.
Now, Melanie, you'll know this and label there under 63.1.

They absolutely should be understanding all their options and be fully understanding of their obligations and what they're getting into.
But unfortunately, as we've said in that surge of volume, we have seen some poor practices coming out where people were being sort of oversold.
These solutions potentially, and I think that, Michael, where you have where you've spoken to them and they're not clear on what they're getting into them.
They haven't understood those obligations and they don't want to go ahead then.
Absolutely.
You're doing the right thing under consumer duty by voting against them and pointing them to step change or pay plan or whoever to get proper independent debt advice.
So and I think that's a very valid reason why you have historically voted against it.
I hope moving forward we will see a lot less of that with the result of with the changes we've seen and the, you know, the ban on the introducer fees and I think hopefully we will see and I know there's a lot of focus on providing good advice to those consumers and transparency of that advice to consumers before entering into an IVA and there's a lot of focus from the regulators on that.
So I hope we will see less of that practice, but absolutely where you do see it, Michael commend you for having that conversation and for voting against it and putting them somewhere else, yeah.

MW **Michael Wilson** 1:00:39
There's any?

KS **Kevin Still** 1:00:44
Chris, I put a slide up that.

MW **Michael Wilson** 1:00:44
And.
So that's so it just just on the last night, I was gonna say on the flip side, I think that's probably why banks and bigger organizations just accept the IVA because I don't think in a lot of cases they have the same kind of relationships with the clients as we have with our Members.
Umm hope you could we do you know our Members quite well.

peter wordsworth 1:01:01
Mm-hmm.

Michael Wilson 1:01:04
And when we do have a conversation and they do open up.
So I I think that's probably the flip to that.

peter wordsworth 1:01:09
Yeah.

Michael Wilson 1:01:09
Some of the larger organizations and they don't have the time.

peter wordsworth 1:01:11
Uh, hi Michael.

Michael Wilson 1:01:11
There's all the large organizations.

peter wordsworth 1:01:13
I I think that's absolutely valid and I think you know, I think there is a balance here and now I don't think necessarily that you are be expecting the consumer, you know the credit unions to flip to where the other creditors where we saw in that and that comparison, my honest view is I think we'll probably see about the balance is somewhere in the middle you know.
But I agree that you know you have maybe have a more an intimate, you know, knowledge of your of your customers.
And I think one of the things we're we're really keen on in consumer duty is and I know same thing with trustfolio is that we're really keen on him powering creditors to make more informed decisions and to support the right IVAs and to be able to vote and have them feel empowered to vote against the, you know, those unsuitable and unsustainable ones.
So I think that's really, really important.
So yeah, I think that's again a very valid comment.

Chris Warburton 1:02:04
Kim, did you just had your hand up real, real, real quick.

Michael Wilson 1:02:05
Thank you very much.

Chris Warburton 1:02:07
Do you wanna just if you got a question?
Yeah.
You're on mute, so I think you're still on mute.
Can't hear you.
OK.
What?
What I'm going to do is we're just gonna just much while we check that maybe maybe we just go quickly to to Lee.
And it came.
I'll come back and if you want to put it in the chat if you can't get your microphone resolved, then we'll ask the question, but maybe lead.
Do you wanna?
So I think we talked a bit about, I suppose the processing requirements around it and I think Lee, you're gonna just talk a little bit about some of the things that you've been looking at in terms of like what are some of the process opportunities to help you do some of the stuff that Peter was.
It's just talking about in terms of making making sessions getting as bold as you can and trying to reduce some of the cost around that so.

Lee Usher 1:03:02
Yeah.
So I mean I I don't want this to become a sales pitch for trustfolio bus the, the, the the key change for me is is moving from a manual post process.

Chris Warburton 1:03:08
Umm.

LU **Lee Usher** 1:03:17

To something where you you you've got a digital footprint, a digital footprint of the the proposals that come in, the informations that that's contained within those proposals you see in a consistent way and the the vote is to accept or reject is informed, but also create an oversight of the of of those proposals down to Individual insolvency practitioner level.
So it's sort of frustrating from my point of view because what we've had, we've had some great conversations with different Credit sectors, but one stands out.
We sat down with one of the top three banks in terms of volume ideas and and sort of chatting to them about the the the sector as a whole.
This was a couple of years ago and their view was just joining forces with the other two largest banks and getting their voting.
Our policies, joined up could introduce with Pod Napon a step change to how the the insolvency sector works for the greater goods and rooting out the bad IPS and making sure that the good IP's were sort of rewarded with the the the relative engagement and the voting behaviour.
So I suppose we can come on to it at the end and I can show how the tech works.
Chris, if people want to hang around and and have a look at the the types of sort of benefits from a a digital data exchange process, how that could bring efficiencies?
Grid oversize and ultimately better outcomes for the credit.
This and the individuals one of the the sort of this slide here that we're looking at now, I suppose I had this initially umm so a title is the is the benefits but I suppose it can be looked at as challenges from a a Credit, the sector as well a credit perspective that recovery I've worked in in collections debt management for a number of years and I know how expensive it it can be and and time consuming resource intensive it can be.
Ohh the the the cost a lot of the cost is again.
I'll go back to the local authority SECTOR who rely heavily on enforcement agents, almost to the point of a process driven approach to instruction and forcement agents.
When one or two payments have been missed, it's it's expensive, especially when you're not going to recover the monies back from from the individual or the additional costs that's been added.
So from an IVA perspective, if you if you are of the individual has engaged with one

of those good insolvency practitioner firms, they've had good advice.
They've had a really good review of the circumstances and affordability, the that that solution can be an alternative to expensive litigation or enforcement action.
The vulnerable customer that that was a, I mean it, it's interesting the question and the response has been paused already.
We see different behaviors from our creditors in relation to this.
We've actually got a flag on the platform which shows whether or not a customer's being identified as vulnerable or not in terms of how credit is respond and react to that flag.
It's very different.
So we've got a range of some credit as well implement an auto accept policy for proposals that come through and they really trust the advice and the the process that the the individual's been through and they don't want to add anymore stress by rejecting a proposal or putting through putting the customer through the more rigorous sort of review approach from the Credit themselves.
And then you've got other creditors at the other end of the spectrum where they'll just reject and take it in house and put through their own fundable customer process.
So there's there's different approaches to that and it's a it's a sensitive area and quite subjective across different Credit sectors and Individual credit organizations.
I love talk through every one of these, but again sort of looking at the, the, the optimizing of of resource and going back to that point I made earlier it, it is expensive to run effective collections processes.
And when I see a collective, I mean looking at the, the, the whole holistic root cause view of the customer, the individual in debt and making an informed decision on the back of that, the IP, the good IP's, the those guys who were doing the right thing, they take all of that work away from from the Credit.
So in terms of the resource, you can say that that customer's being managed really effectively provided you use the creditor understands which which are the good, the good cases and and which aunts and in terms of what's coming through.
And like Pete, it's touched on an I have, it's a regular income, especially now with those DRO changes.
It's an alternative to DRO or Groupby where the customers, circumstances and affordability fit.
You'll generate, uh, an income that will tend to stick in more cases than not over a

period of years.
And that's income to your business where you don't really need to manage the individual yourself.
It's it's done from the IP perspective over the term of the IVA, so that that's just a couple of things in terms of the context and probably would work if I had the slides again and I showed you how from a digital point of view, managing these cases can bring all of that together in an efficient way.
So Chris, if we just move on to the next slide now.
Right.
So these are some case studies in in terms of what we've seen from and all from the the local authority SECTOR.
So local authorities who are using our platform to deliver oversights in efficiencies, in terms of how they manage these cases.
So the first one at the top, then it goes back to the point I made earlier, and I can't stress this enough claim.
All of your debts, whenever you, whenever you have the opportunity to return your proof of death form, clean the debts.
That's all.
Whether you vote or reject or whether you don't vote at all, that's that's a no brainer for me.
What?
What had one local authority, one of the largest in Europe, where we identified only 10% of their debts, were being cleaned, and we estimated all 200,000 pounds.
We're sitting with insolvency practitioners in unpaid dividend payments, so again that's that's something where it's a, it's a, it's a quick win in terms of income and and just making sure that's done going forward, the resource optimization.
So again, this is linked to move into a a digital solution and taking away that that the post and the manual intervention of of looking at these cases, this is a case study which we can name them permanency Council, that the head of revenues and benefits there he was an insolvency practitioner in a previous life and had just timing wise that was good for us.
We just went to market and he was looking at bringing some efficiencies and and better oversight into into that local authority.
So they removed all of the posts uh and moved everything on to a a digital platform, the automated the voting processes and part of their sort of the the benefits case

and review criteria they'd projected to to deliver the changes that they wanted to manually.
They were going to allocate 10 FTE for the volumes that they had covered into Birmingham City Council, moving to a digital solution ours, it's reduced that to two FTE and the manage all of the cases that's coming through really effectively.
Now I wanna talk about the Vaughan briefly and we've we've talked about this and there's been a couple of questions around this was a case where we use as an example of where it's really important to vote and and and look at all the cases that on the individual merit, there was a case which came in where a local authority hadn't voted, the hadn't claimed the debt.
They assumed that they weren't going to be.
Their vote wasn't really gonna be that important.
The thought would be bigger creditors that just made that assumption.
There didn't vote.
There was only one of the Credit that bought with a smaller percentage of the total debt outstanding, and that IVA Field within the year.
So going back to Pete is coming earlier where Ivy is Phil over the year, the first year, hardly any of the money gets paid the Credit, then the big chunk gets paid and fees and it's just not a good outcome for the individual.
The left with a a similar deposition or increased because of the debts that the fees that the paired to the insolvency practitioner so that that is the case where I'll talk about mitigating the risk to the individual that Credit could have made a big difference there if they didn't reduce to a better, more informed Vaughan policy and then going back to what Peter said, it's in relation to especially to you guys, FCA regulators.
It's really important to to look at the the information, the management information and the reporting in terms of outcomes on these cases.
I do think from what I'm seeing, you'll you'll you'll have more challenge coming through in terms of suitability of Ivy is and and what creditors have done in terms of their their role that played and accepting or rejecting cases.
So it's really important to keep a truck of of of the the the sort of the outcomes and the, the the journey that the customers been through with the individual creditor.
It's difficult if you've got manual processes, it's difficult to keep a track of that.
You have to set up some internal system, but again, if you don't and you can't demonstrate why you've rejected or why you've accepted when the time comes for

you to do that, it's gonna pose a risk to your own organizations.
So that's just a couple of various scenarios where we've seen Chris, in terms of the engagement trustful you've had with the local authority SECTOR.

Chris Warburton 1:13:53
OK, wonderful.
Thanks, Lee.
So I'm just gonna stop sharing that.
So I think we're.

Kevin Still 1:13:59
Can can can's questions in the chat there was.

Chris Warburton 1:14:01
Yeah, I was just gonna say yes.
We're at the end of the the the presentations piece, so Kamal's gonna come back to you.
I don't know if you got your microphone sorted out or no, so so you put it in the chat.
So the question was, what responsibility do practitioners have for checking creditors?
Details, including addresses we often have.
We have often missed the opportunity to vote because the practitioners confused us with the local council, which also has mendip in its name and send details to them and send details to them or send them to an address that we were at when the Member opened their account up to 20 years ago.
So hopefully that reflects what your question was.
Umm, I don't know if I don't know if I don't know Peter or Melanie or wants wants to maybe just or Lee want to want to answer answer that.

Kevin Still 1:14:48
Well, this is well, Mel and Ellie and they keep.

Melanie Giles 1:14:49
I I can pick that I I can pick that one up, Chris.

Chris Warburton 1:14:50

Yeah, yeah.

Melanie Giles 1:14:54

Absolutely.

The IP's responsible for making sure that the IVA proposals are sent to the right address.

They should exercise complete care and diligence in doing that, and I I would struggle to to to believe that proposals were being sent to the wrong place, but that's obviously happening and where, where, where you see that happening can then you know you you must take issue with the insolvency practitioner and concerned because that that just should not be happening.

Chris Warburton 1:15:31

OK.

OK, fantastic. So.

Lee Usher 1:15:34

Chris, Chris cannot cannot just come in quick briefly on that one.

Chris Warburton 1:15:36

Yeah, yeah. Go ahead.

Go ahead, Lee.

Lee Usher 1:15:37

Big because, Kim, I see that.

And and I have that fed back to me from the local authority SECTOR.

So without naming IP names, there's there's one that crops up from the local authority space where they feel that's intentional, that the the proposals either sent in the day before or the day of the meeting, or the wrong digit in the address.

So the proposals gone somewhere else.

Again, that's the risk with post.

There's a way around it, so digital footprints brings oversight and proof from an IP perspective and evidence from a credit perspective, we see a we see that happening.

Chris Warburton 1:16:19

OK, fantastic.

So just gonna go through the questions that are in the chat. Umm.

Kevin Still 1:16:25

We've got two hands up as well, Chris.

Chris Warburton 1:16:25

Uh.

OK, OK.

So, Steven, I think you said join the meeting late.

If an IVA is finished, can we still contact members for the remaining balance?

Also, if the IVA is terminated, can we contact the Member to start paying?

So almost to take that.

Ellie McKinnon 1:16:42

I can't sleep on fair, so I'll answer.

Chris Warburton 1:16:43

Yeah, go ahead, Ellie.

Ellie McKinnon 1:16:45

I'll answer that question.

So if the IVA S been successfully concluded and the credit union's death is included in that, it's not possible to recover any outstanding balance from the consumer, though that's what happens on the successful implementation of the IVA.

It effectively writes off any debt at the end.

Now, if the debt has been taken out after the IVA has been approved, so say for example we your clients got an IVA, there's approve last year and they take out debt this year, which ideally they wouldn't do that, but it it does happen that debt would be you would still be able to pursue that particular debt where an IVA fails.

Basically, that agreement with between you and the consumer comes to an end.

Therefore, you can then go and have a look to recover those debts from that client.

Chris Warburton 1:17:35
Right. Fantastic.

Ellie McKinnon 1:17:37
Yeah.
And I think that the point I was going to make as well actually is if if people believe that there are IP's out there that cause and I feel very, very strongly about this, I think this is a sector which offers lots and lots of value to consumers, but it's being tarnished by some poor practice.

Chris Warburton 1:17:38
OK.

Ellie McKinnon 1:17:52
If if you believe that there are insolvency practitioner who are deliberately not taking on board your your address notifications or not sending the proposals in a timely fashion, you should raise a complaint to their regulator and they're they will be on on all of their websites or any correspondence that she goes out.
It will tell you who their regulated by and you should make a formal complaint, cause it is.
Not acceptable.
There's no reason for it and it's damaging to the what I believe is a very, very valuable product for consumers.

Lee Usher 1:18:23
100%.

Chris Warburton 1:18:26
The test takes.
So, Sherry, I think I pronounced.
I hope I pronounced it right.
Umm, what about members who are still paying?
We vote reject, the IVA gets accepted.
Do we then have to remove interest etcetera?

Melanie Giles 1:18:40
You you're bound by the terms of the IVA on the vote there to get an IVA accepted there must be 75% of voting creditors.
Supporting that IVA, what I see a lot of is a credit union in in a minority.
So you you'll see that you know you, you, you, you can't influence from the from the the the 75% majority, but you are unfortunately for you bound by the terms of that IVA which which does mean interest being stopped and obviously then receiving dividends rather than receiving the ongoing payments.

Chris Warburton 1:19:16
OK.
And you had some, some some good comments there around just I suppose confidence around the IVA process there.
I think we'll leave those for the folks to maybe read.
Hopefully we're answering some of those questions today.
You said there are a couple of.
So Steve was the Steven, sorry, was that the same question?
Hopefully we answered your question.
You just had your hand up.
So you just taking it down.

Steven Obigbesan 1:19:41
Yeah.

Chris Warburton 1:19:41
So hopefully answer your question.

Steven Obigbesan 1:19:43
Yeah.

Chris Warburton 1:19:43
Fantastic.

Steven Obigbesan 1:19:44

Just one more question I wanted to ask because we what what is it well with the RMA we try to reject some of those ones that not that you could long within the month and after a month we got the IVA.

Chris Warburton 1:19:46
Yeah.

Steven Obigbesan 1:19:55
So when we rechecked the IVA, you know when we vote out to recheck the IVA, companies come back to us and say OK, can we change our decisions in terms of you know, so that you know they can say OK, we can increase the amount of payment they were paying towards the to the existing loan.
I don't know in those cases could just like, I believe little bit difficult at times just trying to see what you can do is it is it necessary for us to change our decisions no after we voted that notice against no we are not going to support the because when they see that no the people who are voting no the majority vote is from our own side and they are not going to achieve that 75% they always come back and tell you OK change your decisions and we have that in a couple of months now about.
Three or four of the I vehicle, things doing that.

Ellie McKinnon 1:20:41
Yes, I think that me, I'll take that question.
I think what what you're probably seeing is where?
Wait, where you're debt can possibly influence the outcome of an IVA and and you've rejected it.
You'll you'll probably have your insolvency practitioner coming back to you asking if there's anything that they could do to that would change your mind, so you know whether or not that would be to increase the dividend.
Now, sometimes that can be by offering some.
Yes, an extended terms to make the IVA a little bit longer to get the to get the payment to yourselves higher and and there's a 14 day period in which you can sort of enter into what I call a little bit of a negotiation, a backwards and forwards type process between you the client with the IP and the client sort of the sort of three way conversation it is and it's you'll find that most insolvency practice will just come back and try to understand what it is that you don't like about the IVA and it's something.

Steven Obigbesan 1:21:13
You know.

Ellie McKinnon 1:21:37
That they can do to resolve it, to make it more and more acceptable to you.
And that's probably what you're seeing.

Steven Obigbesan 1:21:43
Yeah.

Chris Warburton 1:21:45
OK.

Steven Obigbesan 1:21:46
Yeah.

Chris Warburton 1:21:47
OK, so I hope hopefully they gives you a bit of insight.
Steven, the just ginger, I should just saw you just added up, added a question there which be a question for Peter actually in terms of like what are the IP's responsibilities under consumer duty.

Steven Obigbesan 1:21:51
Yeah.

Chris Warburton 1:21:59
I think you sort of started to touch on some of that where this sort of struggling to see good outcomes.
And then in the proposals being seen.

peter wordsworth 1:22:06
OK, so that's a really interesting and good question because the IP's are not typically regulated by the FCA.
So only a few IP firms are voluntarily regulated by by the FCA.

I think Kelly Payplan R We looked at it certainly back in the day step change, you know. Ohh.

EM **Ellie McKinnon** 1:22:24
But we're not technically regulated by the FCA, but we've adopted the their principles.

PW **peter wordsworth** 1:22:28
No, the principles.
OK.
And I think I'm sure step change is running along similar similar lines.

EM **Ellie McKinnon** 1:22:30
Yeah, yeah, yeah.

SC **Sarah Cheetham** 1:22:34
Yep.

PW **peter wordsworth** 1:22:34
So so the so the FCA does not regulate the ISP firms.
The vote in the insolvency practitioners so they are regulated by the regulatory bodies overseen by the Insolvency Service, so they have their regulation is separate to to the FCA's.
The FCA's are regulating the the creditors and how they sort of vote, so it is a there's not an overlay in terms of consumer duty 4 insolvency practitioners, although a lot of them have adopted a very similar approach because they know that the creditors were voting on the IVA's now are bound to consider their obligations under the consumer duty.
So they are.
They are therefore sort of, you know, adopting policies, procedures that are in line with the FCA gas requirements to make those easier.
So I think that is it is driving better behaviors because I think the IPS know that they are, their creditors are gonna have to consider their duties.
And one of the things I'm really hopeful for is that we will see a more positive response from creditors in terms of in terms of equity proposals that have historically

struggled, sometimes to get approved because there's been a sort of a more policy view against people with houses you have, it's securing EVAS even though the level of equity they have maybe relatively nominal.
And if they were to be tipped out of their houses, they're manner.
They have to pay in rent would be in excess of what they're paying for mortgages, etcetera.
So, you know, I think we will see, I think we will see positive impacts though the the consumer duty does not directly apply to the IP firms.
I think we are gonna see positive.
Uh, you know influences of it on the IP community?
I don't know Melanie and and Elenie as the sort of IP's or Sarah have a have a view on that.

EM **Ellie McKinnon** 1:24:26
Yeah.

PW **peter wordsworth** 1:24:28
I think we're seeing hopefully better behaviors.

EM **Ellie McKinnon** 1:24:28
I I have quite a strong view on it.

PW **peter wordsworth** 1:24:31
Oh dear.

EM **Ellie McKinnon** 1:24:32
I do.
No, no, I all for the good.
So I think the there's there's two things.
So the the FCA do regulate people who give death advice.
So that's a regulated activity and they also regulate the, the creditors and what what I think we're seeing now is the pressure coming on to where I would say the poor practice within the IVA market is it's coming on to those insolvency practice from all different angles.

peter wordsworth 1:24:42
Yep.

Ellie McKinnon 1:24:56
So wherein insolvency practitioner receives and sort of, so our practice is very, very different to a lot of others.
So we, we we we give full FCA regulated device to every consumer who who we speak to them of those a small number will then enter into an IVA or enter into a product with us.
There are other insolvency practitioners out on the market who received their leads from somebody who is FCA regulated, but it's not part of their company or part of their group.
So they then pass the client along which create some poor journeys.
Now, the FCA now expects anybody who's referring work to another party or somebody who's providing a service for them to understand the outcomes for those consumers.
So if like yeah it's I think there is lots and lots of pressure coming from lots of different places, which I hope will give some proper still.
Yeah, sort of closed down of poor practice within this sector and it's about time to.

peter wordsworth 1:25:55
Yeah.

Chris Warburton 1:25:56
OK.

Melanie Giles 1:25:58
Absolutely.

Chris Warburton 1:25:58
OK.

Melanie Giles 1:25:58
And for for me, for me as an IP in practice, it's really, really important to understand

your client, to know your client, to understand or what's LED them to to, to where they are now.
They're decisions that they've made, but really importantly what they would like to do and what they would like to achieve because if you were starting with somebody who's willing and comprehensively understands the process, then you're gonna get your IVA included with your dividends paid over your five years and get your uplifts every year.
I mean, I don't know if you're aware, but every year we we we have to thoroughly review the IVA to seek increased payments if the client circumstances have improved.
We also have a responsibility for monitoring their wage slips on monthly basis.
So if they're earning more money from overtime or bonuses to capture that for creditors, so you know it's a, it's a really, it's a relationship in partnership and if you you know on Board your client in the right manner and the client really really wants to be debt free then then these are excellent ways for both detail on creditors to achieve that.

Chris Warburton 1:27:16
OK, fabulous.
So there there are a couple more questions I suppose around around the dynamics of of ideas.
So including so Joe just asked around what happens to dividends, if they're if they aren't claimed by creditors, where do these funds go?
Kind of member in an IVA used the secured savings to clear as part of the debt, and there's one further up really around I'm if you're not included as in the IVA, are you still subject to the same terms as an IVA?
I think we might have answered that one already.
I don't know if maybe Ellie, Melanie or even Sarah.
Have you got any kind of like comments on the comments on that or?
What we.

Melanie Giles 1:27:54
The point on unclaimed dividends?

Ellie McKinnon 1:27:54
So it's.

Chris Warburton 1:27:57
Right.

Melanie Giles 1:27:57
The Devils, always in the details.
So it really depends on what the terms of the proposal say.
But what is usual is if it's a minimal amount of unclaimed dividends, and I think my proposals say £200, then those funds are just returned to the debtor.
If it's a a more significant amount and the idea is still open, then those funds are redistributed amongst the general body of creditors.
I have to say it doesn't really happen a tall or or very often in my proposals.
Ellie.
What?
What?
What's your experience of unclaimed dividends?

Ellie McKinnon 1:28:36
Hit and miss really would.
There are.
With what we have more of an issue with return dividend.

Melanie Giles 1:28:42
Yeah, we do too.

Ellie McKinnon 1:28:42
So concept creditors who have returned, we would then redistribute those amongst the other creditors.

Melanie Giles 1:28:46
Umm.

Ellie McKinnon 1:28:47
So and for whatever reasons, some of the big lenders can't allocate some of the cache and then that comes back to us.

It's strange, but it's never held by the insolvency practitioner.
It goes to creditors, the IVA protocol, which is a document which was born probably in 2008.
It was to try and sort of create some confidence within this market.
Author has details on what should happen with those payments as well, so that's quite an interesting document for you to have a look at as to what should and shouldn't be happening with their consumers cause a lot of the volume that you see now.

Chris Warburton 1:29:23
OK.

Ellie McKinnon 1:29:25
A lot of the sort of IVA that you'll be seeing will be probably protocol based.
I, IVA and so you should be able to see what the terms and conditions as to what the IP should be.
Evidence thing?
What should be in the proposal?
Those sorts of things that's quite useful document and you can be Insolvency Service if you have feedback on that, you can feed that back into the Insolvency Service.
Who then bring that out and can make changes to that document.

Chris Warburton 1:29:48
OK, fabulous.
So we're almost at time and I just, Simon simon.howard just put interesting comment there.
Maybe just, I noticed?
Asked Lee and Peter.
Maybe just a just a just to finish this off with this one, which is, does anyone quantified the impact of rejected IVM consumer may feel they're sold as being the best outcome?
What do they do?
They have to will to go relook and then go through a further process once rejected and what happens to the consumers trust of the whole industry as a result of that.

Liam.
Peter, maybe just a final comment.

Lee Usher 1:30:21
I don't know the answer to that, so I've just said in the chat to sound it's a great question.

Chris Warburton 1:30:22
Umm.

Lee Usher 1:30:25
I would love to know the answer, I'm sure just on the the adverse quickly I'm I'm sure there's some research it might be from maps which demonstrates the impact of customers who've been through the IVA process successfully and then their propensity to pay when they do go on to further lending, which is really, really good, apparently.

Chris Warburton 1:30:27
Yeah.

Lee Usher 1:30:45
So one of the another one of the good outcomes of an IV is it it gets the customer back into good habits in, in terms of managing the debt.

peter wordsworth 1:30:45
Yeah.
Yeah.
Yeah.
OK, I think that's a really good example.
Good.
Really good point to make, Lee.
One of the benefits we see is the rehabilitation of creditors or debtors in terms of managing a budget, living to a budget and then going forward and be able to function in society, manage credit properly and everything else.
So I think that's really positive in terms of what happened to answer the question, we

do have some data on this and I've done, we can do a bit more of a deep dive into this in due course.
But Kevin will know this.
We did look at a what we see is that the IVA that are rejected quite often or frequently end up in long term debt management plans because they have nowhere else to go because they and when we looked at a uh adapt, a provider who's not on this call, I should say we looked at their portfolio.
And they we looked at where their long term debt management plans had come from, a lot of those who originated as IVA proposals have been rejected because they had equity and ended up in a long term 1015 year plus debt management plan.
So my concern here is that we would can see rejected IVAs either ending up in long term debt management plans which you know may or may not be sustainable, but it could potentially end up locking that sort of data into debt almost in perpetuity or now as a result of the Chancellors intervention, those cases finding their way into a DRO and being sort of if I can't get an IVA, can I manipulate things to get myself under the through the barrier of going into a DRO?
And if those are not properly regulated, is that gonna be a kind of almost default position for those who would have liked an IVA?
But if there is a £50,000 limit, can they squeeze themselves under that £75 and the asset limits involve that Sarah?

SC **Sarah Cheetham** 1:32:50
Yeah.
I I just wanted to to say something in in addition to that point, Pete, which I think was really useful, but for for people and they may not know the journey that clients go on to even admit that they have a debt problem and that they need an IVA.
So.
So at step change, we know that clients will often wait a year before they will admit that they have a debt problem.
And it is a really huge step forward for them to say first, I've got a debt problem and then to want to enter into something like a highly regulated debt solution like an IVA.
So certainly when we're when you're considering votes, I guess think about that impact and that journey that that client has taken.
I know there was some examples on the core where people maybe have taken out

the loans with you guys fairly and fairly recently, but typically the journey is long.
They've been kind of borrowing Peter to pay Paul not being able to make ends meet and finally get to that point where they look for debt advice and the IVA.
So in this scenario, if the client's being through all of that and then had the IVA rejected, it is probably more than likely that they have had some confidence knock.
And what they then go on to do, I think is a real risk in terms of their their debt journey moving moving forward.

PW **peter wordsworth** 1:34:03
Yeah.

Chris Warburton 1:34:03
But OK, well.

PW **peter wordsworth** 1:34:04
And also I would say that for those proposals coming through from the likes of pay plan and step change, there is a high degree of confidence in that quality of debt advice and from Melanie sort of firm as well.

EP **Elizabeth Paterson** 1:34:08
Umm.

PW **peter wordsworth** 1:34:15
You know, we know that they are full service providers.
They provide all the solutions available to them and that they will have considered all those options and the IVA is being proposed as the most suitable one and I'm absolutely 100% sure that's the case of Melanie's proposals as well.
So I think you can also factor into considering the source of that IVA who is proposing it to consider how diligently you wanna look sort of into that.
But yeah, let's try to get the good ones through.
I think is my message.
Umm.

Chris Warburton 1:34:45
OK.

peter wordsworth 1:34:45
And uh, and let's try and vote the four ones down and that would be a great start for 10, you know, and move forward.
So I think they are.
I I completely agree with the point that that Melanie and Ellie and and therefore made IVAs for the right people are very good debt solutions.

Melanie Giles 1:35:02
Can I also say something fairly controversial?

Chris Warburton 1:35:02
Right.

Melanie Giles 1:35:04
Peter, as as as voting creditors, you do have the option of replacing the IP or nominating an IP that you might think is more suitable.
So don't think just because one particular firm who may not be on your Christmas card list have to be the firm acting you, you you can actually, if you've got an influential vote, nominate an alternative if you.
If you think somebody could be doing a better job for you, just something to bear in mind.

Chris Warburton 1:35:36
OK, fantastic.
Well, I wanted to respect people's time.
I think we're at time now.
We just got a little bit a little bit over.
So, so, so, so, Peter, Lee, Kevin as well in the background.
Thank you very much and same with Sarah, Ellie and Melanie as well.
So I appreciate your comments and jumping in on some of those as well.
So that's really appreciated.
I hope it was useful for everyone.
Thank you to everyone else questions.
We are going to make the packs available afterwards, so everyone who registered,

we'll get a copy of those.
Hopefully the copy of the summarization, a copy of the recording as well.
So, so, and if there's and we'll try and answer questions as well.
So we'll copy some of the questions that are already answered beforehand.
If we haven't covered them through the chat or those that have also been put into questions throughout the session, we'll try and get those answer the best we can as well include those in the material.
The best we can as well.
So with that, I'm gonna sort of close the call.
Thank you very much everyone for attending.
I really hope that was useful for folks and we'll speak to everyone soon.

peter wordsworth 1:36:37
Thanks Chris.

Lynda Murphy 1:36:37
Thank you.

Lee Usher 1:36:38
It's Chris.

Chris Warburton 1:36:38
Thanks everyone.

Lee Usher 1:36:39
Thanks.

Lynda Murphy 1:36:39
Maybe.

Chris Warburton 1:36:39
Bye bye.

Lee Usher 1:36:39
Bye.

Ellie McKinnon 1:36:39

But well hi.

Lynda Murphy 1:36:40

Thank you. Bye.

Steven Obigbesan 1:36:40

Thank you.

Thank you.

Bye bye.

Michael Wilson 1:36:41

Right. But.

Steven Obigbesan 1:36:42

Bye.

Chris Warburton stopped transcription