

Dear Sir / Madam,

Important Changes to TIX Compliant Individual Voluntary Arrangement  
("IVA") Fee Structures

**This communication supersedes Appendix 1. "TIX Client Fee Structure Changes 20070718."**

The Insolvency Exchange ("TIX") and its Clients remain fully committed to the good work achieved through the industry forums and particularly want to thank the Insolvency Service, British Banker's Association and all those involved in moving the industry forwards. By acknowledging the standards and protocols designed by the industry, the Insolvency Practitioner sets a base on which to build greater levels of efficiency into the IVA process. The launch of the TIX Compliant IVA allows Creditors to adopt a significant level of commonality which will benefit the Insolvency Practitioner and Debtor, as well as preparing the way for positive initiatives such as BACS payments and electronic information interchange to take place.

It has been recognised by the industry that each Creditor reserves its right to set its individual fee requirements and TIX Clients show their commitment to the process by linking fee changes to 'Standard Consumer IVAs' via the TIX Compliant IVA principles. Therefore, with effect from the 1<sup>st</sup> September 2007 Clients of TIX will expect Insolvency Practitioners to apply the following fee structure(s) to all TIX Compliant IVAs being submitted.

Up-Front Priority Fee (Nominee Fee)

**Clients: HBOS plc, RBS Group, M&S Money**

The Nominee's Fee (including VAT) will be no greater than the total of the first 5 monthly contributions paid by the Debtor into the Arrangement. The Nominee will be authorised to claim and receive payment of his fee from the first 5 monthly contributions made by the Debtor in satisfaction of his Nominee fee (including VAT) prior to any distribution to the Creditors.

**Clients: HSBC Bank plc, first direct**

The Nominee's Fee (including VAT) will be no greater than the total of the first 4 monthly contributions paid by the Debtor into the Arrangement. The Nominee will be authorised to claim and receive payment of his fee from the first 4 monthly contributions made by the Debtor in satisfaction of his Nominee fee (including VAT) prior to any distribution to the Creditors.

Supervisor Fee

**Clients: HBOS plc, RBS Group, M&S Money**

The Supervisor's Fee (excluding VAT) will be no greater than 15% of contributions received from the Debtor (from month 6 onwards of the Arrangement). The Supervisor will be authorised to claim and be paid the Supervisor's Fee upon completion of payment of the Nominee's Fee. The Supervisor's Fee allowable will be claimed monthly and charged at a maximum rate of 15% (excluding VAT) of realisations per month until completion of the IVA.

**Clients: HSBC Bank plc, first direct**

The Supervisor's Fee (excluding VAT) will be no greater than 15% of contributions received from the Debtor (from month 5 onwards of the Arrangement). The Supervisor will be authorised to claim and be paid the Supervisor's Fee upon completion of payment of the Nominee's Fee. The Supervisor's Fee allowable will be claimed monthly and charged at a maximum rate of 15% (excluding VAT) of realisations per month until completion of the IVA.

TIX Clients recognise that some current fee structures do not incentivise the Insolvency Practitioner to balance Debtor and Creditor interests over the term of the IVA due to the application of fee caps. Therefore on the instruction of our Clients, TIX will not apply any value cap to the above Supervisor Fee structures.



### Additional Expenses

TIX modifications will confirm that:

- The Insolvency Practitioner will be authorised to claim Category 1 expenses and disbursements, with the exception of any creditor or variation meeting costs which must form part of the Nominee and / or Supervisor Fee.
- It is expected that Category 2 expenses should now be included with the Nominee and / or Supervisor Fee and should not be charged as an additional expense to the IVA.

### Application of Fee Levels

HSBC Bank plc and first direct have instructed The Insolvency Exchange to apply their fee structure on each case where they contribute a voting influence of 25% or greater to the total debt liability.

### Hurdle Rates

Our Client HSBC Bank plc currently operates a minimum dividend hurdle rate for IVAs. HSBC have asked TIX to assess the support and adherence to the TIX Compliant IVA by each individual IP firm. Where it can be demonstrated by TIX that an individual IP firm is working with their instructions, then HSBC will assess the appropriateness of the current hurdle rate for that firm and make any changes necessary. To clarify further this can be achieved by:

1. The IP firm implementing the TIX Compliant IVA principles and presenting the proposal in the required format.
2. The IP Firm presenting the case with the appropriate TIX Client fee structure.
3. Adherence to the principles being demonstrated by the IP firm.
4. A TIX recommendation to the Client incorporating points 1, 2 & 3. and agreement from the IP firm to accept ongoing compliance checks.

As the principles and Client fee structures are adopted by the IP firms, TIX will contact each firm independently to discuss any changes being recommended to our Client.

### Dividend Distribution

Following payment of the Nominee's Fee, the Supervisor will then pay the first dividend to TIX within 60 days of receipt of the Debtor's next contribution. As a minimum thereafter, dividends should be made on a quarterly basis and the expectation is for a monthly distribution via BACS.

The changes detailed above complement the package of Principles circulated on the 18<sup>th</sup> July 2007 and the adoption by Insolvency Practitioners will enhance Creditor confidence in the IVA process, providing benefits for all parties and ultimately the Debtor.

Yours faithfully,

Martin Prigent  
Head of Insolvency Relations