

## **The Insolvency Exchange announces changes to IVA acceptance criteria**

*Changes to simplify many IVAs, improving efficiency and reducing costs*

18 July 2007 – TDX Group, the UK's leading debt management solution provider ([www.tdxgroup.com](http://www.tdxgroup.com)), today announced a major package of changes to the acceptance criteria for Individual Voluntary Arrangement (IVA<sup>1</sup>) proposals made to creditors using the company's Insolvency Exchange (TIX) service, which delivers insolvency management services to its clients.

### **Background**

Over the last three years, the IVA market has grown significantly. IVAs have grown from 2,000 to 13,000 a quarter since 2004. In the same time, the number of Insolvency Practitioner (IP) firms has increased to 600 supporting over 1600 individual practitioners. Overall, IVAs are now impacting £2.2bn of debt each year. This rapid growth has resulted in lots of inefficiencies that add significant cost to the process, increase losses for creditors, restrict the accessibility of IVAs for debtors and ultimately make it more difficult for these debtors to get the best advice.

### **Pressure for Industry Change**

As the industry has matured there has been a significant push from all sides for change. The launch of TIX in November of last year was one of the reactions to this pressure. With consensus for change increasing, the British Bankers Association (BBA) hosted a series of industry-wide discussions with the goal of identifying opportunities for improvement. TIX and its creditor clients have played a key role in each of the BBA working groups. From these groups helpful general standards were proposed, however many specifics were not tackled, particularly around fee structures. In addition TIX has worked closely with each of its creditor clients to review the more detailed data on proposals from the TIX platform.

### **TIX Changes**

TIX's creditor clients have defined a set of detailed criteria building on the principles established within the BBA working groups. Leveraging the data, validation and processing capabilities of TIX uniquely enables implementation of these changes.

The changes are a package of new acceptance criteria that will deliver benefits to TIX's creditor clients, debtors and IP firms. A range of process efficiencies from simplified proposal formats to electronic payment processing will deliver important cost reductions. Changes will

also be made to standardise a new structure for the way that IP firms earn their fees and the overall level of fees.

These changes will apply to the majority (~80%) of consumer cases that are relatively standard and together will be defined as a TIX Compliant IVA. For the TIX Compliant IVA the process will be simplified and costs reduced by 20% on average from current levels. Savings will come from the significant inefficiencies that TIX is able to remove from the process.

TIX's use of data and analysis ensures that even for these cases there is a detailed review, and is supported by continual audit and validation of the advice provided by IP firms.

TIX will be implementing these changes where its creditor clients represent the majority of the debts in an IVA proposal and therefore able to influence the vote. TIX currently processes over 70% of all IVA proposals made in the UK and will be gradually implementing these changes over the next two months.

### **Benefits**

The changes will benefit all parties associated with an IVA. Because IP firms will have a clearer view of what cases are appropriate, debtors will benefit from a more streamlined debt advisory and IVA proposal process. The operational improvements and cost savings allowed by the new structure will enable IP firms to reduce their delivery costs. This is very positive for the better performing IP firms and the impact of better advice will help ensure that the industry continues to be seen in a positive light.

The lower cost structure and resulting lower fees will further benefit debtors who will be contributing more into IVAs. In addition, by bringing forward the distribution of funds to the creditor to month six of an IVA, which in some circumstances means that payment to the creditor is brought forward by three years, the creditors gain further confidence in the IVA as an instrument to deal with insolvent debtors.

TIX's creditor clients and their debtors will gain from the investment made in TIX by being first to market with these changes. The high level of rigour that TIX applies around proposal review, arrangement management and IP firm monitoring will be enhanced by the new operational efficiencies, improved payment monitoring and proactive breakage management. Creditors looking to ensure that the debtor receives the best advice from the best firms while ensuring optimal repayment plans, have moved onto TIX to gain access to these capabilities.

Mark Sanders, Chief Operating Officer of TDX Group says, "TIX is uniquely positioned to allow its clients to rapidly roll-out these beneficial improvements identified from the TIX analysis and inline with the work in the BBA forums. These changes are critical for the market

and it is important that those creditors not using TIX determine how they will approach implementing similar changes. The efficiency that TIX creates, and the level of scrutiny TIX applies to IVA proposals, will continue to ensure that an IVA is set up where it is the most effective solution for both the debtor and their creditor.”

Mark Hover, Head of the Insolvency Exchange says, “This announcement is the culmination of significant work across the industry including IP firms, creditors, the BBA and regulators. This is an example of how the market can effectively address the issues that have resulted from the recent growth, without the need for additional regulation. TIX enables its clients to gain the benefits from these changes and ensures their customers are getting the best service and advice when looking for solutions to their debt challenges.”

TIX is a unique approach to IVA management, enabling creditors to more effectively manage IVA proposal acceptance criteria and enforce industry standards. The service uses advanced analytics and technology to ensure all of the circumstances of each debtor are considered appropriately, allowing improved validation that an IVA is the most appropriate solution for the debtor.

## **ENDS**

<sup>1</sup> IVAs were introduced by The Insolvency Act 1986 to produce a flexible alternative option to bankruptcy. In simple terms, struggling debtors, through an insolvency practitioner, propose a 5 year payment plan to their creditors that normally leads to interest payments being frozen, and a substantial level (up to 50-70%) of debt being relieved. If 75% or more of the creditors vote in favour of the proposal, an IVA is granted.

## **About TDX Group**

TDX Group is the leading provider of analytics-based debt management. Over the last three years, with this unique approach, it has revolutionised the debt management industry.

TDX Group sells over 40% of all debt sold in the UK; manages debt portfolios for leading financial services companies, utility providers and debt portfolio owners; run The Insolvency Exchange to provide an industry-wide solution for IVAs; and are one of the UK's fastest growing companies.

Because of its unique intermediary position, TDX Group has a client focus that is independent of collection agencies, debt purchasers, insolvency practitioners and technology providers. The company's breadth of services and scale of operations gives it unrivalled data on debt sale, debt purchase, IVAs and recoveries strategy and performance. This data, when combined with TDX Group's core analytics capability, supports its analytics-based debt management approach.

TDX Group works for creditors and debt portfolio owners to deliver improved returns from their semi- and non-performing assets. Key clients include Halifax-Bank of Scotland, HSBC, Alliance & Leicester and Powergen.

## **Summary of TIX changes**

TIX changes are a package of changes delivering benefits to Creditors on TIX, Debtors and IP Firms.

### **Process efficiency & cost reduction**

- Dividends paid by BACS (Cost reduction for IPs and creditors)
- Dividends paid monthly to creditors
- New TIX creditor principles launched for proposals where TIX's creditor clients have majority balances
  - New proposal format (will reduce proposals from 50+ pages to ~7 pages)
  - Reduce settlements from early equity release
  - All homeowners will include equity within the IVA
  - Allow IPs to vary original dividend by 15% to prevent additional costs of variation meetings
  - Standard definition and proposal for a TIX Compliant IVA
    - IPs adopting this will receive fewer modifications and challenges and will therefore strip out cost.
    - Adoption of this will also reduce rejections (currently running at 20%)
- Requirement for TIX to receive just one copy of the proposal per creditor (removing cost from IP firms)

### **Fee structures**

- IP firm remuneration linked to realisations
- Reduction in upfront fees
- Removal of “hidden” expenses payments to IPs – Expenses to come from existing supervisor fees
- Dividend distributions brought forward (to month 6)

### **Fee levels**

- New fee quantum to be imposed by TIX's clients
  - Average 20% reduction

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