

# Fresh Start UK Debt Management Limited

# Debt Solution Fees Explained

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# Table of contents

<b>1</b>	<b>Document Statement</b> .....	<b>4</b>
<b>2</b>	<b>Bankruptcy Assistance</b> .....	<b>4</b>
<b>3</b>	<b>Debt Management Plans (DMPs)</b> .....	<b>5</b>
3.1	DMP Fees & Illustration .....	5
3.2	Monthly management fee calculation (VAT is not applicable) .....	6
<b>4</b>	<b>Individual Voluntary Arrangements (IVA)</b> .....	<b>7</b>
4.1	Nominee Fee .....	8
4.2	Supervisor's Fee .....	8
<b>5</b>	<b>Scottish Debt Solutions</b> .....	<b>10</b>
<b>5.1</b>	<b>Protected Trust Deeds (PTD)</b> .....	<b>10</b>
5.1.1	If your PTD fails.....	11
<b>5.2</b>	<b>Debt Arrangement Schemes (DAS)</b> .....	<b>11</b>
5.2.1	Important points to consider.....	12

# 1 DOCUMENT STATEMENT

Fresh Start UK Debt Management Limited (*hereafter referred to as the "Company"*) are committed to transparency and fairness when it comes to fee and costs. This document is to assist our customers in understanding actual and estimated costs of the solutions we discuss. We always provide help and advice based on what is right for our customers and their specific situations and needs.

# 2 BANKRUPTCY ASSISTANCE

For clients in England & Wales, where [Bankruptcy](#) is agreed to be the best debt solution for you then we will refer you to the online application process for petitioning for your own bankruptcy in addition to a free to consumer advice service.

We would strongly recommend seeking professional debt advice before applying and paying to petition for your own bankruptcy. There may well be more suitable alternatives. A regulated debt adviser will provide you with the benefits and disadvantages of a debt solution like bankruptcy. They will provide a record of any debt advice provided and any recommendation made, which takes into account your personal circumstances, your objectives, your financial position and any foreseeable events that may make bankruptcy unsuitable or require significant additional contributions at a later point in time. This is particularly true where unrealised assets may be involved, as assets that were part of your estate during the bankruptcy period can still be used to pay your debts.

From 6 April 2016, The Insolvency Service launched an on-line facility to become bankrupt without the need to go to court. From 21 July 2016 the process costs £680 **per individual** and payment can be made by instalments, which has historically been a barrier to many indebted consumers petitioning for their own bankruptcy. We recommend taking advice before completing your application. The link below will provide you with impartial information regarding the process and the alternatives to bankruptcy.

Link: <https://www.gov.uk/bankruptcy> and <https://bankruptcy-myths.campaign.gov.uk/>

If the adjudicator makes you bankrupt:

- You will normally be discharged within 12 months of bankruptcy proceedings being concluded, though it is increasingly common to have to continue making contributions to the Official Receiver for a further 2 years if you have surplus disposable income through a formal payment arrangement.
- Any formal debt solutions will result in public record information being added to your credit file and this will be the case for 6 years from approval. Your name and details will be published in the [Individual Insolvency Register](#)
- You will [receive a copy of the bankruptcy order](#) and may be interviewed about your situation
- Your [assets](#) can be used to pay your debts
- You will have to follow the [bankruptcy restrictions](#)

## 3 DEBT MANAGEMENT PLANS (DMPs)

The fees that are applicable to a Fresh Start UK Debt Management Plan are detailed in the table below and the Terms of Business that are associated with our Debt Management Agreement are available on our [Debt Management Plans](#) webpage. Our average debt level for a DMP client is currently just over £22,000 with around 8 debts.

### 3.1 DMP FEES & ILLUSTRATION

Fresh Start UK **charges a higher monthly management fee** for the administration of a DMP in the first six months of the plan. Fees are based on the level of work involved and your monthly management fee is calculated based upon the number of debts we are acting upon.

The first 6 months of your plan are critical as we establish regular affordable payments to the creditors we are dealing with. This involves:

- negotiating with your creditors
- gathering and reviewing evidence supporting your proposed plan (e.g. bank statements, payslips, utility bills, creditor correspondence)
- confirming your draft and final statement-of-affairs with you and your creditors, which may require several calls with an adviser
- commencing payment distributions to your creditors in the first month of the plan
- issuing monthly electronic statements and issue further statement-of-affairs if further changes are agreed
- dealing with any creditor correspondence
- general monitoring of the progress of your plan and communicating the outcome of our negotiations

The monthly management fee is always reflected as a monetary amount and is paid from the client account after we have distributed cleared funds to your creditors.

### 3.2 MONTHLY MANAGEMENT FEE CALCULATION (VAT IS NOT APPLICABLE)

Number of active debts	First 6 months Fee	Regular Fee from month 7 onwards
1-4	50% of disposable income (maximum £100)	£40.50
5-8		£44.00
9-11		£49.00
12-15		£60.50
16-20		£70.50
21+		£80.50
All fees subject to cap of 50% of monthly Disposable Income		

Where accounts are settled in the DMP then the fees will be reviewed and if the number of debts falls into a lower banding, then the applicable fee will be applied. You will be issued with a new financial statement at this point and revised payment offers will be made to your remaining creditors.

If you add additional debts into the plan, then the monthly management fee will be assessed against the bandings above. Payments to creditors are calculated on a pro rata basis.

Where you request us to provide full & final settlement services on your behalf then a minimum fee of £70 applies per debt settled. Otherwise, it is 20% of the reduction between the confirmed balance from the creditor and the settlement figure. Fees full & final settlement fees are invoiced to you and collected from the funds deposited by you in our Client Account. Creditors will typically request the source of the funds, and many will request an income & expenditure assessment before considering the offer.

**Your disposable income (DI) minus the monthly management fee is disbursed to your creditors from our Client Account within 5 business days of cleared funds.** If you choose to pay us more frequently than monthly (e.g. weekly) then we still make the payments within 5 business days of any payment made, so there is no delay in your creditors receiving payments.

If you are switching from a Debt Management Plan from another provider, then we will assess why any previous debt solutions ended unexpectedly.

In accordance with our commitment to treat customers fairly, we will undertake a client assessment in respect of the affordability, suitability and sustainability of any debt solution recommended. In accordance with regulatory requirements, this will also include customer due diligence as part of our commitment to fight financial crime.

Where we are looking at progressing formal debt solutions like an Individual Voluntary Arrangement (IVA) then statutory anti-money laundering checks may be undertaken by the Insolvency Practitioner.

**EXAMPLE – client with £16,000 debt, 7 debts and £183.76 disposable income**

Creditors are paid on a 'pro rata' basis with a minimum distribution of 1 penny. The debts should clear at the same time unless interest & charges continue to be applied.

Using the table above, the estimated duration of the DMP in this example is **9 years and 6 months** with total fees payable of **£5,435.28** based upon a **monthly management fee of £44.00**. A higher fee of **£91.88** is paid in the first six months, which is included in the total fees shown.

Clients are clearly warned of the risks of taking on additional credit during the course of the plan. Adverse credit history is likely to age off your credit file through the course of the plan and you may find yourself subject to credit marketing by lenders.

We aim to identify opportunities to increase your disposable income to reduce the duration of your plan, which involves regular reviews, including the on-going suitability and affordability of the debt solution.

Fresh Start UK is able to negotiate Full & Final Settlements on some or all of the debts under management during the course of the DMP. This can significantly reduce the duration of the DMP and the level of debt repayable.

## 4 INDIVIDUAL VOLUNTARY ARRANGEMENTS (IVA)

For clients in England & Wales or Northern Ireland, where an IVA is agreed to be the best debt solution for you then we will refer you directly to our chosen licensed Insolvency Practitioner, as we do not have an in-house Insolvency Practitioner. We operate a panel of Insolvency Practitioners covering all legal jurisdictions and they are all companies independent of Fresh Start UK.

The Fresh Start UK uses insolvency practitioners **Umbrella-Company Limited** who are specialist insolvency practitioners.

The Insolvency Practitioner may request at least one monthly contribution from you prior to your creditor meeting to show that the payment that you have agreed is affordable and to cover some of their initial costs. This will be paid towards your Nominee Fee and will be the first of your 60 monthly contributions (if it is a 5-year IVA). The only other fee which you should incur will be the supervisory fee in their role of Nominee and Supervisor, respectively. For more information on IVAs then access:

<https://www.gov.uk/options-for-paying-off-your-debts/individual-voluntary-arrangements>

Fresh Start UK is paid a referral fee by the respective Insolvency Practitioner where the IVA is accepted. This is paid from the Nominee Fee by the Insolvency Practitioner and there is no direct cost to you.

## 4.1 NOMINEE FEE

The nominee fee is a fixed fee and covers the Insolvency Practitioner's work in setting up your IVA proposal to your creditors.

The nominee fee charged by our Insolvency Practitioner is likely to be in the range of £1,000 to £3,000, depending on a number of factors, with an average of £1,200.

The Insolvency Practitioner will be paid the nominee fee out of the payments you make into the IVA and these will not be paid to your creditors. The creditors are bound by the IVA proposal once approved provided that you maintain the agreed payments to the Insolvency Practitioner.

It takes around 6 - 8 weeks to set up an IVA and during this period you will commence your monthly contributions into your IVA. It is likely that by the time the IVA is approved, you will have made one to two contributions which will be used as part payment of the nominee fee and count towards your total required contributions.

## 4.2 SUPERVISOR'S FEE

The supervisor's fee covers the on-going administration of the IVA, disbursement of contributions to your creditors and any reviews that are required, including an annual review. The supervisor has reasonable discretion where your circumstances change without going back to your creditors and this may affect the contributions and fees.

The calculation of the supervisor's costs and fees will depend on the proposal and is therefore subject to your individual circumstances. The supervisor's fee is usually 15% of your monthly or quarterly payment. For employed or retired people, it will be normal for contributions to be made monthly. For the self-employed there may be flexibility in payments to allow for invoice payments by their customers. Your creditors will agree these supervisory fees with the Insolvency Practitioner, and they will be deducted from the money you pay the Insolvency Practitioner for distribution to your creditors. Where you are a homeowner, there may be a requirement to make contributions for a sixth year rather than release equity from your property. A supervisor fee will be applicable on any contributions in the extended term of the IVA.



### IVA Illustration

Employed tenant who is married with no dependents and in their late thirties with total unsecured debts of £18,927 with 7 creditors and their liabilities exceed assets.

Monthly contributions 60 months @ £220 (Disposable Income) = **£13,200**

The Insolvency Practitioner (IP) fees come from these monthly contributions and are therefore suffered by the creditors not the client.

Nominee Fee	£1,100 (5 x £220)
Supervisor Fee over IVA term	£1,815 [15% of the remainder (£12,100)]
Disbursements / Costs	£500

<b>Total Costs</b>	£3,415
Net funds available to 7 creditors	£9,785
Dividend to unsecured creditors from IVA From bankruptcy:	51.7p in the £

From Bankruptcy:

Assumptions of 36 contributions of £220 = £7,920 and minimum Insolvency Practitioner fees of £4,000.

<b>Dividend to unsecured creditors from bankruptcy:</b>	<b>21p in the £</b>
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### Important points regarding IVAs

- An IVA is entered on a public register
- Whilst on an IVA and for a year after completing it your credit rating will be affected - an IVA may last 5 years but the effect on your credit rating will last 6 years and potentially longer if the term of your IVA is extended
- Homeowners may be required to release equity to pay off some or all of their debts. Where a homeowner is unable to obtain a re-mortgage, the IVA can be extended for up to 12 months
- If a homeowner has to re-mortgage their property to release the equity, their ability to obtain a mortgage may be restricted and likely to be on less favourable terms (e.g. much higher interest rates)
- If your IVA fails, you may be made bankrupt and you remain liable for the balance of your debt and any Insolvency Practitioner fees and costs already incurred, although this is in extremely rare circumstances
- There are restrictions on your expenditure whilst in the arrangement. Expenditure allowances are generally calculated using the Step Change trigger figures
- On completion of your IVA, it is important to ensure that all credit agreements are shown as

'satisfied' on your credit file and that the public record no longer shows your IVA. This is a major step to improving your credit worthiness. Satisfied default records on your credit file should be deleted six years from the date that the IVA was put in place with the court.

## 5 SCOTTISH DEBT SOLUTIONS

For clients in Scotland, the Accountant in Bankruptcy (AiB) provides general information for consumers in debt.

Link: [www.aib.gov.uk/debt/deal-debt](http://www.aib.gov.uk/debt/deal-debt)

What is best for you will depend on a number of things including your personal circumstances and whether you have any property or assets.

### 5.1 PROTECTED TRUST DEEDS (PTD)

Fresh Start UK operates a panel of Insolvency Practitioners in Scotland, and they are all companies independent of Fresh Start UK and are members of the Insolvency Practitioners Association (IPA) or the Institute of Chartered Accountants Scotland (ICAS).

Fresh Start UK charges no fees for the financial review. Any fees that we are paid as the agent of the Trustee will be disclosed in the Protected Trust Deed proposal and will be collected from contributions to your Protected Trust Deed. Any work we undertake is auditable by the Accountant in Bankruptcy.

A [Protected Trust Deed](#) is a formal and legally binding debt solution available to residents of Scotland. It is an agreement between an individual who is unable to pay his/her creditors in full and a licensed Insolvency Practitioner, who acts as the Trustee. A trust deed transfers your rights to the things that you own (i.e. your assets) to the Trustee who can sell them to pay your creditors. A Trust Deed will normally include a contribution from your income for a set period, which is usually 48 months.

The following criteria are generally applicable to start a Protected Trust Deed (PTD):

- You must be insolvent
- You must live in Scotland
- The technical minimum level of qualifying debt required to enter a trust deed is £5,000. If you're a couple, then each of you will need to have a minimum of £5,000 of debt individually in order to qualify. In practice, an individual should have unsecured debts of more than £8,000 to be considered for a PTD
- You have regular income and disposable income of £200 or more per month
- Fees are applicable if you use a qualified Insolvency Practitioner as your Trustee, and it is recommended by the Accountant in Bankruptcy (Scotland) that you seek professional debt advice taking consideration of all the debt solution alternatives before signing a Trust Deed.

There are several important points that need to be considered before signing a Trust Deed, which is a very serious matter:

- An ordinary Trust Deed is not binding on your creditors unless they agree to its terms, and it becomes Protected. Your Trust Deed will become protected if a sufficient proportion of creditors agree to it. When you sign a Trust Deed, your Trustee will write to all your creditors asking them to agree to its terms. If they do not object within 5 weeks, then they are deemed to have agreed to the terms of the Trust Deed. A Trust Deed will not be protected if more than half in number or no less than third in value object.
- A Protected Trust Deed (PTD) will be recorded in the Register of Insolvencies, a public register administered by the Accountant in Bankruptcy, as a 'Protected Trust Deed'. This binds your creditors and prevents them from making you bankrupt so long as you stick to the terms of the PTD.
- Recent changes implemented through S166 of BSA 2016 affect how your home is treated in a PTD. If you own your home, you may have the option of asking your secured creditors (mortgage lender) for their permission to exclude your home from the trust deed. If your secured creditors agree, the rest of your creditors will be informed of this when they are asked to agree to the protection of your Trust Deed. If your creditors do not object to your trust deed becoming protected, you will keep control of the equity in your home. The rest of your assets pass to your Trustee as normal.
- Whilst on a PTD and for 2 years after completing it your credit rating will be affected - a PTD may last 48 months but the effect on your credit rating will last 6 years, though your record will show the debts as cleared from the point that you are discharged.
- If your PTD fails, you may be sequestrated (sequestration is the Scottish equivalent of bankruptcy).
- Whilst your PTD Proposal is being prepared your unsecured credit accounts may go into further arrears until the Trustee starts disbursing payments to these creditors.
- Your trustee will be paid before any money is available to repay your creditors. The fees will normally range between £2,500 to £5,000 (plus VAT) and will be taken from the contributions you make during the time of the PTD.

### 5.1.1 IF YOUR PTD FAILS

If your PTD fails, then you will remain liable for the balance of your debt and any Insolvency Practitioner fees and costs already incurred.

## 5.2 DEBT ARRANGEMENT SCHEMES (DAS)

For clients in Scotland, DAS is debt remedy operated by the Scottish government that allows you to repay your unsecured debts through a Debt Payment Programme (DPP). This allows you to pay off your debts over an extended period while giving you protection from your creditors taking action against you to recover the debts listed in the DPP. The DPP can last for any reasonable length of time and, if approved, will freeze all interest, fees and charges on the debts included, resulting in them being written off if you fully complete the DPP.

Fresh Start UK charges no fees for the initial debt advice and we would refer you to our preferred DAS approved money adviser, who will provide additional debt advice and apply for a DPP on your behalf.

DAS is debt remedy operated by the Scottish government through the Accountant in Bankruptcy (AiB) that allows you to repay your unsecured debts through a Debt Payment Programme (DPP). This allows you to pay off your debts over an extended period of time while giving you protection from your creditors taking action against you to recover the debts listed in the DPP.

If you have spoken to a DAS-approved money adviser and they say DAS is right for you, when your DAS is approved, all interest, fees and charges are frozen, and you are given protection from the threat of any legal action from your creditors over your debt. The DPP can last for any reasonable length of time, resulting in the debts being written off if you fully complete the DPP. DAS is not insolvency. It is the only statutory debt management plan operating in the UK

The DAS Administrator is responsible for the approval of a DPP, the approval of DAS-approved money advisers and payment distributors. They are also responsible for maintaining the DAS register which contains details of DPPs.

You must include all your debts in the DPP application. Your DPP will take into account what you can reasonably pay back at regular intervals based on your disposable income. If you are an individual person applying for DAS there is no limit on the level of debt or the repayment period in a DPP.

There are 5 parties involved in DAS:

1. You: someone or a couple who has unsecured personal debts and has agreed to a Debt Repayment Programme (DPP) with a DAS approved money adviser.
2. DAS approved money adviser: who will provide additional debt advice and apply for a DPP on your behalf
3. Your creditors: someone who you owe money to and has agreed or is obliged to accept payments under a DPP
4. DAS Administrator: The Accountant in Bankruptcy who oversees the administration of every DPP.
5. Payment's distributor: who distribute the money gathered to creditors in line with the agreed DPP.

## 5.2.1 IMPORTANT POINTS TO CONSIDER

Your information will appear on the DAS register, which is an online public register which holds information about those intending to apply for, are applying for, and those who already have a Debt Payment Programme (DPP) under DAS. Anyone can access the register free of charge. Creditors and credit reference agencies check the DAS register on a regular basis and may update your credit file to reflect this information.