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## March 2013 What is a P.I.A?

### **BACKGROUND**

A **P.I.A** or Personal Insolvency Agreement is an alternative Administration to Bankruptcy provided for under the Bankruptcy Act.

The **P.I.A** is any proposal that the Debtor/Debtors wish to put to their Creditors that will avail Creditors with the opportunity to receive a higher return in the dollar than in the alternative the Debtor/debtors go Bankrupt.

### **HOW DOES IT WORK?**

For a **P.I.A** to have valid standing a draft proposal must be prepared and executed (*with a Statement of Affairs and other relevant forms*) prior to a Controlling Trustee (CT) consenting to Act. As a consequence all Creditors claims are stayed with the CT thereafter to undertake investigations into the Debtors affairs with the view to reporting to Creditors within approx. (3) three weeks on the merits of the proposal as against the Debtor going Bankrupt.

If at the subsequent convened creditors meeting (*held within 25 working days*) a majority of Creditors in attendance (*need only be one*) and 75% of value resolve in favor of the **P.I.A** it is binding on all Creditors.

### **HOW FLEXIBLE IS A P.I.A?**

A **P.I.A** can involve;

- A lump sum payment (*usually from a third party source*).
- Monthly installments determined on serviceability.
- Can also be varied during **P.I.A** period if circumstances change (*subject to creditor approval*).

### **MERITS**

- Avoids Bankruptcy.
- Avails the Debtor/Debtors the opportunity to propose a repayment schedule that suits their cash flow.
- Can be settled within a couple of months if a lump sum payment is proposed.
- Provides Creditors with a higher return as against Bankruptcy.

### **DISADVANTAGES**

- A Debtor (*as with Bankruptcy*) cannot be a Director of a company during the period the **P.I.A** is in force.
- A **P.I.A** is also (*as with Bankruptcy*) noted on the National Personal Insolvency Register.

Finally as always we at Chamberlains SBR are more than welcome to discuss any matter with you or your clients regardless of how trivial it may appear.

Chamberlains SBR, Chartered Accountants - Specialises in Personal & Corporate  
Business Reconstruction & Insolvency

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