

# What is insolvency? - All you need to know



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*Time is more valuable than money. You can get more money, but you cannot get more time.*

*Jim Rohn - American businessman*

## WHAT IS INSOLVENCY?

Insolvency is a term used

for an individual who can no longer meet their financial obligations to their debtors as debts become due. Insolvency can arise from ill health, redundancy, poor cash management, a reduction in cash inflow, or an increase in unforeseen expenses, all of which can occur to even the most prudent individuals.

## HOW WILL THE PERSONAL INSOLVENCY ACT WORK FOR ME?

The Personal Insolvency Act introduced 3 new debt resolution mechanisms to help mortgage-holders and other people with unsustainable debt to reach agreements with their creditors. These mechanisms offer different solutions to people based on their unique set of circumstances.

## WHAT IS A DEBT RELIEF NOTICE?



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A Debt Relief Notice (DRN) is an insolvency solution for people who have a low income, few assets and debts of less than €35,000. Debts such as personal loans, credit card loans, store cards, credit union loans and overdrafts could be included in a DRN. However, it is not a suitable solution for people with a mortgage.

## WHAT IS A DEBT SETTLEMENT ARRANGEMENT?

A Debt Settlement Arrangement (DSA) is an insolvency solution for people who have unsecured debts – credit cards, loans, overdrafts etc. With this solution a person agrees to

pay a percentage of their overall debt over a specified period of time. At the end of that period of time they will be solvent.

## WHAT IS A PERSONAL INSOLVENCY ARRANGEMENT?

A Personal Insolvency Arrangement (PIA) is an insolvency solution for people with unsecured and secured debts. Secured debt is a debt backed or secured by an asset (e.g. a housing loan where a house is mortgaged to secure the loan debt). It is a formal agreement with creditors that will write off some unsecured debt and restructure any remaining secured debt, while keeping

the person in their home where possible.

## HOW CAN WE HELP?

Our 3-stage process

## CONSULTATION

A consultation with our Insolvency Solicitors will help us and you to understand the nature of your financial challenges and allow us to strategize the best path forward for you.

## REVIEW

Our Insolvency Solicitors will request copies of all relevant documentation

from your debtors in order to consider whether they have acted fairly and lawfully in all circumstances.

## ADVICES

Based on stages 1 and 2 above our Insolvency Solicitors issue a letter of advices advising you on the various options open to you including Bankruptcy, Insolvency or the issuing of legal proceedings against your alleged creditors along with the restrictions and likely outcomes of each option.

*The above article is one of a series of bi-monthly legal articles drafted by Conor McLaughlin, Solicitor and Principal at Conor McLaughlin & Associates Solicitors. They do not constitute legal advice and should not be acted upon without seeking legal advice particular to your set of circumstances. Conor McLaughlin & Associates Solicitors have their office in Bundoran, County Donegal. For further information on the above or any other legal issues you may have, please contact us on TEL: 071 984 1322, Email: [info@cmclassassociates.com](mailto:info@cmclassassociates.com) or at [www.cmclassassociates.com](http://www.cmclassassociates.com)*



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