Seirbhís Dócmhainneachta na hÉireann
Insolvency Service of Ireland

Guidelines on a reasonable standard of living and reasonable living expenses

Effective from 24 November 2022

DISCLAIMER

The Insolvency Service of Ireland ("ISI"), following consultation with the Minister for Justice and Equality, the Minister for Finance, the Minister for Employment Affairs and Social Protection and such other persons or bodies as the ISI has considered appropriate, has pursuant to section 23 of the Personal Insolvency Act 2012, prepared and is issuing these guidelines as to what constitutes a reasonable standard of living and reasonable living expenses.

These guidelines have been prepared and issued by the ISI for the purposes of sections 26, 65(4) and 99(4) of the Personal Insolvency Act 2012 and section 85D of the Bankruptcy Act 1988 (as inserted by section 157 of the Personal Insolvency Act 2012) and for no other purpose. The ISI does not authorise or take any responsibility for the use of these guidelines for any other purpose.

These guidelines are effective from 24 November 2022.

Insolvency Service of Ireland Guidelines on a reasonable standard of living and reasonable living expenses

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1 Reasonable Living Expenses

The ISI believes that you are entitled to a reasonable standard of living while you address your debt problem. If you tackle your debt using one of the ISI's solutions, there is a minimum standard of living that you are entitled to which allows for expenses such as food, clothing, health, household goods and services, communications, socialising, education, transport, household energy, childcare, insurance and modest allowances for savings and contingencies.

The ISI considers that a reasonable standard of living is one which meets your physical, psychological and social needs. It does not mean that you should live at a luxury level but neither does it mean that you should only live at subsistence level. You should be able to participate in the life of the community, as other citizens do.

It follows that 'reasonable living expenses' ("RLEs") are the expenses you will necessarily incur in achieving a 'reasonable standard of living'. RLEs will vary depending on a number of factors such as the particular composition of a household and the *need* for a motor vehicle. These expenses are termed "set costs" under the guidelines. Beyond that, when determining RLEs, provision needs to be made for reasonable housing costs in terms of rent or mortgage payments as well as for reasonable payments in respect of childcare where this expense arises and reasonable insurance costs, namely motor vehicle, home and mortgage protection insurance costs.[1] When determining a person's RLEs the approved intermediary ("AI") or personal insolvency practitioner ("PIP") should rely on the building blocks shown in Figure 1 below:

[1] Motor vehicle and home insurance costs were added as "other costs" on foot of a public consultation in 2021.

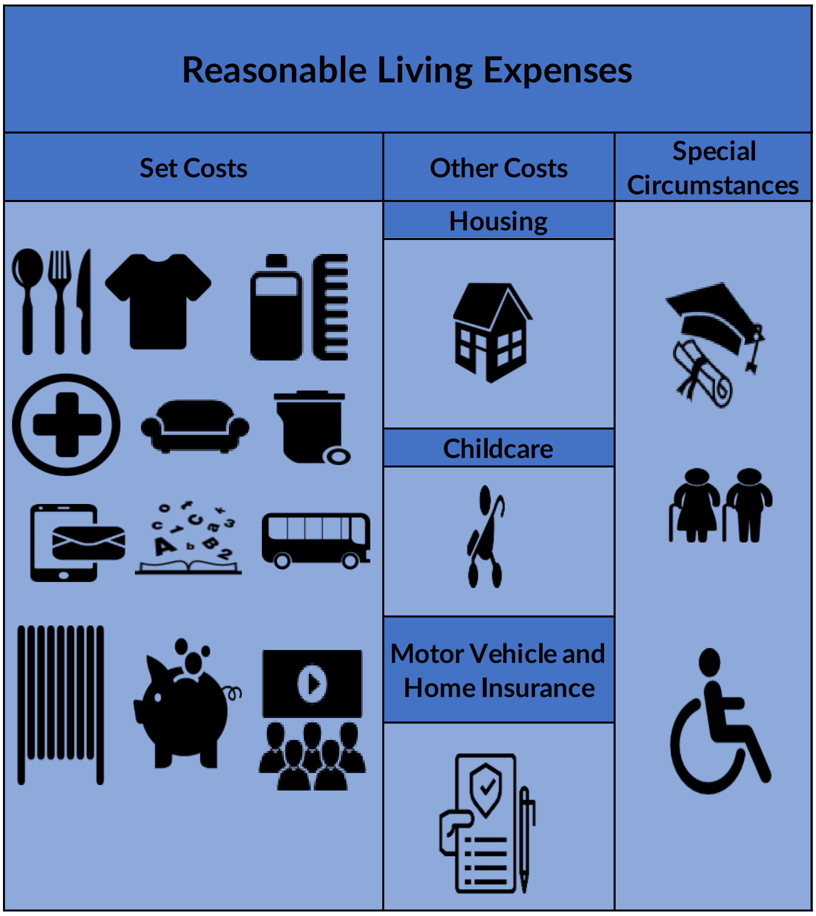


Figure 1 -The Main Categories of Expenditure

Set costs include necessities such as food, clothing, transport, utilities and social participation as well as other categories which have been identified by the ISI as necessary to maintain a reasonable standard of living.

Housing (mortgage or rent payments) and childcare costs vary across the country and cannot be applied universally like the set costs.

In response to the 2021 public consultation feedback the ISI decided to expand the building blocks constituting RLEs through the removal of 'motor vehicle and home insurances' from the set cost category into a new standalone category. This category will be used to reflect the actual costs of motor vehicle and home insurances.

The Personal Insolvency Act contains a requirement to take account of the differing needs of people, in regard to matters such as their age, health and whether they have a disability. In order to satisfy that requirement, any special circumstances you may have will also be added to your set costs. Examples of such circumstances may include caring for an elderly relative who is financially dependent or having a college going child.

‘Set costs’ (household composition/need for a motor vehicle), reasonable costs for housing, childcare, motor vehicle and home insurances costs and special circumstances now make up the total RLE for a given household.

The AI or PIP will gather relevant documentation as part of their due diligence and have a responsibility to ensure, insofar as possible, that costs are reasonable based on the individual circumstances of the debtor(s). These AIs and PIPs are qualified professionals, appointed and regulated by the ISI, with the relevant expertise to help you reach a permanent solution for your debt problems. They will advise you of all the products, options and solutions available to get you back on track financially.

2 How are the figures arrived at?

Bearing in mind the requirements under the Act set out above, the ISI decided to use as its model ("ISI model") a modified version of the consensual budgeting model originally developed in Ireland by the Vincentian Partnership for Social Justice ("VPSJ"). From 2022, the MESL research is continuing by the Vincentian MESL Research Centre at the St. Vincent de Paul. [2]They conduct extensive research in the area using a consensual budgeting approach. This entails people forming focus groups and separately determining what they need to spend their money on to achieve a reasonable standard of living.

The ISI model allows for food for a nutritionally balanced diet, clothing, personal care, health, household goods, household services, communications, social inclusion and participation, education, transport, household energy, insurance and modest allowances for savings and contingencies. The ISI model is based on the VPSJ model but is not identical.

3 Set Costs table

The Set Costs Table at 3.2 below covers most household types and all child age groups.

The figures are monthly and any amendments made to child benefit in annual budgets have been taken into account.

3.1 NOTE IN RELATION TO CHILDREN COSTS

Some additions are applied if your family has more than two children. In addition to their set costs, an adjustment for the third and fourth child are made. The exact amounts are listed in our [background information document]() and will be captured by your AI or PIP.

If you have more than six children any additional expenses (beyond the set costs of the children) should be captured under the special circumstances category.

[2] More information on the work of the Vincentian MESL Research Centre at the St. Vincent de Paul is available at http://www.budgeting.ie/.

3.2 SET COSTS TABLE

Monthly Figures	Motor Vehicle required?	
	No vehicle	Vehicle
Household composition	Adult Set Costs	
Single Adult (No Children)	€1,084.93	€1,296.02
Couple (No Children)	€1,764.37	€1,897.62
Single Adult (With Children)	€1,065.88	€1,354.51
Couple (With Children)	€1,506.58	€1,700.34
Icons designed by Freepik	Children Set Costs	
Infant	€216.51	€216.51
Pre-school	€72.36	€72.36
Primary School	€245.15	€233.45
Secondary School	€454.58	€442.88

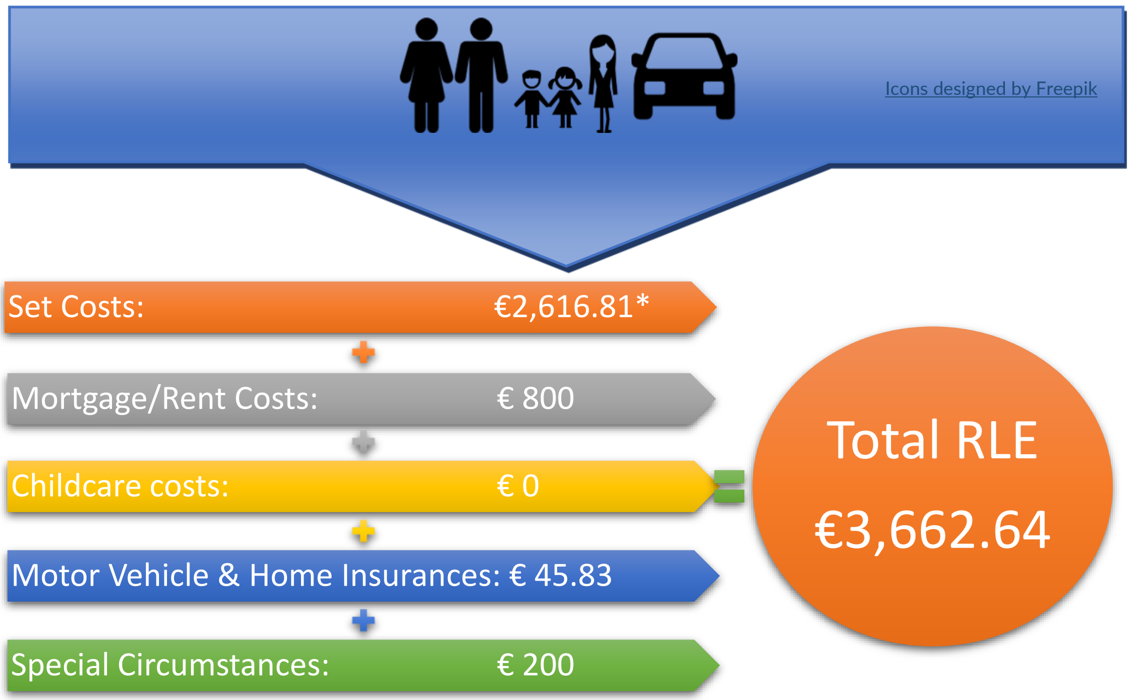
4 Examples

4.1 EXAMPLE 1A: COUPLE WITH CHILDREN

Mary and Stephen live in Cobh, Co Cork in a three bedroom house which they rent for €800 per month. Mary requires a car to get to work and drop the kids to school as public transport is inadequate for their needs. Mary and Stephen's motor vehicle insurance is €400 and home contents insurance is €150

They have three children; twins, Marley and Bonnie who are six years old and in primary school and a 13 year old daughter, Martina, who is in secondary school. Martina has learning difficulties and requires additional tuition. This costs €200 per month.

Mary pays all (100%) of the household's costs as Stephen is in full time education.

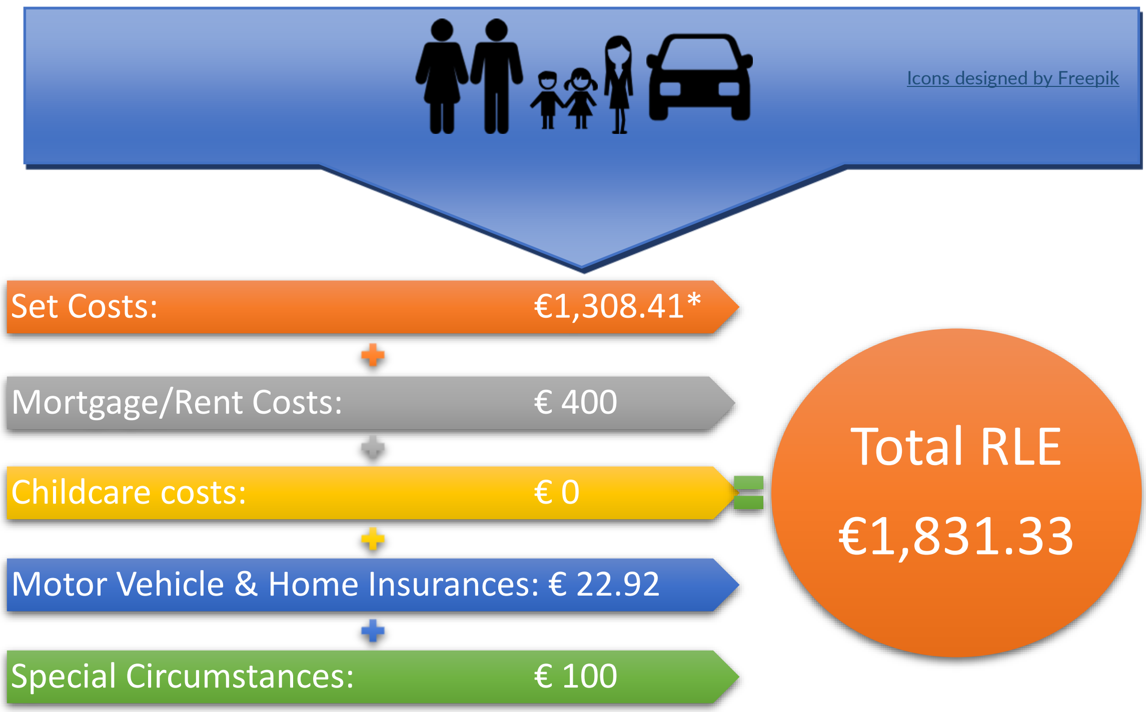


** includes adjustment for third child*

4.1.1 *Example 1b: Couple with children (split RLEs)*

This example uses the same family scenario as 4.1 with the exception that Stephen is in employment and contributing to the household expenditure needs. Mary and Stephen's motor vehicle insurance is €400 and home contents insurance is €150

For the purposes of calculating Mary's reasonable living expenses it is presumed that she and Stephen split all payments 50:50. As such her RLEs are calculated as before, and then divided by two to obtain Mary's RLE.

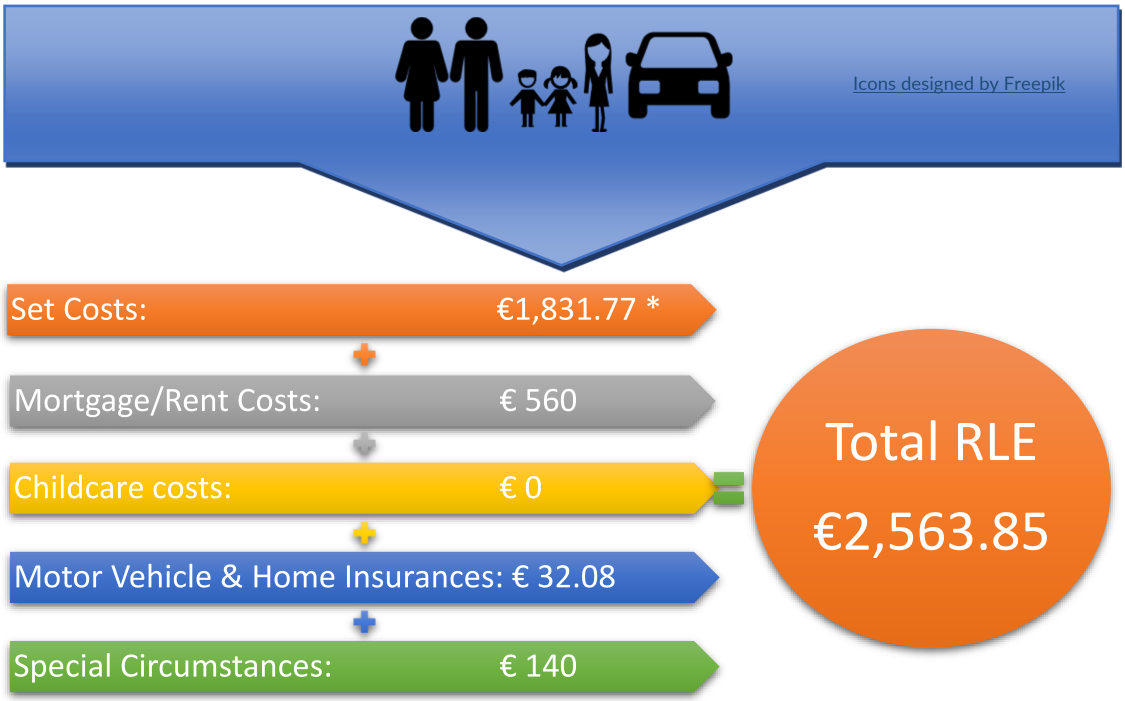


* ***includes adjustment for third child***

4.1.2 Example 1c: Couple with children (split RLEs)

This example uses the same family scenario as 4.1. The presumption that costs are split equally can be rebutted by Mary and the RLE will be adjusted accordingly. Mary and Stephen's motor vehicle insurance is €400 and home contents insurance is €150

Mary will have to provide her AI or PIP with some evidence that she pays more (or less) of the RLEs. For example, evidence that Stephen only works part time meaning she has to pay more of the expenses, making the split 70:30.



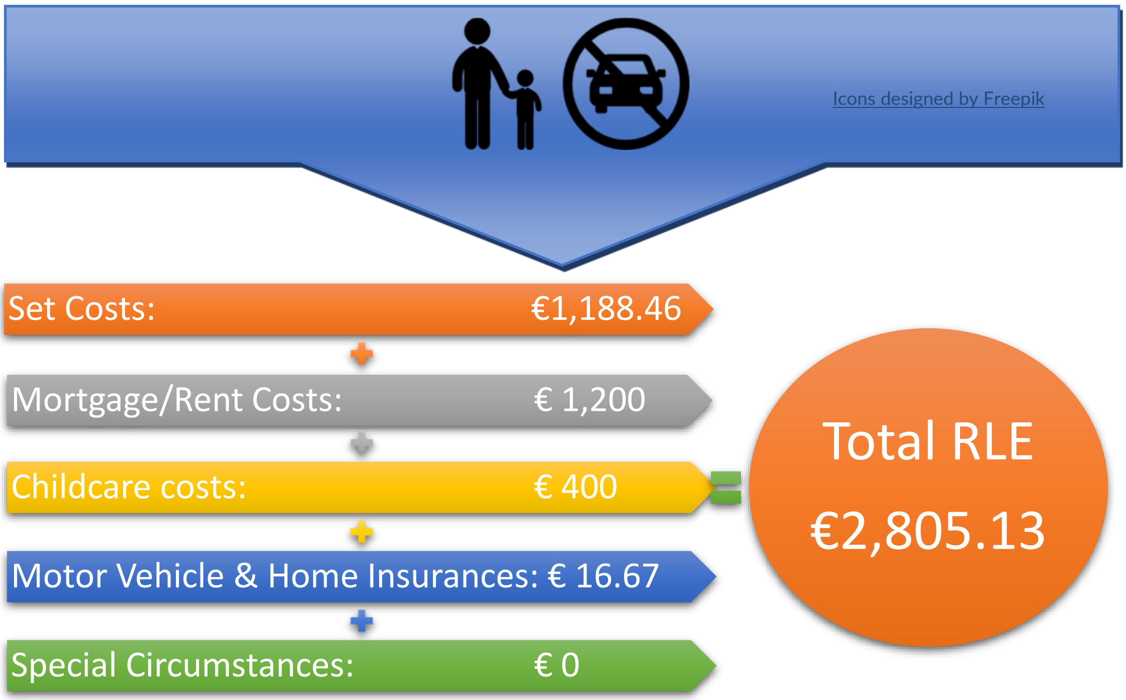
* ***includes adjustment for third child***

4.2 *Example 2: Single Adult (with children)*

Jason lives in Dublin 5 in a two bedroom apartment which he rents for €1,200 per month. He does not require a car as public transport is adequate for his needs. Jason's home contents insurance is €200.

He has one child, Mark, who is five years old and in primary school. Jason shares joint custody of Mark and can claim 50% of the cost of a primary school child.

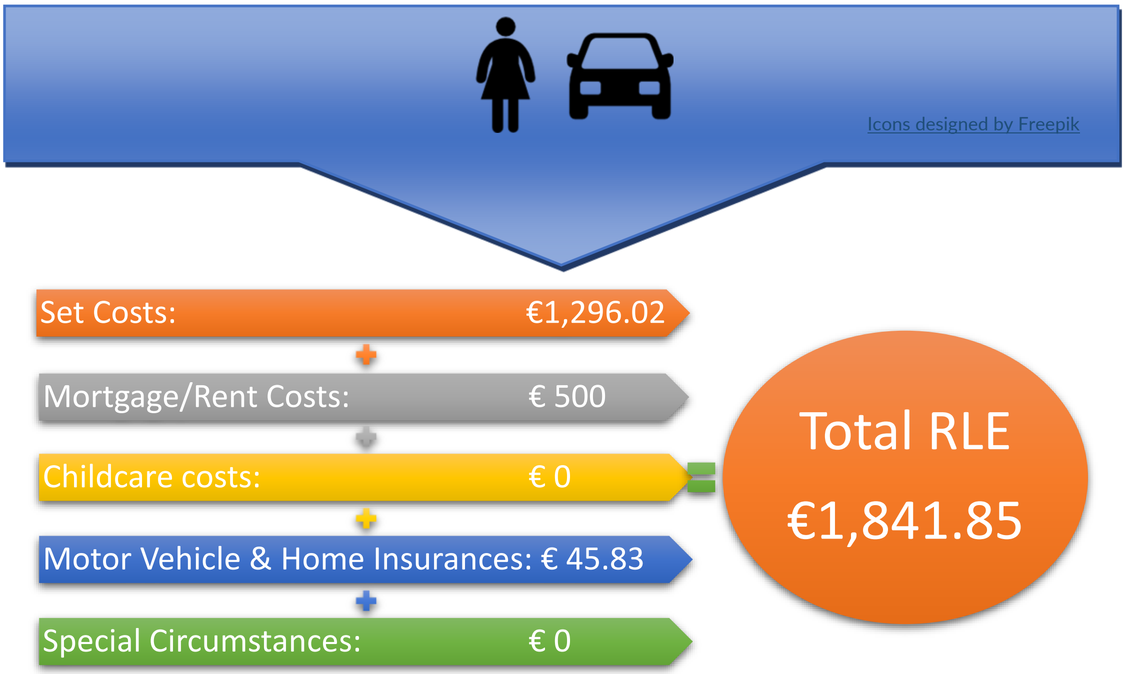
As Jason works full time he requires childcare for Mark after school for two hours per day on the days he has access which is ten school days per month. This costs Jason €400 per month.



4.3 Example 3: Single Adult (no children)

Lorna lives in Dublin 9 in a three-bedroom house which she shares with flatmates. The rent for the entire house is €1,400 per month and Lorna pays €500 per month for her room. She requires a car as her job is in an industrial estate with no transport links. She has no children. Lorna's motor vehicle insurance is €500 and home contents insurance is €50

As Lorna is in a house share situation she is seen as a single adult and allowed her portion of the rent, rather than the full rent for the entire house.



5 FAQs

5.1 WHAT'S THE POINT OF RLEs?

The ISI believes that you are entitled to a reasonable standard of living while you address your debt problem. If you tackle your debt using one of the ISI's solutions, there is a reasonable standard of living that you are entitled to. The RLEs cover the costs of this standard and includes housing, utilities, food, transport and other needs. They help to determine if you are eligible to apply for a DRN and help PIPs to determine the level of spare income available for your creditors.

5.2 HOW DOES IT PROTECT ME?

You are entitled to a reasonable standard of living for the duration of your arrangement. Under the ISI model, this means a higher standard than merely living at a subsistence level, which people often exist on when in debt.

You will not be told how you should spend your allocated reasonable living expenses, so you are still in complete control of your spending.

The RLE set a standard that has been accepted by creditor and debtor groups. The RLEs ensure that you have enough money to be able to participate in the community. Your AI or PIP will go through all of this with you.

5.3 CAN I REALLY LIVE AT THIS LEVEL?

Yes. The reasonable living expenses figure is often higher than the amount people in serious debt live on before seeking an insolvency solution. The ISI believes that all debtors should be able to participate in the community, as others do.

You will not be told how you should spend your allocated reasonable living expenses, and it will be managed by you so you are still in control of your spending. As long as you still make your agreed payments under an arrangement you can spend your money however you like.

5.4 WHAT ARE SPECIAL CIRCUMSTANCES?

Special circumstances cover instances where your family may have higher than normal expenditure due to a variety of reasons. This can include the care of an elderly relative who is financially dependent or a college-going child. It can also be utilised if you or your dependants have a requirement for additional medical costs or equipment or if you have more than six children. Normal everyday items should not be included in this category.

Detailed information on the research behind these guidelines and an in depth category breakdown can be found in the background information document on the website of the ISI www.isi.gov.ie.

The ISI welcomes comments on these guidelines by email to rle@isi.gov.ie

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