

August 2019

**Guidelines on a  
reasonable standard of  
living and reasonable  
living expenses**



**ISI**

**Tackling problem debt, together**

## **DISCLAIMER**

The Insolvency Service of Ireland (“ISI”), following consultation with the Minister for Justice and Equality, the Minister for Finance, the Minister for 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.

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These guidelines are effective from 1<sup>st</sup> August 2019.

# 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’. Reasonable living expenses are made up of: set costs, housing, childcare and special circumstances.

Reasonable Living Expenses		
Set Costs	Housing	Special circumstances
	<b>Childcare</b>	

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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. These costs will be added to your set costs provided they are determined to be reasonable by your approved intermediary (“AI”) or personal insolvency practitioner (“PIP”). 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.

The Personal Insolvency Act (“the 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.

An online calculator was created in 2015 and placed on our website [www.backontrack.ie](http://www.backontrack.ie) so you can calculate your own RLEs in a few simple steps.

## 2. How are the figures arrived at?

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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<sup>1</sup> (“VPSJ”).

The VPSJ conducted 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 expenses associated with these items have been called ‘Set Costs’. The ISI model is based on the VPSJ model but is not identical.

## 3. Set Cost table

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

The figures are monthly and amendments made to child benefit<sup>2</sup> in recent 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, approximately €10 extra each for the third and fourth child are added. The exact amounts are listed in our [background information document](#) and will be captured by your AI or PIP and by our [online calculator](#).











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.

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<sup>1</sup> [www.budgeting.ie](http://www.budgeting.ie)

<sup>2</sup> Increases of €5 in child benefit payments from the Department of Social Protection in Budget 2016 and Budget 2015.

### 3.2. Set Cost Table

Monthly figures	Car required?	
		
Household Composition:	Adult Set Costs	
 Single Adult (No Children)	€938.14	€1050.48
 Couple (No Children)	€1,509.59	€1,486.62
 Single Adult (With Children)	€944.71	€1,096.15
 Couple (With Children)	€1,373.63	€1,420.83
<a href="#">Icons designed by Freepik</a>	Children Set Costs	
 Infant	€232.26	€232.26
 Pre-school	€68.52	€56.27
 Primary School	€209.37	€197.12
 Secondary School	€422.16	€409.91

## 4. Examples

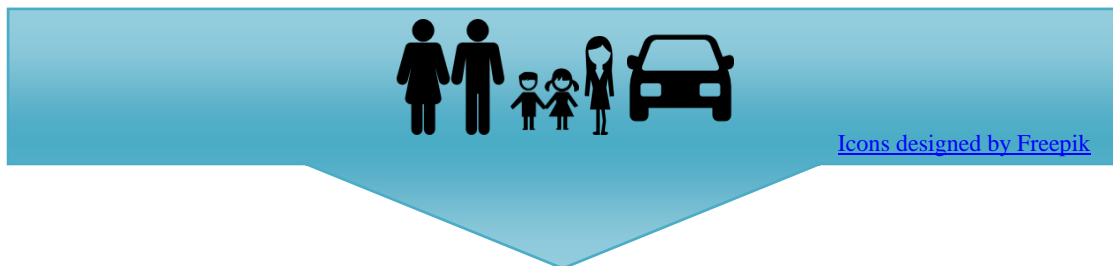
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### 4.1. Example 1a: Couple with children

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.

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.

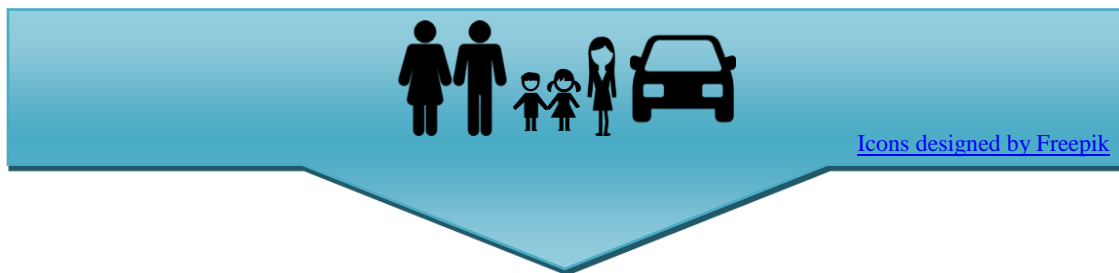
For the purposes of calculating Mary's reasonable living expenses it is presumed that she and Stephen split all payments 50:50. As such her RLEs are calculated as before, and then divided by two to obtain Mary's RLE.



#### 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 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.



#### 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.

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**.

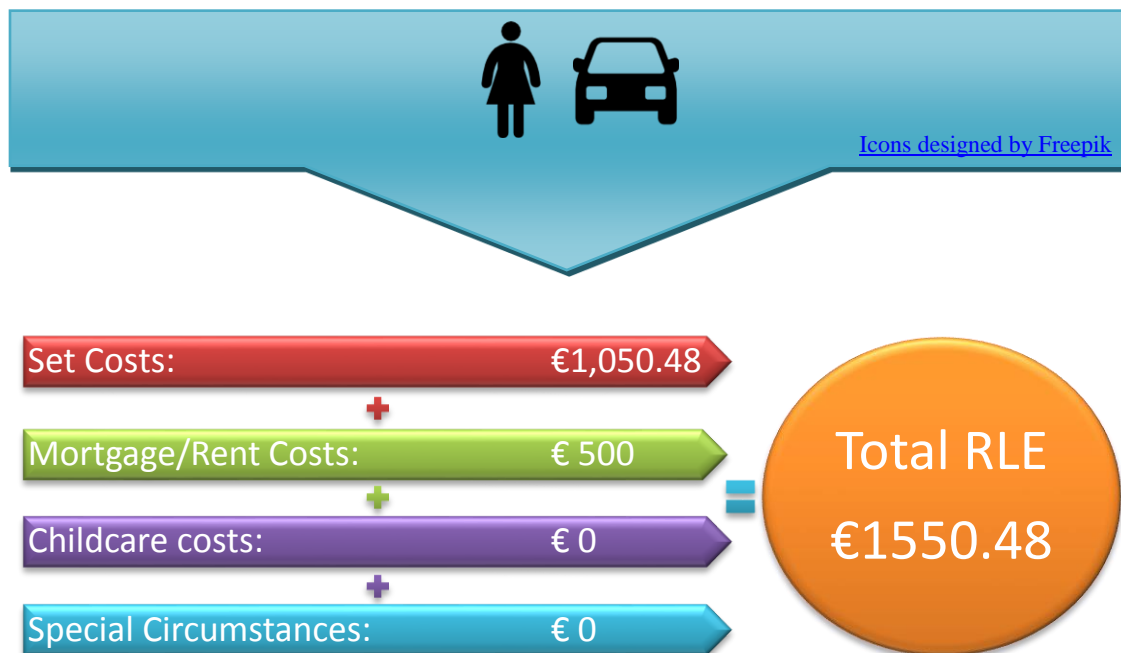
As Jason works full time he requires childcare for Mark after school for two hours per day on the days he has access which is ten school days per month. This costs Jason €400 per month.



### 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.

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

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### 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 covers 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. See what your RLE is [here](#).

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 section](#) on the website of the ISI [www.isi.gov.ie](http://www.isi.gov.ie).

The ISI welcomes comments on these guidelines by email to [rle@isi.gov.ie](mailto:rle@isi.gov.ie)