In recent years I have been developing an account of auditory verbal hallucinations (AVHs) which sees them as resulting from the internalization of dialogue in development. I will present the theoretical framework of this account and review some relevant evidence from developmental psychology and adult psychopathology. I will then consider some of the challenges facing this account, both conceptual and empirical. Some of these are general to all inner-speech accounts of AVHs, and are relevant to evidence from phenomenological reports and neuroimaging studies. I conclude by pointing to some ongoing empirical work designed to test hypotheses arising from this account, which may allow us to become clearer about its future prospects.