



Dealing with Debt

Housing News brings you a pull-out supplement offering basic advice about debt and simple guidelines for dealing with money problems.

Debts can build up quickly and become overwhelming, making it very hard to cope. This could in turn affect your health, well-being and your relationships.

But debt can be dealt with and there are lots of organisations who can help you with advice and support.

It's important not to ignore your debts and to get specialist advice as soon as possible.

But the first step on the road to recovery is to identify you have a problem.

Debt danger signs

- Missing more than one repayment
- The payments are not reducing the debts
- Borrowing from one creditor to pay another
- Finding it difficult to manage day to day expenses
- Not opening bills
- Creditors threatening legal action

What you can do

- Don't ignore the problem
- Don't borrow money to pay off your debts without getting advice
- If you have lost your job, or are off sick check whether you have payment protection insurance
 - Check you are claiming all of the benefits and Tax Credits that you are entitled to
 - Get in touch with everyone you owe money to and explain your difficulties
 - Work out your income and expenditure
 - Make sure that you tackle priority debts first
 - Work out a reasonable offer to repay the money you owe
- Don't give up if creditors are difficult, support is available from advice agencies
- Fill in reply forms to court papers and let them have all the facts
- Always attend court hearings
- Always keep copies of any letters or court forms you send or receive

Four simple steps... ...to help you deal with

Step One

Make a list of your debts

Make a list of all the people and companies you owe money to (**your creditors**). You will need the following information for each debt:

- the name and address of the creditor
- the account or reference number
- the amount you owe
- copies of any original loan agreements you signed

It's a good idea to keep letters or statements for each debt in one place so that you can easily find them.

The debts you deal with first are called 'priority debts'.

Priority debts	Action against you
Rent arrears	Repossession of your home or eviction from your home by bailiffs
Council Tax	Seizure of goods by bailiffs or deduction from wages or benefits/imprisonment
Gas or electricity	Supply cut-off
Magistrates Court fines	Seizure of goods by bailiffs or deduction from wages or benefits/imprisonment
Maintenance	Seizure of goods by bailiffs or deduction from wages or benefits/imprisonment
Income Tax, National insurance and VAT arrears	Seizure of goods by bailiffs or bankruptcy
TV License	Criminal prosecution and fines

Non-priority debts

- Benefits overpayments
- Credit debts such as overdrafts, loans, hire purchase, credit card accounts and catalogues
- Student loans
- Money borrowed from friends or family

Remember - although these are not priorities if you don't make any offers to pay your creditors they may take you to court. If you still fail to pay when the court has ordered it, your creditors can take further action including Bailiffs.

Step Two

Work out your budget

List all the income and expenses for your household making sure the amounts are realistic.

Example:

Income

- Wages (after deductions)
- Benefits
- Maintenance/Child Support
- Contributions from family members/lodgers

Expenditure

- Housekeeping – food, toiletries, cleaning materials, school/work lunches, cigarettes, pet food, children's pocket money
- Housing costs – rent, insurance, service charges
- Council Tax
- Fuel and water charges
- Telephone charges
- Travel expenses – car running costs, road tax, insurance, public transport costs
- Insurance other than house or car
- Childcare costs
- TV license
- Clothes
- Medical/dental expenses
- Money you should set aside for unexpected events

When you've added up all the figures, you'll see if you have any money left over to pay your debts. You may even be able to see if you can make some savings. An advice agency can help you draw up a budget and help you increase your income if this is possible.





your debts

Step Three

Sort out your priority debts

Don't ignore letters or phone calls from your priority creditors. Get in touch with them and explain to them why you are in debt. If you phone, you should follow up the call with a letter, confirming what you said. Keep copies of any letters you write to them. Advice agencies can help you write to your creditors.

When you have worked out how much you have left over after paying your expenses, contact each of your priority creditors and try to make an arrangement to pay back what you owe.

If you can't afford to pay anything to your priority creditors and your situation isn't likely to get better, the outcome may be very serious – get advice straight away.

If your priority creditors are threatening to take court action or have started to take court action against you and you need a little time to sort out your finances, send them a letter asking them not to take any further action during this time. Get advice straight away.

If you're in debt, don't panic... there's a lot of help available.

Don't ignore calls or letters from the people you owe money to because the problem won't just go away.

Follow these steps to help you get back in control of your finances.

Step Four

Sort out your non-priority debts

After dealing with your priority debts, you will need to work out how to deal with your non-priority debts. How you deal with your non-priority debts will depend on whether you have any money left over from dealing with your priority debts and paying for essential household expenses like housing costs and food. Again, speak to an advice agency for help.

Money to spare?

If you have money to spare, you may have several options for dealing with your non-priority debts.

You should weigh up the advantages and disadvantages of each of these options carefully. Get as much information as you can before making a decision and don't sign anything until you are sure it is the best option for you. If you have any questions, get advice.

Making offers to creditors

Any money you have left over after paying your expenses and your priority creditors is called your available income. You can use this to pay off your non-priority creditors.

You should share out your available income fairly between all your non-priority creditors. This means you should offer each creditor a percentage of your available income, based on the amount you owe them.

If you have no money to spare

If you have little or no money left after you have worked out your budget, you have nothing of value to sell and you think your circumstances are unlikely to get better soon, you will have limited options for dealing with your non-priority debts. The options you will have are:

- asking your creditors to write off your debt
- applying for a Debt Relief Order
- applying for bankruptcy





Loan Sharks

Never be tempted to borrow from a loan shark. Always get advice from an independent financial adviser before signing a new loan agreement.

Benefit check

Always make sure you are claiming all the benefits you are entitled to. You can claim Council Tax and Housing Benefit from Ashford Borough Council.

A new benefit advice service will shortly be launched at the Ashford Gateway

You also can find comprehensive information about benefits and financial support on the Direct Gov website.

Consolidation

putting all your debts into one loan

You might be thinking about taking out a loan to pay off your non-priority debts. This is called a consolidation loan.

It's usually not a good idea to borrow more money to repay your existing debts as this can make things worse and cost more in the long-run. Many creditors ask for the new loan to be secured against your home. This means you could lose your home if you don't keep up the payments.

Before taking out a loan talk to an advice agency.

How debt affects your credit record

Some of the options to deal with your debts will affect your credit record and it may be more difficult for you to get credit in the future, including a mortgage or even getting a new mobile phone contract. This is because information about your financial situation is collected and stored on file by credit reference agencies. They give this information to lenders like banks, building societies, finance houses and major retailers. The lender uses this information to help them decide whether or not to give you credit.

Information held by credit reference agencies includes:

- your credit agreements, including balances and payment histories
- failure to pay your mortgage
- whether you have had your home taken back (repossessed)
- county court money judgments (CCJs)
- bankruptcy orders
- Individual Voluntary Arrangements (IVAs)
- previous credit searches
- Administration Orders.

You can check your credit file to make sure it is correct.

Help is at hand...

It's important to seek help with your debts as early as possible to prevent your debts getting even bigger. There are many advice agencies that offer excellent help including specialist debt advisers, documents you can download and draft letters you can adapt. But beware, there are also companies calling themselves debt help agencies who are in fact loan companies.

Who to Contact

Citizens Advice Bureau, Seabrooke House, Norwood St, Ashford	www.adviceguide.org.uk	01233 626185
Shelter, Bull Yard, High Street, Ashford	www.shelter.org.uk	0844515 1444
National Debtline	www.nationaldebtline.co.uk	0800 138 1111
Consumer Credit Counselling Service	www.cccs.co.uk	0800 716 239
Direct Gov	www.direct.gov.uk	
Ashford Borough Council	www.ashford.gov.uk	01233 331111
Ashford Gateway, Park Mall, Ashford		0845 8 247 247
Tenterden Gateway, Manor Row, High Street, Tenterden		01580 762558