

Dealing with your debts

NATIONAL
DEBTLINE

ADVICE YOU CAN TRUST

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Increase your income

2

Work out your personal budget

3

Deal with your priority debts

4

Deal with your non-priority debts



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For free, confidential, independent advice, call Freephone:

0808 808 4000

For more information, visit www.nationaldebtline.org

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What this pack contains

Lots of people are in debt these days, for all sorts of reasons. This pack gives you good advice about tackling your debts. There are two budget sheets included with this pack.

- You can use your **personal budget** to work out how much money you have to pay towards your debts. This will help you decide the best way to deal with your debts.
- If you decide that your best option is to negotiate reduced payments to your creditors (the people you owe money to), send them a copy of your **budget summary**.

We show you how to use the information you gather in your **personal budget** to help you fill in your **budget summary**.

Getting started

Four simple steps to dealing with your debts

Using this pack will help you take four important steps to deal with your debts.

We explain each step in a different section of this pack.

Following all four steps will take some time. But it will help you deal with your debts. So don't give up, and contact us for help as often as you need to.

Step 1 Increase your income

See page 7

Step 2 Work out your personal budget

See page 14

Step 3 Deal with your priority debts

See page 23

Step 4 Deal with your non-priority debts

See page 36

Personalised advice from our website

Visitors to our website can use our secure, confidential, online debt-advice tool. If you would like to use this free service, enter some details about your circumstances, including your income and outgoings. The online debt-advice tool will help you work out a budget and give you personalised debt advice about your options.

See www.nationaldebtline.org



Remember: how National Debtline can help

National Debtline is a national advice service for people with debt problems. The service is free, confidential and independent.

National Debtline offers expert, professional advice online, over the phone and by email. This allows you to deal actively with your debts in an informed way and decide the best option for you to take.

By phone: **0808 808 4000** Monday–Friday 9am–8pm
Saturday 9.30am–1pm Online: www.nationaldebtline.org

Extra help: we have included some extra information in this pack to help you.



Green boxes help you move ahead and deal with your debts.



Amber boxes tell you important things to think about before taking your next steps.



Red boxes warn you about situations where you need to be particularly careful.

Phone advice from National Debtline

Calls to National Debtline are free from landlines and mobile phones.

You can call us using the Next Generation Text Service.

National Debtline also uses a telephone interpreting service. This means our advisers always have access to professional interpreters over the phone in 200 languages. If you do not speak English, it takes just a couple of minutes to get an interpreter on the phone, who will translate accurately what you and the adviser are saying to each other.



National Debtline has a proven track record and has been awarded the Advice Services Alliance 'Advice Quality Standard'.

Webchat and email advice from National Debtline's website

Visit our website at www.nationaldebtline.org where you can webchat with one of our advisers or email an enquiry through to us. You can also view this information pack, browse through our library of fact sheets, fill in sample letters to send to your creditors, or complete a personal budget and budget summary online.

Advice if you are self-employed

If you are self-employed, our sister organisation Business Debtline may be able to help you. See www.businessdebtline.org, where you can:

- view an information pack and fact sheets in more detail that deal with debt problems when you are self-employed;
- use a cashflow forecasting tool to get an idea of how much money will come in to, and go out of, your business over a certain period of time; and
- complete and print off a business and household budget sheet.

You can phone Business Debtline on 0800 197 6026.



Warning: itemised phone bills

Your phone calls to National Debtline may be listed on an itemised phone bill. You need to remember this if your call is confidential and someone else may see your phone bill.

Information: confidentiality

To protect your confidentiality, National Debtline does not use 'caller display' equipment. This means advisers cannot see your number displayed on a screen when you ring. We also have a permanent block on the 'caller return' service. This means that if we ring you back, the National Debtline number will not be announced as the last number to ring you to anyone dialling '1471'. This is in case you don't want anyone to know that National Debtline has contacted you.

You can also use our online debt-advice tool knowing that your confidentiality will be protected. To use this service, you need to register on the website using your first name, your email address and your password. If you decide to register with our online debt-advice tool, your personal information will be protected under our privacy policy.

Extra help if you have mental-health difficulties

If you have mental-health difficulties, extra help is available to support you.

- There are a number of organisations that may be able to provide you with different types of support. Contact us for advice.
- Extra guidelines apply to many organisations that you are in contact with. We can explain these guidelines to you and how you can use them to help you deal with your debts.

Companies that charge for advice

You may come across companies that offer to sort out your debts if you pay a fee. Be very careful to look at what the company is promising to do for you before sending them any money. Some of these companies say they will get your creditors to write off part, or all, of your debts. Unless you have special circumstances, this is unlikely to happen.

- Ask the company if it is authorised by the Financial Conduct Authority (FCA).
- The FCA has issued its Consumer Credit sourcebook (CONC) setting out rules and guidance for debt management companies. See www.fca.org.uk. You can use the rules and guidance to make a complaint if the company does not follow these rules.
- You can make a complaint to the Financial Ombudsman Service if you are not happy with the outcome of your complaint to the company. For details on how to complain see www.financial-ombudsman.org.uk or contact 0800 023 4567 or 0300 123 9123.
- Professional advice on dealing with your debts is always available free from agencies such as Citizens Advice and money advice centres, or by ringing National Debtline. Remember, instead of paying fees to a debt management company, you could be better off using the money to pay off your debts instead.

Golden rules...

If you follow these golden rules, you won't go far wrong.

- It is never too late to get advice. Remember, we are here to help and you are not alone.
- Don't borrow money to pay off your debts without thinking carefully. Get advice first. If you own your home, this kind of borrowing could lead to you losing your home.
- If you have lost your job, or you are off work because of illness, check whether your payments are covered by payment protection insurance. Check your credit agreement. Contact the insurance company or your lender to find out more details about how to claim.
- Check you are claiming all the benefits and tax credits you can.

See 'Benefits, tax credits and Universal Credit' on page 9.

- A **personal budget** is an essential tool when dealing with your debts. Use this pack to help you work out what money you have coming in and going out.
- Once you have finished your **personal budget**, use this pack to work out the best way to deal with your debts. If you are unsure, **contact us for advice**.
- Make sure that any money you receive (for example, wages or benefits) goes into an account at a bank or building society which you don't owe any money to. This means the bank or building society will not be able to take any of your income to repay your debt to them.

See 'Opening a bank account' on page 45.

- Make sure you tackle your priority debts first, for example, debts which could mean losing your home or having your gas or electricity cut off.

See 'Dealing with your priority debts' on page 23.

- If you decide that the best option is for you to try to come to payment arrangements with your creditors yourself, use this pack to work out a reasonable offer to repay the money you owe.

See 'Working out offers of payment to non-priority creditors' on page 19.

- If you are going to make offers to your creditors, send them a copy of your **budget summary** when you tell them about your difficulties.
- Use this pack to work out your **budget summary**.

- Use our sample letters to write personalised letters to your creditors.

See pages 50 to 52.

- Contact everyone you owe money to. If you make arrangements to pay some creditors but not others, you could run into difficulties again.
- If the first person you speak to is unhelpful, ask to speak to somebody more senior who may be able to agree to what you want.
- Don't give up trying to reach an agreement, even if creditors are difficult.
- If a creditor takes court action, don't panic. When you receive the court papers, fill in the reply forms and let the court have all the facts. The court will use this information to decide if you owe the money and what instalments you should pay.
- Always go to court hearings. Take a copy of your **budget summary** with you. Don't think that going to the County Court makes you a criminal. It's not that kind of court. They will not send you to prison and there is no jury. There are money advisers who may be able to represent you in court. Check www.gov.uk/find-a-legal-adviser for details of agencies providing advice in your area.
- Always keep copies of any letters or court forms you send or receive.

Remember: if you need extra help

We are always here to help with letters and forms. We can explain what to do if you are asked to go to court.

Important: don't ignore the problem

It won't go away and the longer you leave it, the worse it gets.



Lots of people are in debt because they don't receive all the money they are entitled to.

Before you work out your **personal budget**, use this section to see if you can increase your income.

You may be able to claim benefits, tax credits or Universal Credit, obtain help from grants or with energy costs, or find other ways of boosting your income. We have divided this section up so you can see the different sorts of help available.

Step 1 Increasing you income

Checklist

Use this simple checklist to make sure you have done all you can to increase your income.

Get benefits and tax credits or Universal Credit

Make sure you are getting all the benefits, tax credits or Universal Credit that you should. Can you get help with your rent or mortgage payments, or a reduction on your council tax? Do you need extra help because of illness or disability?

See 'Benefits, tax credits and Universal Credit' on page 9.

Is your employer paying you at least the minimum wage?

Not all employers pay what the law says they should. Check you are being paid the right amount.

See 'Minimum wage' on page 11.

Are you paying too much tax?

Are you getting all the tax reliefs and tax allowances that you can? Check this with HM Revenue & Customs (HMRC).

See 'Tax' on page 11.

Are others paying you enough?

Should a former partner be paying child maintenance but they are not? If people are staying with you, are they paying enough to cover their keep? Check how much they are really costing you and ask them to pay more if necessary.

See 'Money from other people' on page 12.

Do you have payment protection insurance?

Have you taken out payment protection insurance to make payments to your creditors if you are unemployed or in financial difficulties?

See 'Money from insurance' on page 12.

Can you rent a room out?

Do you have a spare room you could rent out to a lodger to make some extra income?

See 'Renting out a room' on page 12.

Can you get an advance, a budgeting loan or help from your local council?

Could you get a short-term benefit advance, a budgeting loan or a budgeting advance from the Department for Work and Pensions (DWP)? Could you get a grant or other help from your local council?

See 'Help from grants, advances and loans' on page 12.

Staying on at school?

You may be able to get help with the costs of your children staying on at school or college.

See 'Help from grants, advances and loans' on page 12.

Can you cut your energy or water bills?

Can you save money by using less energy or by switching to a different energy supplier? Can you get a cheaper water supply on a lower tariff? Can a trust fund help you with your energy bill, water bill or other costs? Can you cut your energy bills by adding insulation and heating improvements to your home?

See 'Help from grants, advances and loans' on page 12.

Remember: contact us

You can always **contact us** for help, information and advice on **0808 808 4000** or see **www.nationaldebtline.org**.

Benefits, tax credits and Universal Credit

There is a range of different types of benefits and tax credits which you might be entitled to. The Government has also started to introduce a new benefit called Universal Credit. Whether you can claim any of these benefits will depend on your circumstances.

You can see more information about many of these benefits on www.gov.uk.

Some benefits are based on the **National Insurance contributions** (NICs) you have paid. These include contribution-based Jobseeker's Allowance or contributory Employment and Support Allowance and pensions.

Other benefits and the new Universal Credit are **means-tested**. This means the amount of help you get depends on how much money you already have coming into your home. There are also limits on how much you are allowed to have in savings and still claim. These benefits are designed to 'top up' any income you already have. You do not need to have paid NICs to claim them.

Universal Credit

Universal Credit has begun to replace the following benefits and tax credits.

- Income-based Jobseeker's Allowance
- Income Support
- Income-related Employment and Support Allowance
- Child Tax Credit
- Housing Benefit
- Working Tax Credit

Some people who make a new claim for these benefits will get Universal Credit. Between now and **2021**, most people claiming the old benefits and tax credits should be transferred to Universal Credit. Read more about where and when you can claim Universal Credit on www.gov.uk.

You can use an online benefits checker such as the **benefits calculator** at www.turn2us.org.uk.

Income-based Jobseeker's Allowance

This is for people who are looking for work or are working a number of hours that is considered to be less than full-time work. You may also be able to get help towards your mortgage. From **April 2016**, you will have to wait up to **39 weeks** before you get help with your mortgage costs.

Income Support

This is for people who are not looking for work (for example, because they are caring for someone). You may also be able to get help towards your mortgage. From **April 2016**, you will have to wait up to **39 weeks** before you get help with your mortgage costs.

Income-related Employment and Support Allowance

This is for people who may be unable to work because of illness or disability. You may also be able to get help towards your mortgage. From **April 2016**, you will have to wait up to **39 weeks** before you get help with your mortgage costs.

Pension Credit

You can claim this once you have reached the qualifying pension age. The amount you are entitled to depends on your income. You may also be able to get help towards your mortgage. To check your entitlement to Pension Credit, see www.gov.uk.

There is an extra payment called Savings Credit if you or your partner are **65 or over**. You will not be able to get this if you reach State Pension age on or after **6 April 2016**. If you are in a couple and were already getting Savings Credit on **6 April 2016**, you will continue to get it as long as you remain entitled to it. The amount you get will depend on how much money you have saved.

Housing costs

If you claim Income Support, Pension Credit, income-related Employment and Support Allowance or income-based Jobseeker's Allowance, the DWP will normally pay at least some of the interest on your mortgage if you took the mortgage out to buy your home. This is called 'Support for Mortgage Interest'.

The rules about how much help you can get are complicated. Different rules apply depending on when you took out your mortgage and when you made your claim for benefit. If you are not sure about whether you are eligible, **contact us for advice**.



Extra advice: housing costs and Universal Credit

If you claim Universal Credit, the DWP can pay at least some of the interest on the mortgage of a property you are living in as your home, as long as you are not earning any income. The rules about how much help you can get from Universal Credit are complicated. If you are not sure about whether you can claim, **contact us for advice**.

See our fact sheet: **Mortgages – help with payments**.



STEP 1 Increasing your income

Child Tax Credit

This is paid to people with responsibility for a child (**aged under 16**, or **under 20** if the child is in full-time education or certain kinds of approved training). It can be paid whether you are in or out of work, unless you are being paid Universal Credit instead. The amount you will get depends on your income. For information, ring the tax credits helpline on **0345 300 3900**. In time Child Tax Credit will be replaced by Universal Credit.

Housing Benefit

You may be able to get help with your rent by claiming Housing Benefit from your local council if you are on benefits or a low income. In certain situations, your Housing Benefit can be paid direct to your landlord. **Contact us for advice.**

The Government has put a cap on how much you can receive in benefits if you and your partner are of working age but are not working. This is known as the 'benefit cap'. This applies if your combined income from certain benefits is over a set amount and means that the amount of Housing Benefit you receive may be reduced.

This cap will not apply if anyone in your household receives particular disability-related benefits and some other pensions.

Extra advice: when the benefit cap does not apply

If you are paid Housing Benefit, the benefit cap will not apply for the **first nine months** of your award, if you (or your partner) have lost a job which you have held for **a year** or more and you have not been on certain benefits during that time. The cap will also not apply for **nine months** to people getting Universal Credit whose earnings have been higher than a set amount during the **previous year**. **Contact us for advice.**

If you are of working age and you rent your home from a council or housing association, your local council may reduce the amount of Housing Benefit it will pay you if it decides that you have more bedrooms than you need. This is commonly known as the 'bedroom tax'. This does not affect some properties and people in certain situations. **Contact us for advice.**

Working Tax Credit

This is paid to people who are in work but are on a low income, unless they are being paid Universal Credit. By **2017** all new claims will be processed as Universal Credit instead of Working Tax Credit. It is paid on top of your wages, and is dealt with by HMRC. You can claim

whether you have children or not, but the hours you must work to be eligible will depend on your circumstances and age. For information, ring the tax credits helpline on **0345 300 3900** or see www.gov.uk.

Support for council tax

Your local council runs a Council Tax Reduction scheme. Contact them for details of how to apply.

See 'Council tax arrears' on page 28.

If you live on your own, you may qualify for a single person discount. Ask your local council about this. Sometimes, people living with you may not be counted when deciding whether you are entitled to this discount. **Contact us for advice.**

Extra advice: questions about benefits

Working out which benefits to claim can be complicated. There are different ways of getting answers to your questions about benefits.

If you would like to speak to someone, contact your local DWP office or the Jobcentre Plus helpline on **0800 055 6688**.

You can ask a local advice centre for help or you can **contact us for advice**.

You can use an online benefits checker. For example, see the **benefits calculator** at www.turn2us.org.uk.

Other benefits

Some benefits are not means-tested and you don't need to have paid any NICs to claim them.

Child Benefit

You can claim Child Benefit if you have dependent children. The amount of Child Benefit you receive may be affected by the High Income Child Benefit charge if you or your partner earns more than £50,000 a year. If either you or your partner earns over £60,000 you will still receive any Child Benefit due, but a charge added to your income tax will recover this in full from you. If you have recently arrived in the UK, special rules apply. **Contact us for advice.**

Benefits if you are disabled or a carer

People with disabilities can claim benefits such as Disability Living Allowance, Personal Independence Payment and Attendance Allowance, and their carers may be able to claim Carer's Allowance.

- If you are **aged under 16**, you can apply for Disability Living Allowance.
- If you are aged **between 16 and 64**, you can apply for Personal Independence Payment.
- If you are aged **65 or over**, you can apply for Attendance Allowance.

If you currently get Disability Living Allowance, this will be replaced by the Personal Independence Payment. The DWP will let you know when you need to make a new claim.

If you are **under 16**, you can continue to claim Disability Living Allowance until you reach your 16th birthday. You will be invited to apply for Personal Independence Payment if you are living in an area where Personal Independence Payment is being rolled out. If you are not, you will be checked to see if you are still eligible to receive Disability Living Allowance.

Whether you can claim any of these benefits will depend on the nature of your illness or disability and the effect it has on you.

The State Pension from 6 April 2016

The State Pension changed on **6 April 2016** for people who reached State Pension age on or after that date. This involves men born on or after **6 April 1951** and women born after **6 April 1953**.

How much money you get in your State Pension depends on your record of making NICs. In some cases it also depends on the NICs record of your husband, wife or civil partner. You can get information about your own record by going to **www.gov.uk** and searching for national insurance record.

The amount of State Pension that you get may be more or less than the normal full amount, depending on the kinds of NICs that you have made before **6 April 2016** and your contribution record. If you are already a pensioner, you may be able to top up your contribution record with Class 3A contributions as long as you do this before **6 April 2017**. Go to **www.gov.uk** and search for pension top up.

You may be able to fill in gaps in your contribution record with National Insurance credits or Class 3 voluntary contributions for up to six years in the past. Go to **www.gov.uk** and search for voluntary national insurance. You may get less than the normal full amount if you have been contracted out of the additional State Pension into a private pension scheme during the years before **6 April 2016**.

Ask for a pension statement to find out how much State Pension you can get by going to **www.gov.uk** and searching for state pension statement.

If you need more help to find how much State Pension you might get, **contact us for advice**.

Help with health costs

You may be able to get help with prescriptions, dental treatment, sight tests, glasses and contact lenses, travel to and from hospital, wigs and fabric supports. The rules are different depending on whether you live in England or Wales. Prescriptions are free in Wales for everyone. If you live in England, you may have to pay. Contact your local advice agency, the DWP or the Help with Health Costs advice line on **0300 330 1343 (England)** or **0845 850 1166 (Wales)** to see if you qualify for free prescriptions and help with health costs. If you cannot claim free prescriptions, you may be able to reduce the cost by buying a prepayment certificate.

Minimum wage

Check that you are being paid the national minimum wage. This usually goes up every year in October. The minimum wage you are entitled to depends on your age. Go to **www.gov.uk** and search for minimum wage. To complain if you think you are being paid too little, ring the Acas Pay and Work Rights Helpline on **0300 123 1100**. Or, use the online service called Acas Helpline Online on the Acas website **www.acas.org.uk** to get more information. From **1 April 2016** the Government has introduced a new 'national living wage' for workers aged 25 or over. See **www.gov.uk** and search for national living wage.

Tax

Everyone is entitled to a personal tax allowance (or tax-free amount of income), but there are all sorts of tax allowances and tax reliefs available. These depend on your age and personal circumstances. You can check your entitlement to tax allowances and reliefs at **www.gov.uk** and **www.litr.gov.uk**. If you are still in doubt, contact the self assessment general enquiry line on **0300 200 3310**.

Contact us if you have any questions.

Important: backdated tax allowances

You can still ask for tax allowances to be given to you for earlier years, even if you do not qualify now. Make these claims as soon as possible as there are time limits to applications. If you think you might be eligible for a backdated tax allowance, check with the self assessment general enquiry line on **0300 200 3310** or **contact us for advice**.

STEP 1 Increasing your income

Ways of increasing your household income

Money from other people

- If you have grown-up children or other relatives living in your home, make sure they are paying enough towards the household expenses. **Contact us for advice.**
- If you have children from a former relationship, you may want to claim child maintenance or see whether the maintenance you are getting can be increased. You will be able to keep all the child maintenance you receive, even if you are on benefits. You can find independent advice about child maintenance options at www.cmoptions.org or contact **0800 988 0988**.

Money from insurance

- Check whether your mortgage or any other loans are covered by payment protection insurance. If so, this may cover your payments if you have been made redundant or you are off work because of illness. If you are turned down by the company when you claim on your policy, you may be able to complain to the Financial Ombudsman Service. See www.financial-ombudsman.org.uk or contact **0800 023 4567** or **0300 123 9123**. **Contact us for advice.**

Renting out a room

- Do you have a spare room in your home that you could rent out? You will need to check to see how this would affect any benefits you are claiming. **Also check your tax position.** Ask the self assessment general enquiry line on **0300 200 3310** about the 'rent-a-room' scheme. This allows you to receive rental income, up to a certain limit, tax-free. You will usually also need your landlord's or mortgage lender's permission to do this, as your tenancy or mortgage agreement may not allow you to rent rooms out. To find out more, see www.gov.uk and search for rent a room in your home.

Working as a childminder

- You may be able to work as a childminder in your home and still claim Income Support, Job Seeker's Allowance or income-related Employment and Support Allowance. You are not treated as working full-time for Income Support and income-related Employment and Support Allowance. Check with the DWP or **contact us for advice.**

Help from grants, advances and loans

- Check with your local council to see if you can have a home-improvement or disabled facilities grant. This will depend on your income, whether you have a disability and what repairs need doing in your home.
- If you are on Income Support, income-based Jobseeker's Allowance, income-related Employment

and Support Allowance or Pension Credit, you may qualify for a short-term benefit advance or a budgeting loan from the DWP. If you are on Universal Credit, you may qualify for a short-term benefit advance or a budgeting advance. Payments depend on your circumstances and there are guidelines on the type of items you are allowed to buy and who qualifies for help. See www.gov.uk or **contact us for advice.**

- The Social Fund provides maternity grants and funeral expenses payments for people on qualifying benefits. See www.gov.uk or **contact us for advice.**
- If you are pregnant or have a child **under four** and you are on certain benefits, or you are pregnant and **under 18**, you may qualify for help with the cost of milk, fruit, vegetables and vitamins under the Healthy Start scheme. Contact the Healthy Start Issuing Unit on **0345 607 6823** or see www.healthystart.nhs.uk to find out if you qualify for this scheme.
- If you have no income or there is an emergency or disaster, you can apply for help from your local council's assistance scheme. You do not have to be on benefits to apply but you can only get help with certain items. **Contact us for advice.**

The 16 to 19 Bursary Fund (if you live in England)

- If you have children who are aged between **16 and 19** and are staying on at school or college, they may qualify for a bursary of up to **£1,200** a year. This is only in limited circumstances, such as if they are claiming Income Support in their own name, or are disabled and on certain benefits. The school or college can also help with a bursary if your children are in financial hardship. For more information, contact the school or college direct.

Education Maintenance Allowance and the Welsh Government Learning Grant (if you live in Wales)

- If you have children who are aged between **16 and 18** who are staying on at school or college, they may qualify for an allowance of **£30** a week, depending on your household income. If your child is **19 or over**, they may qualify for a Welsh Government Learning Grant if they stay on at college. For more information, contact Student Finance Wales on **0300 200 4050** or see www.studentfinancewales.co.uk.

Help with gas, electricity and water costs

- Can you cut down on the amount of energy you use? The Energy Saving Trust has a **Home Energy Check tool** on its website www.energysavingtrust.org.uk and information about grants and support which you may be able to get. GOV.UK also has a calculator on its website which tells you what help you can get with energy grants and heating costs. Go to www.gov.uk and search for energy grants and ways to improve your energy efficiency.

- Contact your energy supplier to find out what help it can provide.
- If you live in Wales, you may be able to apply for free home improvements through the Nest scheme. For more information, call **0808 808 2244** or visit Nest's website at **www.nestwales.org.uk**.
- Some energy and water companies have trust funds and support schemes that may be able to give you help to pay your bills if you are in financial difficulties. Contact your supplier for more information.

See 'Help to pay your bill' on page 30.

- You may be able to save some money by switching to a different energy supplier. There is a number of independent internet price-comparison sites that can help you find the best deal. Contact the Citizens Advice consumer service on **0345 404 0506** for a list of authorised companies, or check the list on the Ofgem website **www.ofgem.gov.uk**.
- If you have reached pensionable age, you may be entitled to a lump sum each year called the Winter Fuel Payment. Ring the Winter Fuel helpline on **0345 915 1515** or see **www.gov.uk** and search for winter fuel payment.

See our fact sheet: Water rates arrears and water trust funds.



- Ask your water supplier to spread your bill payments over 12 months if you pay your bill in less than 12 months. This will reduce the amount you have to pay each month.
- You may be able to get a lower tariff from your water supplier which could reduce your payments. Ask your supplier what it can offer, if you are finding it difficult to pay your bill.

- Could a water meter bring down your costs? Use the **Water Meter Calculator** on the Consumer Council for Water's website **www.ccwater.org.uk** to work out whether your water charges would be lower if you had a water meter.
- If you are on a water meter, receive income-based benefits and meet other conditions, you may be able to get a reduced water bill. There are two schemes that can reduce your bill: **WaterSure** and **WaterSure Wales**. Read more about WaterSure or WaterSure Wales on the Consumer Council for Water's website **www.ccwater.org.uk**.
- Most water companies have trust funds and support schemes which may be able to help you pay your water bills if you are in difficulty. You can find a useful booklet which lists most of the available water and energy trust funds and support schemes on the Auriga Services website **www.aurigaservices.co.uk**.

See our fact sheet: Budgeting and saving.



INFO

Information: Turn2us

Turn2us is a charity that helps people in financial need get access to benefits, charitable grants and other financial help. See **www.turn2us.org.uk**, which has a **benefits calculator** and other advice about benefits, as well as a **grants search tool**, or ring the helpline on **0808 802 2000**.

Next steps...

You are now at the end of **step 1**. We hope this section has helped you get all the extra money and other help you can.

Step 2 is called '**Working out your personal budget**'. Completing a budget will help you decide what your options are for dealing with your debts. This section will give you lots of useful guidance and tips on working out your budget.

Turn to page 14 to begin.





A personal budget is an essential tool to help you tackle debt problems. Use this section to guide you through filling in your **personal budget**.

You can then see how much money you have left over. This will help you work out the best way to deal with your debts.

This section will also help you fill in the **budget summary** for your creditors, if you decide that your best option is to offer reduced payments.

Step 2

Working out your personal budget

Checklist

Use this simple checklist to make sure you take the right steps to work out your budget.

Can you increase your income?

Before you start to look at your **personal budget**, check to see if there are ways of increasing your income.

See 'Increasing your income' on pages 7 to 13.

Can you manage your money better?

You might be able to cut down on some of your spending by budgeting better or shopping around for the best deal.

See our fact sheet: Budgeting and saving.



Work out a personal budget

Follow the advice and guidance in this section to list all your income and outgoings, so that you can work out the best way to deal with all your debts.

See 'Working out your income' and 'Working out your outgoings' on page 16.

Deal with any priority debts you have before deciding what to do about your other debts

Once you have worked out your income and outgoings, it is time to look at how you are going to deal with your debts. Start with any priority debts you have as these are the ones you need to deal with first.

See 'Dealing with your priority debts' on pages 23 to 35.

Decide on the best way to deal with your non-priority debts

Once you have worked out your income and outgoings and any payments that you need to make to priority creditors, you can decide on the best way to deal with your non-priority debts.

See 'Dealing with your non-priority debts' on pages 36 to 49.

Do you need to work out a budget summary?

If you decide that making reduced offers of payment to your creditors is the best way to deal with your non-priority debts, creditors will not need to see all the details in your **personal budget**. You can send them a **budget summary** instead.

See 'Filling in your budget summary' on page 21.

Are you self-employed?

If you are self-employed, contact Business Debtline for help with completing a business and household budget. This will usually be more helpful to you than following the guidelines in this pack. Contact Business Debtline on **0800 197 6026** or see **www.businessdebtline.org**.

INFO

Information: you might prefer to work out your budget online

If you think you will find it easier to fill in your budget online, see our website **www.nationaldebtline.org**, which has a budget tool-kit.

Important: your personal budget and your budget summary

With your copy of **Dealing with your debts**, you should also have a **personal budget** and a **budget summary**. **Contact us** if you need more copies of our budget sheets. You can also print off copies from our website **www.nationaldebtline.org**.

STEP 2 Working out your personal budget

Working out your income

Add up the income for yourself and your household. This includes wages, any benefits or tax credits, including Child Benefit, and contributions from other people who live in your home such as grown-up children or elderly relatives (known as non-dependants).

Important: help working out your budget

To help you work out **your income** for your **personal budget**, read our fact sheet on budgeting.

See our fact sheet: [Budgeting and saving.](#)

Working out your outgoings

Filling in this part of your **personal budget** will help you work out how much money you need to spend on basic living expenses. **At this stage, don't include any debts, arrears or credit payments.**

What if I am not sure how much to include?

In this section, we give you hints and tips on:

- how to work out the right amount to put in your **personal budget** for your regular bills and payments; and
- how much it is reasonable to spend on things like housekeeping and clothing.

Important: help working out your budget

To help you work out **your outgoings** for your **personal budget**, read our fact sheet on budgeting.

See our fact sheet: [Budgeting and saving.](#)

Essential spending

Mortgage

Include your full mortgage payments here. Put any Support for Mortgage Interest payments, or Universal Credit housing cost payments in the **your income** section under **your benefits and tax credits**. Don't list your mortgage arrears in **your outgoings**. There is space to include any mortgage arrears payments later on.

Rent

Include your full rent payments here. Put any Housing Benefit you get as income in the **your income** section under **your benefits and tax credits**. Don't list your rent arrears in **your outgoings**. There is space to include any rent arrears payments later on.

Pension

Only include what you actually pay into your pension yourself. Do not include any payments that have already been taken out of your wages by your employer.

Council tax

Check whether you can claim Council Tax Reduction. You normally pay council tax in 10 monthly instalments, but councils in England must allow you to pay over 12 months if you ask for this. Some councils may also accept payments every week or every two weeks. If you live alone, you will be entitled to 25% off your instalments. The amount you include here should be your full council tax. Include any Council Tax Reduction you get in the **your income** section under **your benefits and tax credits**. There is space to include any council tax arrears later on.

Water rates

Most water companies will accept payments every month, every week or every two weeks. Only include your ongoing water bills here. Include any water rates arrears with your other non-priority creditors. You cannot be disconnected for owing money to your water company, but it is important to pay your ongoing bills so the debt doesn't get any bigger.

Gas and electricity

If you are on a regular payment plan for your gas and electricity, include the amount you are paying every month in your **personal budget**. If you are paying your bills quarterly (every three months), work out the total cost of your last four bills and divide this sum by 12 to find out the cost each month. Gas and electricity cost less if you pay by monthly direct debit from a bank account.

If you are behind with any energy payments, only include your normal energy payments in **essential spending**. There is space later on to include details of any payments you are making towards any arrears.

TV licence

Allow £13 a month for a colour licence. If you don't have a TV licence or you have fallen behind with your payments, you will need to come to an arrangement to pay because you can be fined for not having a licence.

See 'TV licence arrears' on page 30.

Magistrates' court fines

These are priority payments and you should include them in **essential spending**. If you are behind with a court fine, **contact us for advice**. These are different from county court judgments, which you can usually include with non-priority debts.

See 'Magistrates' court fines' on page 30.

Child maintenance

This is maintenance paid to someone else by you, not maintenance you or your partner receives. Include voluntary payments and any payments ordered by a court, the Child Support Agency (CSA) or the Child Maintenance Service (CMS).

See 'Child maintenance arrears' on page 31.

Hire-purchase or conditional-sale goods and cars

Include here payments for any goods you have bought on hire purchase or conditional sale. If you need a car for work or mobility reasons (and you have bought the car using a hire purchase or conditional sale arrangement), include these payments in **essential spending** or you may lose the car. If you are behind with these payments or if you have a Motability car, **contact us for advice**.

See 'Hire purchase or conditional sale' on page 34.

Childcare costs

These might include childminder fees, nursery fees and the cost of after-school clubs. If you have extra costs because your child is ill or disabled, or if you receive Disability Living Allowance or the Personal Independence Payment because your child is disabled, **contact us for advice** about how to show these costs in your **personal budget**.

Adult-care costs

Make sure you include any extra costs you have if you or your partner is ill or disabled. If you would like help with showing these costs in your budget, **contact us for advice**.

Other essential spending

If you have other essential spending that is not listed on the budget sheet, put a short description in the space given. For example, if you belong to a church or other religious group, you may want to give a regular contribution to it.

Phone

This includes your home phone and any mobile phones you have. Only include your ongoing bill. Don't pay more than you need to for your phone.

Travel

Include the costs of travel to work, school and for shopping. This should take into account using public transport, buying travel season tickets and all the costs of running a car or motorbike, if you have one. If you have extra travel costs because of a disability or because you live in a rural area, use the **extra information section** of the **budget summary** to explain to your creditors what these are.

What if we have more than one vehicle?

If you have a good reason for using two vehicles, it is very important to explain this to your creditors. For example, creditors are likely to be understanding if you need two cars because:

- someone in your household has a disability;
- you and your partner need to travel to separate workplaces; or
- you live in a rural area where there is little or no public transport.

If you have more than one vehicle, use the **extra information section** of the **budget summary** to explain why this is.

Housekeeping

Housekeeping covers lots of different costs, including food, toiletries, cleaning materials, clothing and so on. Make sure you include any extra costs you have because of an illness or disability. For example, you might have a special diet which means you spend more on food. Don't forget to include housekeeping costs for any non-dependants who are included in your household.

A special word about clothing

The amount you spend on clothing will vary depending on your circumstances. As a rough guide, allow £3 to £5 for each person each week (or around £22 for each person each month). Only include non-dependants if you pay for their clothing. Don't forget the cost of school uniforms.

STEP 2 Working out your personal budget

Remember that your council may help with the cost of school clothing. This will depend on your circumstances. If there are reasons why you need to spend more on clothing, for example, because of wear and tear because of a disability, make sure you use the **extra information section** of the **budget summary** to tell your creditors the reason why.



Calculation box: you need to work out a monthly personal budget

If you have a weekly spending plan for housekeeping, don't forget to change it to a monthly figure.

To change weekly figures to monthly figures

Multiply the weekly figure by 52 (weeks) and divide the answer by 12 (months).

See the figures in the table **below** for a rough guide to typical spending on housekeeping (including clothing). Add the figures together for any children or non-dependent adults in your household.

Weekly housekeeping budget

Single person	Couple	Each child under 14	Each child 14 to 18	Each non-dependent adult
£59 to £80	£104 to £133	Up to £21	Up to £38	Up to £60

Monthly housekeeping budget

Single person	Couple	Each child under 14	Each child 14 to 18	Each non-dependent adult
£256 to £347	£451 to £576	Up to £91	Up to £165	Up to £260

Other spending

Other spending is made up of a mixture of things that need to be budgeted for. This type of spending varies from household to household but might include haircuts, children's pocket money, house repairs and cable, satellite and internet services. Look at the **personal budget** for a longer list of the types of spending that you might need to include. Here is some guidance on some of the outgoings that come under the heading of **other spending**.

Health costs

Don't forget the cost of prescription charges, dental treatment, glasses and sight tests for the whole household, if you pay them. In Wales, prescriptions are free. Check to see if you can get help with these expenses.

See 'Help with health costs' on page 11.

Repairs and house maintenance

Don't forget routine house repairs, repairs to washing machines, maintenance contracts and so on.

School meals and meals at work

Remember, you will save money if you take a packed lunch to school or work. Check to see if you can claim Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance or Universal Credit. If so, you may be able to claim free school meals for your children. You may also be able to claim if you receive Child Tax Credit, work less than **16 hours** a week and your income is below a set amount. **Contact us for advice.**

Extra advice: it's your budget

Your household's outgoings will be different from another household's.

See 'Housekeeping' on page 17.

But remember, you may not spend as much as someone else, or you may have extra expenses because of your circumstances such as a special diet, the cost of a uniform at work, extra transport costs because of a disability, or if you live in a rural community and so on. **It is your personal budget, so the figures should be your own.**

**Extra advice: be careful!**

If you don't take account of extra expenses, or if your figures are much below our guidelines, you may find it more difficult to stick to any long-term repayment plan. This could lead you into greater difficulties.

Hobbies and leisure

Spending on hobbies and leisure might include the costs of going to clubs and pubs, outings, sports and gym membership. Be careful about how much you are spending on these things. If you need to cut back, these are areas that you might look at.

Gifts

Don't forget Christmas and birthday presents.

Other

If you have other spending that is not listed here, or anywhere else on the **personal budget**, write a short description in the space given. Things you might want to include here are postage costs, holidays and so on. Do not include any payments towards your debts.

How much do I have left to pay my creditors?

The **personal budget** has sections for you to work out payments to both your priority creditors and your non-priority creditors. The amount in the **total money for all creditors** box is the total you have available to pay all your creditors.

The next step is to work out how much of this money you need to offer to your priority creditors. They have stronger powers to get their money back, so you must deal with them before you work out what to do about your non-priority creditors.

Working out what to pay towards your priority debts

See 'Dealing with your priority debts' on pages 23 to 35 for detailed advice on which debts you should treat as a priority.

Once you have worked out what to pay your priority creditors, contact them to make an arrangement.

See 'Dealing with your priority debts' on pages 23 to 25 for advice on how to negotiate with your priority creditors.

The next step is to put the agreed priority debt repayment figure into your **personal budget** under **your priority debts**. You can then add up all your priority debt repayments and put the total in the **total priority debt repayments** box.

**Important: no money left to pay your priority debts?**

If you have no money left to pay your priority creditors, you still have options.

See 'What if I have no money left to pay my creditors?' on page 39 or contact us for advice.

Decide on the best way to deal with your non-priority debts

Now you have worked out your income and outgoings and any payments that you need to make to your priority creditors, you need to look at all your options for dealing with your non-priority debts.

See 'Dealing with your non-priority debts' on pages 36 to 49.

If you want to try and come to a payment arrangement with your creditors yourself, see the next section, which explains how to work out your offers of payment.

Working out offers of payment to non-priority creditors

Once you have worked out how much you can afford to pay off your priority debts, see what money you have left over for your non-priority debts. If you need help to work out offers of payment, contact us for advice.

- You can work out what you have left for non-priority creditors by taking away your **total priority debt repayments** from the **total money for all creditors**.
- Put this figure in the **total money for non-priority debts** box.
- This is how much you have left to share between your non-priority creditors.

If you have some money left after taking away your **total priority debt repayments** from the **total money for all creditors**, the next step is to divide up your money between your non-priority creditors.

STEP 2 Working out your personal budget

The best way to do this is called **'pro-rata distribution'**. This is how the court would do it and means all your creditors get a fair share of the money you have available.

In the **calculation box opposite** we show you how to work out pro-rata payments. Use a calculator to work out your payments. You should round the final figure up or down to the nearest £1. Check the example on **page 21** to see how a typical list of pro-rata payment offers might look.

- Contact all your non-priority creditors to find out exactly how much you owe each one.
- List each of the creditors under your **non-priority debts** and how much you owe each of them under **total you owe**.
- Add up all the individual debts to find out how much you owe in total.
- Write the total in the **total owed to non-priority creditors** box.
- Work out the monthly offer of repayment for each creditor by using the formula shown in the calculation box **opposite**.
- If you need help in working out offers of payment, **contact us for advice**.

Important: no money left to pay your non-priority debts?

If you have no money left to pay your non-priority creditors, you still have options.

See **'What if I have no money left to pay my creditors?'** on **page 39** or **contact us for advice**.

Extra advice: what to do next

If you are not sure about what to do next, or about the best option to deal with your debts, **contact us for advice**.



Calculation box: example pro-rata distribution calculation

To work out pro-rata payments for each of your non-priority creditors, you need to find out:

- how much you have left over to pay your non-priority creditors. You can find this on your **personal budget** in the **total money for non-priority debts** box (**Box 49**); and
- how much you owe each of your non-priority creditors.

Step 1: list all your non-priority creditors and the amount you owe each of them.

Step 2: add up the total amount you owe to all your non-priority creditors (**Box 50**).

Follow **steps 3 and 4** for each of your non-priority debts.

Step 3: multiply your **total money for non-priority debts (Box 49)** by the individual debt.

Step 4: divide the amount you worked out at **step 3** by the total amount you owe. This will give you the payment offer you should make to your creditor.

See **'Example budget sheet calculation'** on **page 21**.

Extra advice: small offers

Don't worry if your offers look very small. Your creditors would rather you pay a small amount regularly than make promises you can't keep.

County court judgments

You should include county court judgment debts with your non-priority debts and work out the offer of payment in the same way.

See 'What if my creditors take court action?' on page 47.

If this is less than the amount the court has ordered you to pay, you may need to apply to the court to reduce the amount. This will mean you are treating all your creditors fairly and not paying one creditor more than you can afford. If you need to reduce the amount that you have to pay on a county court judgment, **contact us for advice**.

See our fact sheet: County Court – varying payments on a judgment. 

Filling in your budget summary

Your creditors do not need to see all the detail in your personal budget.

You only need to give them a summary of what you have worked out. The next step is to put this into your **budget summary**. The layout has been agreed with creditor organisations and gives them the information they need to see when they look at your repayment offers.

Extra advice: filling in your budget summary

Use the information you have gathered in your **personal budget** to fill in your **budget summary**. Copy the amounts in the numbered boxes in your **personal budget** to the equivalent numbered boxes in your **budget summary**.



Calculation box: example budget sheet

In the example **below**, Pat and Eva have worked out their income and outgoings. After taking account of an extra £50 a month they are going to have to pay towards their council tax arrears (which is a priority debt), they have £133 every month left over to pay their non-priority creditors.

Non-priority creditors	Total owed	Monthly repayment offers	How the calculation is done
Newhome catalogue	£912	£7	$£133 \times £912 \div £16,981 = £7.14$ (rounded down to £7)
Wellington Trust and Savings	£2,381	£19	$£133 \times £2,381 \div £16,981 = £18.65$ (rounded up to £19)
Unicorn credit card	£3,397	£27	$£133 \times £3,397 \div £16,981 = £26.61$ (rounded up to £27)
Alphabet bank loan	£5,671	£44	$£133 \times £5,671 \div £16,981 = £44.42$ (rounded down to £44)
Flower Financial Services	£4,514	£35	$£133 \times £4,514 \div £16,981 = £35.35$ (rounded down to £35)
Cheep Telecoms	£106	£1	$£133 \times £106 \div £16,981 = 83 \text{ pence}$ (rounded up to £1)
Total non-priority debts	£16,981	£133	

Eva and Pat will have paid off their council tax arrears in four months. They will then be able to work out their budget again and increase their payments to their non-priority creditors.

STEP 2 Working out your personal budget

Are your outgoings more than your income?

If your outgoings are more than your income, you should see if you can increase your income or reduce your outgoings.

Important: help working out your budget

For tips on increasing your household income or reducing your household outgoings, read our fact sheet on budgeting.

See our fact sheet: **Budgeting and saving.**

If your outgoings are still more than your income after doing these things, **contact us for advice.**

Remember: if you need extra help

You can always **contact us** for help, information and advice. Call us on **0808 808 4000** or see **www.nationaldebtline.org**.

Next steps...

You are now at the end of **step 2**. Completing a budget will really help you deal with your debts, so we hope you found this section easy to follow. Don't worry if your budget is only rough at this point. If you need any extra help, **contact us for advice.**

Don't forget to update your budget after following the advice in **steps 3** and **4**.

You now need to go to **step 3, 'Dealing with your priority debts'**. Use the list at the start of this section to check whether you have any priority debts. If you don't have any priority debts, you can skip **step 3** and move straight to **step 4, 'Dealing with your non-priority debts'**.

Step 3 explains the powers creditors have to make people with priority debts pay. It also gives you advice on how to deal with your debts.

Turn to page 23 to begin. 



You've worked out your income and outgoings (see previous section). Now you need to work out which are the most important debts – the ones you need to start paying off first. The rest of this section contains useful information about the following priority debts, including guidance on what to do and how much to pay.

- Mortgage arrears
- Rent arrears
- Council tax arrears
- Gas and electricity arrears
- TV licence arrears
- Magistrates' court fines
- Parking penalty charges
- Child maintenance arrears
- Tax credit and benefit overpayments
- Tax debts
- Hire purchase or conditional sale arrears
- Bills of sale

Step 3

Dealing with your priority debts

Checklist

Use this simple checklist to make sure you take the right steps to deal with your priority debts.

Some debts are more important than others. These are called priority debts. It is important to use the money you have for your creditors to make agreements to settle these debts first. If you are not sure about how much to offer, **contact us for advice.**

See 'What are priority debts?' on page 25.

Get some free, independent money advice

If you are reading this and haven't yet spoken to a money adviser, contact us or your local advice centre for advice about all your options. You can find a list of local advice centres in The Phone Book or see www.thephonebook.bt.com.

Has the creditor taken further action?

Even if a creditor has said it will take further action, such as disconnecting your energy supply or repossessing your home, it is usually not too late to come to an arrangement and stop the action. **Contact us for advice.**

Explain your situation to your creditors

Even if you haven't decided how to deal with your priority debts, it's a good idea to explain to your creditors that you are struggling. Tell them you are taking advice and making a budget. This may buy you some breathing space.

Can you increase your income?

You may be entitled to benefits, tax credits or Universal Credit that you are not claiming, or there may be other ways of increasing your income.

See 'sample letter 1' which you can use to ask your creditors to hold action on page 50.

See 'Benefits, tax credits and Universal Credit' on page 9 and 'Ways of increasing your household income' on page 12.

Work out a personal budget

A **personal budget** is very important as it will help you work out what payments you can afford to make to pay off your priority debts.

Have you been treated unfairly?

If you think you have been treated unfairly, you may have reason to complain. You may be able to complain to an ombudsman service, depending on what type of debt you are complaining about. You will usually have to complain to the creditor first. If you want more advice about who you can complain to, **contact us for advice.**

See 'Working out your personal budget' on pages 14 to 22.

Pay as much as you can

It is important that you pay as much as possible towards your priority debts. You will usually need to pay enough to cover your ongoing payments and offer a regular payment to reduce the arrears.

What are priority debts?

Some debts are more important than others. The law gives different creditors different ways of getting their money back. If you don't act quickly, some creditors could:

- take away your home (repossession or eviction);
- cut off your gas or electricity (disconnection);
- send bailiffs to take belongings from your home; or
- ask the magistrates' court to send you to prison.

It is important to use the money you have for your creditors to make agreements to settle these debts first. If you are not sure about how much to offer, **contact us for advice**.

See 'How much do I have left to pay my creditors?' on page 19.

Creditors can take action on some priority debts without going to court first. For example, gas and electricity suppliers may be able to disconnect you if you have a meter outside your home. To recover an overpayment, the Department for Work and Pensions (DWP) can take deductions from your ongoing benefits or wages without a court order. Most other priority creditors can only usually take action against you after court action.

INFO

Information: terms used to describe bailiffs

Bailiffs are also commonly known as enforcement agents. In this pack, we use the term bailiff.

Important: don't panic

Your creditors should warn you about what they are going to do and, as long as you act quickly, you should be able to prevent these things from happening.

The table below tells you what might happen if you delay sorting out different priority debts.

Debt	See this page for details	Possible action against you
Mortgage	page 26	Repossess your home.
Second mortgage or secured loans and secured overdrafts	page 26	Repossess your home.
Rent	page 26	Evict you from your home.
Council tax	page 28	Use bailiffs, or take deductions from your wages or some benefits, or you could be sent to prison.
Gas or electricity	page 29	Cut off your supply.
Magistrates' court fines	page 30	Use bailiffs, take deductions from your wages or some benefits, or send you to prison.
Child maintenance	page 31	This will depend on whether you pay maintenance through the court, the Child Support Agency (CSA) or the Child Maintenance Service (CMS). In some cases, you could have your driving licence taken away or, if you deliberately refuse to pay, be sent to prison.
Benefit overpayments	page 32	Deductions from most types of benefits, deductions from your wages and court action.
Tax credit overpayments	page 33	Deductions from your wages, ongoing tax credits, Universal Credit or through your tax payments, or court action.
Income tax, National Insurance and VAT	page 33	Use bailiffs or bankruptcy.
Hire purchase or conditional sale	page 34	Repossess the goods or a court order to make you hand them back.
TV licence	page 30	Magistrates' court fine (see Magistrates' court fine above for information about what this can mean).

STEP 3 Dealing with your priority debts

Mortgage arrears

Mortgage arrears are very important because you could lose your home if you do not pay them. They must be treated as a priority debt.

Check all your loan agreements to see if they are 'unsecured' or 'secured' on your home. If they are secured loans, treat them as priority debts because lenders can go to court to repossess your home if you cannot pay your monthly instalments. If the court agrees, the lender can then sell your property to pay off your debt.

Has your lender taken you to court?

You cannot be evicted from your home without a court order. You will not be evicted on the day of the hearing.

Before lenders can take court action to repossess your home, they must follow the steps set out in the 'pre-action protocol for mortgage possession claims'. Lenders should consider all options before taking steps to repossess your home. Courts should take into account the pre-action protocol when deciding what order to make.

For more information about the pre-action protocol, see our detailed housing guide 'Mortgage arrears guide'.

Dealing with mortgage arrears

It's never too early, or too late, to contact your lender. You may not be behind with your payments yet or your lender may have already started court action. **Whatever the situation, do not delay.** Contact your lender as soon as possible by writing, phoning or making an appointment to see them. It is important that you pay as much as possible towards your mortgage. If you have not paid anything for a while, start regularly paying what you can, even if you cannot afford the full monthly payment.

There may be benefits, tax credits or Universal Credit that you are not claiming or other ways of increasing your income. If you receive certain benefits, you can get help with some of the interest on your mortgage from the DWP. Also, check if you have any mortgage payment protection insurance that you can claim.

See our fact sheet: Mortgages – help with payments.



Have you been treated fairly?

If you think you have been treated unfairly, you may have reason to complain. You can complain to the Financial Ombudsman Service (FOS) but you must complain to your lender first. You can get more information about making a complaint from the FOS website, www.financial-ombudsman.org.uk, or contact **0800 023 4567** or **0300 123 9123**.

Dealing with mortgage arrears

National Debtline has a detailed mortgage guide called 'Mortgage arrears guide'. This covers the following areas.

- Coming to an arrangement with your lender.
- What to do if you can't afford your mortgage.
- What if my home is worth less than the mortgage?
- Second mortgages and secured loans.
- What if my mortgage lender takes me to court?

Rent arrears

Rent arrears are very important because you could lose your home if you do not pay them off.

Your right to stay in your home depends on the type of tenancy you have. Each type gives different rights. So it's important for you to find out what type of tenancy you have. If you are not sure, see the Shelter website www.shelter.org.uk or contact **0808 800 4444**. You can also contact your local Citizens Advice bureau or **contact us for more advice.**

You cannot be evicted from your home without a court order. Even if you are taken to court, this does not always mean you will automatically lose your home. Keep paying your rent and make an offer to pay off the arrears. Even if the court decides you cannot afford to stay in your home, you will not be evicted on the day of the hearing. There are special rules for some types of tenancy.

Before a social landlord (such as a local council or a housing association) can take court action to evict you

from your home because of rent arrears, they should follow the 'pre-action protocol for possession by social landlords'. Courts should take these requirements into account before deciding what order to make.

Dealing with rent arrears

It is never too early or too late to come to an arrangement to repay your arrears. You may not be behind with your payments yet or your landlord may have already started court action. **Whatever the situation, don't delay.** Contact your landlord as soon as possible by writing to them, phoning them or making an appointment to see them.

For more information about the pre-action requirements, see our detailed housing guide 'Rent arrears guide'.



Extra advice: no eviction without a court order

You cannot be evicted for rent arrears without a court order. However, if you have certain types of tenancy, for example, you are a boarder, live in a hostel, or are a hotel guest or a squatter, you do not have the same rights as other types of tenant.

Make sure your rent arrears have been worked out properly. Get a breakdown of your rent account from your landlord. Check that all the payments you have made have been added to your account. Ask for regular statements. Keep your receipts.

If you have made an offer to pay the arrears, start paying them as soon as possible, even if your landlord hasn't accepted it. You also need to pay your normal rent. If you haven't paid for a while, pay as much as you can.

There may be benefits, tax credits or Universal Credit that you are not claiming or other ways of increasing your income. You may be able to claim Housing Benefit to reduce the rent you pay. Ask your council's Housing Benefit office for a form. Pay as much as you can towards your rent until your benefit comes through.

Have you been treated fairly?

If you think you have been treated unfairly, complain to your landlord. If you are still not happy, and you are a housing-association tenant, you can complain to the Housing Ombudsman Service on **0300 111 3000** or see www.housing-ombudsman.org.uk. If you are a council tenant, you can complain to the Local Government Ombudsman on **0300 061 0614** or see www.lgo.org.uk.

If you have a private landlord, contact us for advice.

Assured and assured shorthold tenancies

It is very important to check exactly what sort of tenancy agreement you have. It can be a lot easier for a landlord to evict you from your home if you have an 'assured shorthold tenancy'. If your tenancy agreement has run out, the court must give your home back to the landlord as long as you have had two months' notice in writing.

If you have an assured tenancy, in most cases the court can decide if it is reasonable to make you leave your home, unless you have over two months' or eight weeks' rent arrears. If your landlord goes to court and you still have two months' or eight weeks' rent arrears at the date of the hearing, the court cannot allow you to make an arrangement to pay the arrears and they have to let your landlord evict you.

STEP 3 Dealing with your priority debts

Dealing with rent arrears

National Debtline has a detailed 'Rent arrears guide'. This covers the following areas.

- What type of tenancy do I have?
- Housing Benefit.
- What if my landlord increases my rent?
- How can I pay off my rent arrears?
- My landlord is refusing to agree to my offer.
- What if my landlord takes court action?
- Eviction – what can I do?

- you share your home only with people who are not taken into account, such as:
 - a full-time student or student nurse;
 - an apprentice or someone on a youth-training scheme (only certain ones apply); or
 - someone with a mental disability who is getting certain disability benefits.

Tell the council if you think you may qualify for a discount. Check how this works with your local council.

You may be able to claim a rebate called 'Second Adult Rebate'. Check with your local council how this works.

What happens if I don't pay?

The council will usually tell you to pay your bill in 10 monthly instalments. The council must let you pay in 12 monthly instalments if you ask to do this. They may also accept weekly, fortnightly or monthly payments. If you find that you can't pay the full monthly instalment, don't just stop paying!

- If your circumstances have changed, you may now qualify for help with paying your council tax bill from your local council. **Contact us for advice.**
- Keep paying what you can afford.
- Contact the council and try to come to an arrangement. Use your **budget summary** to help explain your situation.

If you don't keep to any payment arrangement you make with the council, it may apply to the magistrates' court to make a 'liability order' for the full amount they say you owe plus court costs. The order will state that you are due to pay your council tax and have not done so.

Further action against you by the council

Once the council have got a liability order, they may try to take further action against you. There are a number of ways the council can try to make you pay. These include:

- using bailiffs to try and take goods;
- making deductions from your wages;
- making deductions from your benefits;
- applying for a charging order (where the debt is secured on a property you own);
- bankruptcy; and
- sending you to prison if you refuse or neglect (fail) to pay.

Council tax arrears

The amount of council tax you pay is based on:

- the value of your home (homes are placed in a band – A to H in England and A to I in Wales); and
- the number of adults who live in your home and their status.

Who pays what?

Only people aged over 18 can be made to pay the bill. If there is more than one person over 18 living in your home, the owner will normally have to pay the bill if they live in the home. Joint tenants and owners may have to pay even if their names are not on the bill, as long as the council sends them a 'joint taxpayers notice'.

If you are either married, living with your partner, or living together in a same-sex civil partnership, both you and your partner will be responsible for paying the bill, unless one of you is exempt.

Sometimes the owner of a house will be responsible for the bill even if they don't live there, for example, if the house is unoccupied or in 'multiple occupation' such as bedsits. If you are not sure who is responsible for the bill, **contact us for advice.**

Can I reduce my bill?

You may get a reduction if someone living in your home has a disability. Apply to the council for this. Only some properties will qualify. Contact a local welfare rights agency or **contact us for advice.**

You will also get a discount if:

- you are the only adult living in the property; or

See our fact sheet: **Council tax recovery.**



Deductions from benefits

It is never too late to start negotiating with the council. Send them your **budget summary** and make an offer of payment that you have worked out you can afford, using the guidelines in this pack. If you receive benefits, you can ask the DWP to take a standard amount each week from your Income Support, Pension Credit, income-related or contributory Employment and Support Allowance, income-based or contribution-based Jobseeker's Allowance or Universal Credit to pay your council tax debt. If they agree to do this, the council should not take any further action while the money is being taken direct from your benefit. The council can also ask for deductions to be taken from your benefits once they have got a liability order from the magistrates' court.

Council tax and bankruptcy

If your council tax debt is at least **£5,000**, your council may try to make you bankrupt. This is more likely if you owe council tax bills from lots of different years as they can add these together. You may be able to complain to the Local Government Ombudsman if the council has not considered other options. You will need to complain to your local council first. If the council threatens to make you bankrupt, **contact us for advice**.

Complaining

You may be able to complain to the Local Government Ombudsman if the council has not behaved properly or not followed the proper procedure. See www.lgo.org.uk or contact **0300 061 0614**. You will need to complain to your local council first.

Gas and electricity arrears

Gas and electricity companies can cut off your supply in a few weeks if you don't pay them, but they should only do this as a last resort. They must give you notice first. They cannot cut off your supply unless they have first offered you a range of payment methods to help you pay. It is important to contact them as soon as you know you are going to have problems paying. You should treat gas and electricity bills as a priority debt.

How do I make an arrangement to pay?

Energy suppliers usually want you to pay their bill before your next bill is due. You can ask to pay your bills every week, every two weeks, or every month. If you have arrears, phone or write to your supplier and ask for a payment arrangement.

Use your **budget summary** to support your offer of payment. The offer must cover the cost of the energy you are using and an amount to reduce the arrears. Even if the supplier does not agree to your offer, start paying what you have offered immediately. Do not offer to pay more than you can afford towards the arrears. All energy suppliers

should agree, under their standard licence conditions, to accept an offer of repayment in instalments at a rate that you can afford.

If the first person you speak to is unhelpful, ask to speak to someone more senior.

Ask the supplier for a copy of their code of practice. This explains your rights and how to make a payment arrangement.

Most energy suppliers will not disconnect you if:

- you agree to a payment arrangement;
- you agree to have a prepayment meter installed;
- the debt belongs to a person who lived in your home before you;
- it is between October and March and all the adults in the household are over retirement age; or
- you are considered vulnerable under the Energy UK safety net.

Under the Energy UK safety net, member companies will not knowingly disconnect you at any time of year if, for reasons of age, health, disability or severe financial hardship you cannot protect your personal welfare or the personal welfare of other members of your household. If you are vulnerable for one of these reasons, you should not be disconnected. For more information see the Energy UK website www.energy-uk.org.uk.



Extra advice: Ofgem guidelines

Ofgem is the regulatory organisation for gas and electricity. Energy suppliers must follow Ofgem's guidelines which say they should take your circumstances into account when making an arrangement to pay. See www.ofgem.gov.uk.



Extra advice: prepayment meters

If it is safe to install a prepayment meter, your supplier must ask you if you want one before your supply is cut off. If you have not fallen behind on an arrears repayment arrangement, the energy supplier cannot insist that you have a prepayment meter installed. But you can still ask for a prepayment meter if you want one.

STEP 3 Dealing with your priority debts

The supplier still wants to cut my energy supply off

If you are threatened with being cut off, contact the social services department of your local council or the DWP for help. The energy supplier will delay cutting you off if you tell them social services or the DWP are looking into your case.

Suppliers will usually delay taking action for 10 working days but may agree to delay for longer. This could give you time to make an arrangement to pay. In certain circumstances, **The Children Act 1989** gives social services the power to make payments to families with children.

You should contact the Citizens Advice consumer service if you are threatened with being cut off or have been disconnected. See www.adviceguide.org.uk or contact **0345 404 0506**.

Help to pay your bill

Some energy suppliers have set up trust funds that may be able to help you pay your energy bills if you are in financial difficulties. You can also download a guide to utility trusts and services from the Auriga Services Ltd website at www.aurigaservices.co.uk. Select the link 'Find a scheme that can help you with your water and energy bills'.

INFO

Information: closed energy accounts

If you have a closed energy account with an amount of credit still in it, contact the supplier to get this credit back. See the My Energy Credit website www.myenergycredit.com for more information on how to do this.

See our fact sheet: [Budgeting and saving](#).



Extra advice: complaining about your energy supplier

All suppliers should follow a code of practice when dealing with people in arrears. You can complain to Ombudsman Services: Energy about a billing or transfer problem. See www.ombudsman-services.org or contact **0330 440 1624**. You must complain to your supplier first.

TV licence arrears

TV licence arrears are a priority payment because you can be fined in the magistrates' court if you do not have a licence. In your **personal budget**, put these payments under **essential outgoings**. If TV Licensing contacts you or you are being prosecuted for not having a licence, buy a licence as soon as possible. Send a copy of the licence to the court to help your case. It is also a good idea to plead guilty to not having a licence and explain the reasons why (even if this is just that you forgot to get one).

Remember: even if you have to pay a fine for not having a licence, you still need to buy a licence.

See our fact sheet: [Budgeting and saving](#).



If you already have a fine for not paying your TV licence, see the next section, **Magistrates' court fines**.

Magistrates' court fines

The magistrates' court may order you to pay a fine, for example, for a driving offence or for not having a TV licence. You must treat a magistrates' court fine as a priority debt. The court has a range of further types of action it can take, including using bailiffs and taking money from your wages or your benefits. Also, you could be sent to prison if you do not pay.

See our fact sheet: [Magistrates' court fines](#).



Extra advice: what type of court?

If you have been taken to court for a non-priority debt such as a loan or credit-card debt, this would be in the County Court and you cannot be sent to prison.



'Dealing with your non-priority debts' on pages 36 to 49.

If you have been taken to court and are not sure which type of court it is, or whether it is a priority debt, **contact us for advice.**

Extra advice: golden rules

- If you have a magistrates' court hearing or have arrears from failing to pay fines, **contact us for advice.**
- Always go to court hearings.
- Take your **budget summary** with you.
- Try to make arrangements that you can afford to pay or contact the court if you cannot pay.
- Keep paying what you can afford.

Parking penalty charges

Many local authorities have made parking offences non-criminal offences. These local authorities enforce parking penalty charges through the Traffic Enforcement Centre in Northampton instead of a magistrates' court. There are special rules that apply if you have this type of parking penalty. You cannot be sent to prison but the local council can use private bailiffs to try to recover the money. If you have a parking penalty charge, **contact us for advice.**

See our fact sheet: Penalty charge notices (PCNs) for parking.



It is important that you know the type of parking penalty you have because the rules about what happens if you don't pay are different depending on what type of penalty you have. Check if you have a penalty charge notice from the local council or a fixed penalty from the police. The rules are also different if you parked on private land. If you are not sure, **contact us for advice.**

Child maintenance arrears

You can be ordered to pay maintenance either by the court, as part of the separation or divorce process, or by the Child Support Agency (CSA) or Child Maintenance Service (CMS).

Extra advice: the Child Maintenance Service

The CSA scheme is changing. Most child-maintenance cases are now dealt with by the CMS. This is replacing the CSA over a three-year period and all cases should be dealt with by the CMS by **2017**. This means some of the rules will be different when you apply for maintenance and there may be extra powers to make you pay. **Contact us for advice.**

Maintenance through the court

If a court has ordered you to make regular payments, you can apply to reduce the payments if you cannot afford them.

If you do not pay, the court can order you to go to a hearing to explain why you have not paid. It can give you more time to pay and, in very rare circumstances, it can write off the arrears.

If the court decides that you are deliberately not paying, it may try to:

- use bailiffs to take goods and sell them;
- take payments direct from your wages; or
- order you to be sent to prison.

STEP 3 Dealing with your priority debts



Extra advice: maintenance arrears

If you are behind with your maintenance, contact the court immediately. Take a copy of your **budget summary** to any court hearings and explain why you cannot pay the full amount. The court may reduce the amount you have to pay.

Maintenance through the Child Support Agency or the Child Maintenance Service

If you have a child or children who do not live with you, the Child Support Agency (CSA) or the Child Maintenance Service (CMS) may ask you to pay child maintenance. The CSA or CMS will use a set formula to decide the amount you have to pay. If you do not pay, the CSA or CMS can collect the money direct from your wages or benefits without a court order.

The CSA or CMS can apply for a deduction order to take payments out of your bank account. The deduction order can be for regular payments or for a lump sum, but there are rules about how much money the CSA or CMS are allowed to take out of your account.

If they cannot do any of these things, the CSA or CMS can ask the magistrates' court for a 'liability order'. When this has happened they may try to:

- use bailiffs to take goods and sell them;
- get a legal charge or 'charging order' on your property, which means your home could be sold if you do not pay;
- seize money from your bank account through the County Court;
- get an order to stop you getting rid of your assets if they think you are trying to avoid paying maintenance;
- add your liability order to the Register of Judgments, Orders and Fines;
- ask the court to send you to prison for up to six weeks (the court will only do this if it thinks that you are deliberately not paying); or
- ask the court to take away your driving licence for up to two years.

A liability order can be recorded on your credit reference file and may affect your ability to get credit in the future.

Even if you lose your licence or are sent to prison, you will still have to pay all of the money you owe. If the CSA or CMS have threatened any of these things, **contact us for advice.**

Benefit overpayments

The DWP may tell you that you have been overpaid a benefit, such as Income Support, and that it wants you to pay this back. If you do not agree that you owe the money, you can challenge the decision. The law on overpayments is complicated, so before deciding whether to appeal, contact your local advice centre or **contact us for advice.**

The DWP can make deductions from most types of benefits to collect overpayments. There are maximum weekly amounts that can be deducted. If this will cause you hardship, contact the DWP and ask them to take less. Use your **budget summary** and explain why the payments will cause you hardship.

If you are not on benefits but are working for a company with 10 or more employees, the DWP can recover overpayments from your wages. There are maximum amounts that they can take and you must be left with 60% of your earnings after normal deductions have been taken for income tax and National Insurance. If this will cause you hardship, contact the DWP and ask it to take less. Use your **budget summary** and explain why the payments will cause you hardship. **Contact us for advice.**

In some circumstances, the DWP will agree to write off the overpayment if your repayments are causing you hardship. Ask your local MP to help.

The DWP could take action against you in the County Court to get the money back, but there are steps you can take to deal with this. If the DWP threatens to take court action against you, or if you receive any court papers, **contact us for advice.**



Extra advice: special rules for Housing Benefit and Council Tax Support

If your council says you have been overpaid Housing Benefit or Council Tax Benefit, special rules apply. Different rules may also apply if the council says it has overpaid you as part of the Council Tax Reduction scheme. **Contact us for advice.**

Tax credit overpayments

In some circumstances you may be told that you have been overpaid Child Tax Credit or Working Tax Credit. If you do not agree that you have been overpaid, or if you think that the amount of the overpayment is wrong, you may be able to ask HMRC for a review. This is called a 'mandatory reconsideration'. **Contact us for advice.**

Overpayments can be recovered in different ways, including through deductions from your ongoing tax credits award or Universal Credit, by reducing your tax code or even using the same enforcement methods as for an income tax debt. In some cases, you can also agree in writing for deductions to be made from your benefits.

If you are not on benefits but are working for a company with 10 or more employees, the DWP and HMRC can recover overpayments from your wages. There are maximum amounts that they can take and you must be left with 60% of your earnings after normal deductions have been taken for income tax and National Insurance contributions. If this will cause you hardship, contact either the DWP or HMRC and ask them to take less. Use your **budget summary** and explain why the payments will cause you hardship. **Contact us for advice.**

HMRC and DWP may agree not to recover the overpayment if the overpayment was caused by a mistake they made and you have followed the rules for reporting any mistakes you spot and changes in your circumstances. **Contact us for advice** if you are in this situation.

INFO

Information: recovery of overpayments by DWP

The DWP can recover tax credit overpayments in the same way as HMRC. This means DWP can use methods such as deductions from benefits or your wages. **Contact us for advice.**

Extra advice: I cannot afford the repayments

If paying the tax credits back will cause you hardship, you may be able to reduce the rate at which you pay back the overpayment. You should speak to HM Revenue & Customs (HMRC) and ask for time to pay it back at a rate you can afford. Ask for a copy of its code of practice, '**Tax credits: what happens if you've been paid too much**'. In cases of extreme hardship, or if there is evidence of mental-health problems, HMRC can consider writing off all or part of the debt.

Tax debts

If you have arrears with income tax, National Insurance or VAT, you need to make an arrangement to pay as soon as possible. You may need to treat tax as a priority debt, as HMRC has various ways to make you pay. These include using bailiffs to try to take your goods, and making you bankrupt.

You may not need to prioritise any tax debt if the types of action that HMRC can take do not have serious consequences for you.

If you are still trading as a small business you need to get advice from Business Debtline about dealing with your business debts. Contact them on **0800 197 6026** or see **www.businessdebtline.org**.

See our fact sheet: **Business debts.**



Extra advice: what if I am self-employed?

If you are self-employed, your tax affairs could be quite complicated and you may need professional tax advice. If you can't afford this because you are on a low income, you could contact TaxAid. See **www.taxaid.org.uk** for details of how to get advice.

STEP 3 Dealing with your priority debts

Hire purchase or conditional sale

You can buy goods on all sorts of different credit agreements. With most credit, you own the goods straight away and only owe the money to the creditor. The creditor cannot ask you to return goods you bought with most types of credit. With hire purchase or conditional sale agreements, you do not own the goods until you have paid the last instalment. The most common type of goods on hire purchase agreements are cars.

Can my lender take back the goods?

If you fall behind with your payments, the lender may be able to ask for the goods to be returned and then sell them to reduce the debt. You cannot sell the goods yourself without the lender's permission.

Have you paid less than a third of the debt?

If you fall behind with payments, the lender may be able to repossess the goods. They may not need to go to court first if you have paid less than a third of the debt.

You can also return the goods, but there are set procedures that you should use to do this. **Contact us for advice.**

Extra advice: what kind of agreement do you have?

If you have a hire purchase or conditional sale type of agreement, it should state this clearly. This information only covers hire purchase or conditional sale agreements which come under the **Consumer Credit Act**. If you are not sure what type of agreement you have, check your agreement or **contact us for advice.**

Have you paid off more than a third of the debt?

If you have paid off more than one third of the total owing, the creditor must go to court to ask you to return the goods. They cannot just come round and remove them.

Returning the good voluntarily

You may be able to return the goods by writing to your lender to end your agreement. This is only possible if your lender has not already ended your agreement. You will

owe up to half the agreement price, plus reasonable charges if the goods are damaged. If you have already paid half of the payments, you will not usually be asked to pay anything more. Once you have returned the goods, you can treat any debt you still owe as a non-priority debt.

See 'Dealing with your non-priority debts' on pages 36 to 49.

Keeping the goods

If it is important to you to keep the goods, you may want to include the payments in **essential spending** on your **personal budget** and treat what you still owe as a priority debt and not a non-priority debt. If you do this, be prepared to explain to creditors why you need the goods (for example, you need the car for work or you live in a rural area with very limited transport).

See 'Working out your outgoings' on page 16.

If your lender will not agree to this, you may be able to apply to the County Court for a 'time order'. If this is granted, you may be able to keep your goods and make smaller reduced payments to your lender. **Contact us for advice.**

See our fact sheet: Time order – hire purchase or conditional sale.



What if my lender takes court action?

If your lender has taken court action, you may not have to return the goods as long as you agree to make the payments the court decides. You can ask the court to pay less than your normal payments on the agreement if you can show that this is all you can afford to pay.

See our fact sheet: Hire purchase and conditional sale.



Extra advice: get help

The law about hire purchase and conditional sale agreements is complicated. If you are behind with payments on this type of agreement, **contact us for advice.**

Bills of sale

A bill of sale agreement uses a car or other goods as security for a loan. It is commonly known as a log book loan when a car is used for security. This means that the money borrowed is secured on the car, so if you don't pay, the car can be taken and sold to pay off the debt. The creditors does not have to go to court to do this.

If you are being threatened with this kind of action, **contact us for advice**. If you want to keep your car you should treat a log book loan as a priority debt.

See our fact sheet: **Bill of sale**.



Next steps...

You are now at the end of **step 3**. If you have priority debts, hopefully this section has helped you work out how to deal with them. Make sure you update your **personal budget** with any payments you have agreed to make to your priority creditors.

Step 4 is the last step in this pack and it's called '**Dealing with your non-priority debts**'. This step will explain which debts are non-priority, the powers your creditors have to make you pay, and your options for dealing with your debts.

You will need the information from your **personal budget** to help you decide which option is right for you.

Go to page 36 to begin.



STEP 4 Dealing with your non-priority debts



Use this section to work out how to deal with your non-priority debts. These are debts where the creditor hasn't got extra powers to make you pay (for example, they cannot take your home). They are often called non-priority debts because of this. Non-priority debts can usually be treated differently from priority debts. Common non-priority debts include:

- personal loans with finance companies;
- some bank and building society loans, overdrafts and credit cards;
- charge cards;
- catalogue debts;
- personal debts to friends and family;
- doorstep-collected loans;
- payday loans;
- water rates; and
- business debts.

Step 4

Dealing with your non-priority debts

Checklist

Use this simple checklist to make sure you take the right steps to deal with your non-priority debts.

Do you need a safe bank account?

Make sure that any money you receive (for example, wages or benefits) goes into an account at a bank or building society that you don't owe any money to. This means that your old bank or building society will not be able to take any of your income to pay your debt to them.

See 'Opening a bank account' on page 44.

Fill in both a personal budget and a budget summary

A **personal budget** is very important as it will help you decide what options you have for dealing with your debts. You will also need to do a **budget summary** to help you negotiate with your creditors, fill in any court forms or ask for your debts to be written off.

See 'Working out your personal budget' on pages 14 to 22.

Deal with court forms on time

If any of your creditors have taken action against you in the County Court, you need to make sure you have replied to the court forms. Fill in the forms the court sends you and return them to the right place by the deadline. This will help you avoid any enforcement action, such as bailiffs taking your possessions.

See 'What if my creditors take court action?' on page 47.

Explain your situation to your creditors

Even if you haven't decided how to deal with your non-priority debts, it's a good idea to explain to your creditors in writing that you are struggling. Tell them you are taking advice and completing a budget. This may buy you some breathing space.

See 'sample letter 1' on page 50 which you can use to ask your creditors to hold action.

Decide on a strategy

You may have more than one option for dealing with your non-priority debts. You need to make sure you understand what each option means, and its advantages and disadvantages, so you can be sure what you decide is right for you.

See 'What are the options for dealing with my non-priority debts?' on page 38.

Extra advice: less straightforward non-priority debts

There are some non-priority debts that can be more difficult to deal with. You should **contact us for advice** if you have debts such as:

- rent arrears, or phone, gas or electricity debts from a previous property or supplier;
- hire purchase or conditional sale debts where the goods have gone back to the company;
- equipment leases where the goods have gone back to the company;
- debts with cheque-cashing services;
- gambling and spread-betting debts;
- business debts; or
- outstanding professional fees (solicitors' and vets' bills and so on).

STEP 4 Dealing with your non-priority debts

What are the options for dealing with my non-priority debts?

There are different options for dealing with your non-priority debts, depending on your circumstances. We have outlined some of the main ones in the following sections.

INFO

Information: pension advice

New rules about pensions came into effect on **6 April 2015**. If you are in debt, what you do with your pension pot could now affect the options you have. For advice about your pension, see the Pensions Advisory Service website www.pensionsadvisoryservice.org.uk or phone **0300 123 1047**.

Which option is right for you depends on things such as your income, how much debt you have, your assets and whether you own your home. Your credit rating will normally be affected whatever option you decide to take. This means it may be difficult for you to get credit in the future.

See 'Can I get credit again?' on page 49.

What if I have some money left to pay my creditors?

Pro-rata offers of payment

You can work out offers of payment based on a 'pro-rata distribution' of your available income. This means you offer all your creditors a fair share of what you can afford to pay. You also need to ask your creditors to freeze any interest and charges. You can write to your creditors, sending them a copy of your **budget summary**, and ask them to agree to your offers of payment.

See 'Working out offers of payment to non-priority creditors' on page 19.

See sample letter 2 on page 51.

Free debt management plan (DMP)

Under a free debt management plan (DMP) you make one payment every month to a debt management company to cover all your non-priority debts. The debt management company will divide up your payment and send it to your creditors for you. You will not have to negotiate directly with your creditors and the debt management company will try to get your creditors to accept your offers and freeze the interest.

We may be able to help you set up a free DMP if:

- your money for non-priority debts is at least **£5** a month for each creditor; and
- you can repay your debts within **10 years**.

Contact us for advice.

See our fact sheet: Debt management plans (DMPs).



Individual voluntary arrangements

An individual voluntary arrangement (IVA) is a formal arrangement to pay an agreed amount off your debts over a shorter period, such as five years. The rest of your debts are written off.

INFO

Information: IVA through National Debtline

National Debtline may be able to refer you to an insolvency practitioner from a list of providers that have agreed to follow special guidelines (called the IVA protocol). **Contact us for advice.**

The IVA will be set up by an insolvency practitioner whose fees can be very high. Creditors can stop an IVA going ahead by voting against it. An IVA is usually only an option if you have a reasonable amount of money available every month to pay your creditors or you have a lump sum or assets that you can include. You need to be careful if you own your own home as you may risk losing it. **Contact us for advice.**

See our fact sheet: Individual voluntary arrangements.



Administration orders

If you have a county court judgment, you might be able to apply for an administration order. This is a way of putting all your debts together and making one monthly payment to the court. The court then shares what you have paid among your creditors. The total of the debts must be no more than **£5,000**. Your creditors can't take any further action against you if you have an administration order, as long as you keep up the monthly payments.

You may need help filling in the application form as local courts deal with administration orders differently. If you want to apply for an administration order, **contact us for advice**.

See our fact sheet: Administration orders.



Can I offer to pay a lump sum to clear my debts?

If you have a lump sum that is less than the full balance you owe on your debts, you can ask each of your creditors to accept a lower amount than you owe and write off the rest of the debt. This is known as an offer in 'full and final settlement'. This may be an option if you come into some money or have some savings you can use. Creditors do not have to accept an offer in full and final settlement but if your circumstances are unlikely to improve, they may agree to your offer. If a creditor agrees to your offer, make sure they confirm this in writing.

See our fact sheet: Full and final settlement offers.



'Consolidating your debts' into a new loan

This is where you take out a new loan (a consolidation loan) to pay off all your debts. You need to think very carefully before deciding to do this.

This may not be the best option for you, especially if your lender wants to secure the loan on your home. If you do not keep up with the payments on a secured loan, your home could be repossessed. Before agreeing to a consolidation loan, **contact us for advice**.

See our fact sheet: Debt consolidation and credit.



What if I have no money left to pay my creditors?

No payments or token payments

After paying your outgoings and making arrangements to pay your priority debts, there may be nothing left to pay other creditors. **If you have nothing left, say so.** Show your creditors by sending them your **budget summary** and a letter to back this up. Ask your creditors to hold action until your circumstances improve. This is called asking for a 'moratorium'. If you prefer, you could offer a token payment of £1 a month to each creditor instead.

See sample letter 3 on page 52.

Debt relief order

You may be able to apply for a debt relief order (DRO). DROs can be another option instead of bankruptcy and are cheaper to apply for.

You may qualify if:

- you owe under £20,000 in total;
- you can't afford to pay more than £50 a month to your creditors; and
- you have assets of less than £1,000 and a car worth less than £1,000.

If you get a DRO, your debts are written off after 12 months. You will need help from an approved advice agency such as a money advice centre, Citizens Advice bureau or National Debtline, to fill in an online application. You will have to pay a fee to the Insolvency Service to make the application. **Contact us for advice**.

See our fact sheet: Debt relief orders.



Bankruptcy

If you owe a lot of money and you cannot see a way out of your debts, bankruptcy might be a good option for you. You should consider going bankrupt if you have no assets or you are prepared to lose your assets such as your home.

You must owe **£5,000** or more before a creditor can make you bankrupt (although two or more creditors can club together and apply to make you bankrupt). Non-priority creditors are less likely to make you bankrupt than priority creditors because it costs them money in fees and costs.

STEP 4 Dealing with your non-priority debts

They will probably not recover the debt and the costs of making you bankrupt unless you have assets that can be sold to pay your debts.

Once you are declared bankrupt, your creditors can usually take no further action against you. Going bankrupt can have important effects, particularly if you own your home and it is worth more than the mortgage you have left to pay. In this case your home could be sold as an asset. Being made bankrupt could also affect your job if your contract of employment does not allow you to become bankrupt.

You can also make yourself bankrupt. The fees are high but in some circumstances they can be paid in instalments. You have to apply online to make yourself bankrupt.

Your bankruptcy will normally last for one year. After this, usually debts that have not been paid are written off and you are 'discharged' from the bankruptcy. You may still have to make monthly payments for a total of three years under the terms of your bankruptcy order. If a creditor has threatened to make you bankrupt or you think it may be an option for you to consider, **contact us for advice**.

See our fact sheet: **Bankruptcy**.



Will my creditors write off my debts?

If you have no money for creditors and no assets, creditors may agree to write off your debts. This is very rare but may be an option if your circumstances are extremely difficult owing to illness, long-term disability, age or a death in the family. Give your creditors evidence of your circumstances and why your situation is not likely to improve.

Extra advice: sample letter

National Debtline has a sample letter you can use to ask your creditors to write off your debts. Call us on **0808 808 4000** or see **www.nationaldebtline.org**.



Dealing with your creditors

Check the name on the agreement

Only the person who signs an agreement is responsible for the debt. If you take out an agreement jointly with another person, you are each responsible for the whole debt and not just part of it. This is called joint and several liability. Make sure the creditor knows that someone else is also responsible.

Check your credit agreement carefully. If you don't understand the terms or want to check that the agreement is in the correct format and that you are legally responsible for the debt, contact your local trading standards department or **contact us for advice**.

Under 18s

People aged under 18 can only be made to pay for 'essential goods and services' bought on credit, such as energy supplies. If you are under 18 and have an agreement for non-essential goods or services, you cannot be taken to court if you owe the money for them. However, it is not always clear which things are 'essential'. The court can decide this for each case. Generally, parents are not responsible for their children's debts unless they have signed a guarantee.

Guarantors

Creditors may ask for a guarantor before agreeing to lend money. This means that if the person who has borrowed the money does not pay it back, the guarantor will be asked to pay. If you have a guarantor for one of your non-priority debts, or are a guarantor for someone else, **contact us for advice**.

Interest

Debts have two parts – the money borrowed and the interest. Interest is part of the charge for lending you the money. Interest can be added to debts through different ways.

- **Fixed-term loans.** Interest is worked out at the beginning of your loan and included in your monthly payments. Sometimes, if you miss a payment, extra interest called 'default interest' is charged. Ask the creditor to freeze any default interest they are adding.
- **Revolving credit agreements.** These cover credit cards, bank overdrafts and some loan agreements. Interest is added to your account daily or monthly. This means your debt grows unless the payments you make are higher than the interest being added. The company may also change the interest rates and add extra charges. Ask the creditor to freeze all the interest and charges.

To find out if interest is still being added to any of your debts, check your agreement.



Important: still paying interest?

Your debt will continue to grow if your new monthly offer of payment to the creditor is less than the interest being added. Ask the creditor to stop charging interest. Ask for regular statements and check them. When a creditor accepts your offer, if they do not say they have frozen the interest, you should check this with them again. The creditor may also try to add administration and late-payment charges. Ask them not to charge these.



Warning: claims management companies

There are lots of companies who say they can get your debts written off for you, or get compensation for you by claiming that your credit agreements cannot be enforced. Be very careful! Most of these firms charge you large fees up front for each agreement they agree to check and there is no guarantee that they will be successful. In most cases you will not get your money back. Before signing up with a claims management company, **contact us for advice.**

What if a creditor refuses to freeze the interest?

Write to them again. If any of your other creditors have agreed to freeze interest, point this out.

See 'What if a creditor refuses my offer?' on page 42 or **contact us for advice.**

See our fact sheet: **Payment offer – what to do if a creditor refuses.**



Copies of credit agreements and account statements

You usually have the right to ask for a copy of your credit agreement and an account statement. There are different laws which allow you to ask for different types of information. You have to pay a small fee when you make your request. If your lender does not provide the information you have asked for, they may be limited in the further action they can take against you.

See our fact sheet: **Credit agreements – getting information.**



Making payments – ways to pay

If you have made arrangements with your creditors, you will need a convenient way to pay. There are several options.

- Open a basic bank account which offers free standing orders. Standing orders are regular payments you ask your bank or building society to make for you.
- Ask your creditors for a paying-in book. Make sure there are no fees to pay.
- Some creditors accept payments through their website. Check with your lender.

See our fact sheet: **Basic bank accounts.**



- Check whether you have a PayPoint or Payzone outlet at a local shop and if your creditors are part of a scheme which accepts payments in this way. For details of your nearest PayPoint, see **www.paypoint.com**. For details of Payzone, see **www.payzone.co.uk**.
- You may be able to pay at a creditor's local office or retail outlet, such as a shop.
- If you send cheques or postal orders, make sure you send your reference number and a covering note.
- Keep a record of all the payments you make.

Reviewing your offers of payment

Your creditors will often write to you after you've made an agreement, perhaps every three or six months, to see if you can now afford to pay more. If you can't increase your payments, write back telling them this. Enclose a copy of your **budget summary**.

What if a creditor refuses my offer?

Sometimes a creditor will refuse to accept the offer of payment you have made on your **budget summary**. They may demand more than you can afford. Sometimes they may refuse to freeze the interest. If a creditor accepts your offer, double-check that they have frozen the interest if they do not state this in their letter. **Don't give up**. You can usually persuade creditors to accept your offer of payment by using the following steps.

- Start paying the amount you have offered anyway as a gesture of goodwill.
- **Contact us for advice** on how to approach your creditors if they refuse your offer or refuse to freeze the interest.

See 'Interest and charges' on page 44.

- Write to the creditor again and ask them to reconsider their decision. Tell them your offer is reasonable and is all you can afford.
- If some of your creditors have accepted your offer of payment, and frozen the interest, write to the creditors who have refused and tell them this.
- If a collector calls for your payment, you should not let them persuade you to pay more than the amount you have offered. Otherwise, you will not be able to afford the payments you have agreed with your other creditors, particularly for your priority debts.
- Most creditors are members of a trade association and have agreed to a code of practice. The code usually says creditors should be sympathetic in cases of genuine financial difficulty.
- Creditors may ask you to fill in their own budgeting form. Ask them to accept your own **budget summary** instead as this has all the information they need.

Contact us if you feel a creditor is acting unreasonably. We can give you details of their trade association and advise you about the Financial Conduct Authority's (FCA's) Consumer Credit sourcebook (CONC). CONC sets out rules and guidance which organisations must follow when collecting debt. We can also tell you about making a complaint to the Financial Ombudsman Service (FOS). You can get more information about making a complaint from the FOS website, www.financial-ombudsman.org.uk or contact **0800 023 4567** or **0300 123 9123**.



Extra advice: what if creditors ask for proof?

Sometimes, creditors ask for extra information or 'proof' such as wage slips or letters from other creditors. You may want to help with reasonable requests, but if the creditor wants proof of all your bills, point out that the court would not usually ask for this. **Contact us for advice**.

See our fact sheet: Payment offer – what to do if a creditor refuses.



Important: don't pay more than you can afford

The offers of payment in your **budget summary** are fair to all your creditors and the most you can afford. If you allow one creditor to persuade you to pay more, you will not have enough for your outgoings and other creditors.

What can I do if creditors harass me?

If you do not pay, your creditors are allowed to keep reminding you from time to time but they must not act illegally. If they threaten or harass you to try to make you pay, they may be committing an offence under the **Consumer Protection from Unfair Trading Regulations 2008**.

The FCA has issued the CONC which sets out rules and guidance that organisations must follow when collecting debt. If an organisation breaks these rules or guidelines, the FCA may question its fitness to be authorised to provide consumer credit. **Contact us for advice.**

Collection agencies

The creditor may pass or sell your debt to a collection agency. **Don't worry.** A collection agency has no greater powers than the original creditor. They are not bailiffs and have no rights to come into your home. If you feel a collection agency is behaving unfairly, **contact us for advice.**

See 'What can I do if creditors harass me?' above.

You should negotiate payments with the collection agency in the same way as your other creditors. Some collection agencies may try to charge you extra fees for collecting the debt from you. You may be able to complain about this. **Contact us for advice.**

See our fact sheet: Harassment by creditors and debt collectors.



Extra advice: loan sharks

A loan shark is someone who lends money but does not have a legal licence to do so. They often use violence and threats to make people pay and usually there is no written agreement. If you are worried about an illegal money lender, contact the Illegal Money Lending Team in England on **0300 555 2222**. If you live in Wales, contact the Wales Illegal Money Lending Unit on **0300 123 3311**.

What if I have a complaint about my credit agreement?

You have a right to complain to the FOS about how your lender or a debt collection agency has dealt with your account. You will have to follow your lender's complaints procedure first, but your lender only has one opportunity to deal with your complaint before you can ask the ombudsman to look at it. To make a complaint to the ombudsman, you need to fill in a complaints form. You can do this over the phone by contacting **0800 023 4567** or **0300 123 9123**. You can also download the form from the website at **www.financial-ombudsman.org.uk**.

You may also be able to ask the County Court to look at whether the relationship between you and your lender is unfair. This could lead to the court changing the terms of the agreement and even reducing the balance or ordering your lender to pay the loan payments back to you. For more advice about unfair terms, contact the Citizens Advice consumer service on **0345 404 0506** or see **www.adviceguide.org.uk**.

See our fact sheet: Complaining about your lender.



What if I already have a county court judgment?

If you already have a county court judgment, you should include this debt with your non-priority debts and work out an offer of payment in the same way.

See 'What if my creditors take court action' on page 47.

If this offer of payment is less than the amount the court has ordered you to pay, you may need to apply to the court to reduce the amount. This will mean you are treating all your creditors fairly and not paying one creditor more than you can afford. If you need to reduce the amount that you have to pay on a county court judgment, **contact us for advice.**

See our fact sheet: County Court – varying payments on a judgment.



Debts with your bank – overdrafts, loans and credit cards

Many people use their current account with a bank or building society to have their wages paid into and to pay household bills. This can cause problems if you have a number of debts and your current account becomes overdrawn.

With an overdraft, you pay interest and charges on the amount owed. If you have a loan with the bank or building society, the full monthly instalment will usually be taken from your current account too. This may mean that you do not then have enough money to pay priority outgoings such as your mortgage, rent, council tax, gas and electricity.

Be very careful when dealing with debts to your bank. Some banks or building societies will react by taking all the money in your account to clear the overdraft or loan. They can also try to do this if you have a credit card debt with them. This is called the 'right of set-off'. Before negotiating a repayment arrangement with your bank, consider opening an account elsewhere to have your wages paid into. Do this immediately if the bank or building society does not agree to your offer. If your bank tries to take money from your account in this way, **contact us for advice**.

Extra advice: The Lending Code and the right of set-off

The Lending Code (**opposite**) has guidance for banks and building societies when they are applying the right of set-off and the customer is in financial difficulties. See www.lendingstandardsboard.org.uk. The code says that if your bank or building society uses the right of set-off, you should be left with enough money to meet your reasonable day-to-day living expenses and priority outgoings.

See **'The Lending Code'** on page 45.

Opening a bank account

You may have difficulty opening a bank account if you have missed payments to your creditors. However, opening a basic bank account should not normally involve a credit check. Basic bank accounts allow you to have wages or benefits paid in and to take cash out. Some accounts let you have direct debits and standing orders.

See our fact sheet: **Basic bank accounts**.



You are not usually allowed chequebooks, cheque-guarantee cards or an overdraft. Shop around the high-street banks and building societies for the best deal or **contact us for advice**.

If you are on benefits and don't want a basic bank account, you can choose a post office 'card account'. You can have your benefits (including tax credits and pensions) paid into this account and can take money out at a post office counter.

Important: does your bank charge you a fee for a 'packaged' account?

Some banks charge you a monthly or yearly fee to have a particular account because they offer extra benefits such as mobile phone insurance. Check if you are paying a fee for your account, and think about whether the benefits you receive are really necessary, or if you could get them cheaper elsewhere.

Interest and charges

If you are trying to make an arrangement to repay an overdraft, ask the bank or building society to stop the charges and interest, so that the amount you pay reduces the debt. If the staff at your local branch are not able to agree to this, contact the regional or head office of the bank or building society and ask them to agree to do so. Point out that the Lending Code says banks 'should be sympathetic and positive when considering a customer's financial difficulties'.

The Lending Code

The Lending Code sets out how banks, building societies and credit-card providers should treat you when you have financial problems. Under the code, your lender should:

- look at your options with you;
- look at your income and outgoings and other debts;
- try to agree a debt-repayment plan with you; and
- make sure you have enough money to cover your day-to-day expenses and pay your priority debts.

For more information, **contact us for advice**.

Voluntary charges on your home

If you have a large overdraft or a personal or business loan, you may be asked to agree a voluntary legal charge on your home in return for the lender agreeing to accept reduced payments. This means that the debt would be secured on your home and you could then lose your home if you don't keep up the payments. Banks will sometimes ask you to agree to a legal charge which means any future borrowing or overdraft you have with the bank is also secured on your home. This is sometimes called an 'all monies charge'.

Warning: before you agree to a voluntary charge

If a creditor asks you to agree to a voluntary legal charge, or if your partner asks you to sign an agreement to a legal charge on your home, you must get legal advice first. **Contact us for advice.**

Secured overdrafts

You may have a bank overdraft secured on your home. The interest charges can be high, with no fixed monthly instalment to pay.

If the bank takes you to court, it may be difficult to suspend a possession order to pay off the overdraft in instalments. If you have an overdraft secured on your home, **contact us for advice**.

If your bank is asking you to agree to secure an overdraft on your home, **contact us for advice**.

Warning: beware of consolidation loans

Beware of adverts in newspapers and on television offering loans to clear all your debts (often called 'consolidation loans'). They can be very expensive and may put your home at risk. **Contact us for advice.**

See our fact sheet: Debt consolidation and credit.



Complaints

Banks should have a complaints procedure under the Lending Code and should make the procedure public. If you have a complaint, you need to follow your bank's complaints procedure. If you are not satisfied with how they have dealt with your complaint, you may be able to complain to the FOS, but it can only deal with certain types of complaints. For information, contact the FOS direct on **0800 023 4567** or **0300 123 9123**.

See our fact sheet: Complaining about your lender.



STEP 4 Dealing with your non-priority debts

Extra help

In this section we give information and advice on some non-priority debts that can be more difficult to deal with. They are:

- **charge cards;**
- **payday loans;**
- **catalogue debts;**
- **personal debts to friends and family;**
- **water rates; and**
- **business debts.**

Charge cards

You may have a debt on a charge card such as American Express, where you have to pay the full balance off each month rather than in instalments as with a credit card. It can be more difficult to negotiate reduced offers of payment on charge cards as they are not ordinary credit agreements. You should still include them with your other non-priority debts. If your charge card company is threatening to take further action, **contact us for advice.**

Payday loans

A payday loan is a high-cost short-term loan, usually for a small amount of money. Many people use these loans to help them if they have run out of money before their next payday. The interest rates on these types of loans can be very high. Charges will also be added if you cannot pay the loan back on payday. This means that the debt can build up so you end up owing more than you borrowed.

A payday loan is a non-priority debt but it can be difficult to deal with as you may have given what is called a 'continuous payment authority' to the loan company. This means that you have given the loan company permission to take money from your bank account. You may not realise you have given this permission, but you can get a continuous payment authority stopped by telling the bank or the payday loan company. **Contact us for advice.**

See our fact sheet: [Payday loans.](#)



Catalogue debts

Mail order catalogues offer a way of buying goods by post and spreading the payments over a period of time, typically 20 to 40 weeks. Orders for goods and the collection of payments are sometimes undertaken by a local part-time agent – often a friend, relative or neighbour.

You should treat catalogue debts as a non-priority debt in the same way as your other non-priority debts. Goods ordered from a catalogue belong to you and cannot be taken back if you do not pay. If you have a dispute with the company or an agent about how much you owe **contact us for advice.**



Extra advice: liability of agents

If you act as an agent for the catalogue company and sell goods, or collect money for the company, be careful. Create a separate account for each of your customers. If you do not do this, then the catalogue company may hold you responsible for any payments missed by your customers.

As long as you set up separate accounts, you (as an agent) should not be held personally liable for your customers' missed payments.

Personal debts to friends and family

You may owe money to friends and family. You should usually treat these debts the same as ordinary non-priority debts and make offers of payment in the same way.

You may be able to agree to make no payments until your circumstances improve so you can pay off your other creditors faster. Sometimes, you may want to make higher payments on a personal debt because lending you the money has caused hardship to someone you know or your relationship may suffer if you don't. This can be difficult, as your other creditors may be unhappy if you are paying more on a personal debt than is strictly 'fair'. Explain the reasons to your other creditors and point out, for example, that if you pay off the personal debt quickly, you will be able to pay more to everyone else.

Water rates debt

Include any water rates arrears with your other non-priority creditors, but keep up with your ongoing bills so your debt does not get any bigger.

See our fact sheet: **Water rates arrears and water trust funds.**



Important: defences

If you don't agree with the amount the creditor says you owe, put in a defence. Putting in a defence or counterclaim is complicated. **Contact us for advice.**

Business debts

If you have been self-employed in the past, you may have debts to old suppliers and so on. Usually, you can treat this type of debt as a non-priority.

See our fact sheet: **Business debts.**



If you agree you owe the debt

There will be a reply form with the claim form for you to make an offer of repayment. This is called the 'admission form'. There are instructions included on how to fill in the form. It looks quite like a **budget summary** and asks for similar information on income and essential outgoings.

Contact us for advice.

See our fact sheet: **County Court – replying to a claim form.**



What if my creditors take court action?

Many people are frightened of courts especially when they feel guilty because they owe money. The County Court is not a criminal court and is not there to judge anyone as guilty or innocent. It is there to settle disputes about money owed, and how to repay it. The court is not there to protect the interests of creditors alone and is keen to see you come to an arrangement with your creditors without court action. If court action is taken, you will not usually have to go to a court hearing. Most of the procedure is done through the post.

- Your creditor should send you a letter before they start court action, telling you how to pay and how to contact them to discuss your repayment options. They should also tell you where to get free, independent advice.
- If the creditor goes on to take court action, you will receive a 'claim form' from the court. The claim form will include details of the debt, known as the 'particulars of claim'.
- If you do not have to go to a court hearing, your name will not appear in the local paper, so don't worry about publicity.
- The court staff and the district judge who decide cases are used to dealing with people who do not have a solicitor.

If you receive a claim form or letter from the court, contact us for advice.

Important: how to make an offer of payment

In the claim form there is a section you can fill in to include your priority debt payments. You also have space to include any other court judgments you have, and to list all your non-priority debts. It is important to make an offer of payment in the 'offer box'. If you leave it blank, the court will decide you have not made an offer and tell you to pay the whole debt at once, or order you to pay what the creditor asks for.

If my creditors take court action, what are the advantages?

- The court will stop interest being charged on most ordinary credit agreements. This means that the amount you owe cannot increase. Some creditors may tell you they can charge interest on a debt before and after judgment. If this happens to you, **contact us for advice.**

See our fact sheet: **County Court – interest charges.**



STEP 4 Dealing with your non-priority debts

- In most cases, the court is likely to let you pay a monthly amount which you can afford. But it can only do this if you explain your income, outgoings and other debts on the reply form to the county court claim.
- You won't usually have to go to the court for a hearing. Most of the procedure is done through the post.

If my creditors take court action, what are the disadvantages?

- Court costs are added on to your debt, although creditors cannot add on what you want. Court costs will be added on a sliding scale depending on the amount of money you owe.
- Details of judgments are recorded on the Register of Judgments, Orders and Fines and are available to credit reference agencies. This may make it difficult for you to get credit in the future. If you pay off your county court judgment within one month, you can ask to have the entry removed from the register.

See 'Can I get credit again?' on page 49.

If you do not pay the monthly amount which the court orders, or the court orders you to pay the whole amount straightaway, the creditor may take further action against you. So make sure you pay your monthly payments or apply for them to be reduced if you cannot afford the first amount that the court fixed.

How to get help with court fees

If you need to apply to the court, there may be a fee to pay. You may not have to pay the fee, depending on your circumstances, for example, if you are on benefits or a low income. **Contact us for advice.**

See our fact sheet: **Help with court fees.**

Reducing payments on court orders

If you cannot afford what the court has decided you should pay, you can write and ask the court to look at your offer again. This is called a 'redetermination'. There is no fee for doing this. You must do this within **14 days** of getting the order. The District Judge can decide to have a hearing or make a decision by looking at the papers. You can ask for a hearing when you write to the court to ask them to look at your case again. This case should be transferred to your local county court hearing centre if there is a hearing. **Contact us for advice.**

If more than **14 days** have passed since you got the court order, you cannot apply for a redetermination but must apply for the monthly payment to be reduced. **Contact us for advice.**

See our fact sheet: **County Court – varying payments on a judgment.**



Further action the creditor can take

Usually, if you do not pay the monthly amount the court orders, the creditor can ask the court to take further action. The following methods are most commonly used.

Bailiffs

The creditor can ask the court to instruct bailiffs. You do not have to let the bailiffs in. The bailiffs cannot force their way into your home unless you have let them in before. If a creditor is threatening to use bailiffs, **contact us for advice.**

INFO

Information: terms used to describe bailiffs

Bailiffs are also commonly known as enforcement agents. In the pack we use the term bailiff.

See our fact sheet: **County Court – stopping bailiff action.**



Attachment of earnings

The court can order your employer to make deductions from your wages to clear your debt. The court works out the rate by using a set formula. The order can be suspended if it might affect your employment and you can make payments yourself. If a creditor is threatening to make an attachment of earnings against you, **contact us for advice.**

See our fact sheet: **County Court – attachment of earnings orders.**



Charging orders

If the court makes a county court judgment, the creditor can ask for a legal charge on your home. This is called a 'charging order'. This only applies if you own your home or have a mortgage on it, and not if you rent it. The charging order means the debt is secured on your home like a mortgage and may put your home at risk.


If you object it is up to the court to decide whether to make a final charging order and there are several

arguments you can use against this. If a creditor is threatening to apply for a charging order, **contact us for advice**.

See our fact sheet: County Court – charging orders. 

your credit report, you need to contact the credit reference agencies and fill in an application form. There is a small fee for this application. You can usually apply in writing, by phone or online.

The Information Commissioner's Office publishes a useful guide to credit reference agencies called **Credit Explained**. See www.ico.org.uk or contact **0303 123 1113** or **01625 545 745**.

See our fact sheet: Credit reference agencies and credit reports. 

Can I get credit again?

There is no such thing as a 'credit blacklist' but if you do not pay your debts, you may find it difficult to get credit in the future.

When you apply for credit, most companies will consult a credit reference agency. They keep records of all county court and high court judgments, bankruptcy orders, IVAs, DROs and details about credit accounts. This information is kept on file for **six years**. It will show if you are behind with your payments. If you are in arrears or have a county court judgment, you may be refused credit.

If you are refused credit, you have a right to ask if the finance company has used a credit reference agency. They must give you the agency's name and address. The finance company should give you good reasons why they turned you down for credit. This includes telling you if they have used a credit-scoring system. To get a copy of

Credit-repair companies

You may have heard of companies that offer to clear your credit record if you pay a fee. These are known as credit-repair companies. **Be careful**. Many credit-repair companies promise to remove judgments when they cannot legally be removed. Credit-repair companies must be authorised by the FCA. You can check which companies are authorised on the FCA website www.fca.org.uk by searching for financial services register. You can complain to the FOS about something a credit-repair company has done. See www.financial-ombudsman.org.uk or contact **0800 023 4567** or **0300 123 9123**. **Contact us for advice**.

Next steps...

You are now at the end of **step 4**, the last step in this pack. We hope you have been able to follow the steps easily and now feel better able to deal with your debts. There is a lot more help available if you need it.

Sample letters

See **pages 50 to 52** for sample letters you can use to help you write to your creditors. You can also use our website to fill in sample letters online.

See www.nationaldebtline.org for our full range of sample letters that you can fill in online.

Fact sheets

See www.nationaldebtline.org for a list of the fact sheets that we produce. These cover specific subjects in depth that are not included in this pack.

Remember – you can always contact us for help, information and advice on **0808 808 4000** or see www.nationaldebtline.org.

Sample letter 1

If you want to ask your creditors to hold action

See 'Working out offers of payment to non-priority creditors' on page 19.

Use this letter to ask your creditors to hold action while you get some advice. You can write out this example letter and send it to your creditors.

Remember to keep a copy of any letters you send.

You can fill in this letter online at www.nationaldebtline.org.

Creditor's name and address:

.....
.....

Your address:

.....
.....

Date:

Account number:

Dear Sir or Madam

I am writing to tell you that I am getting advice and help with my current financial difficulties.

Because of this, I would appreciate it if you could hold action on the above account for at least 30 days to give me the breathing space I need to do a budget sheet and work out the best way to deal with my debts.

Also, if you are adding interest or other charges to the account, I would be grateful if you would freeze these during this period, so that my debt does not get any bigger.

I will contact you again as soon as possible with further details of my financial situation and my proposals for repaying my creditors.

I look forward to hearing from you as soon as possible.

Yours faithfully

← Add your signature with your name printed underneath.

Sample letter 2

If you are making pro-rata offers to your creditors

This means all your creditors will get a fair share of the money you have available.

See 'Working out offers of payment to non-priority creditors' on page 19.

Use this letter to ask your creditors to accept pro-rata offers on your debts. You can write out this example letter and send it to your creditors with a copy of your **budget summary**. We have used [square brackets] to suggest different points you may want to make. Choose the ones that fit your circumstances and make any other changes you need to explain your situation to your creditors.

Remember to keep a copy of your **budget summary** and any letters you send.

You can fill in this letter online at www.nationaldebtline.org.

Creditor's name and address:

.....
.....

Your address:

.....
.....

Date:

Account number:

Dear Sir or Madam

Since making the above agreement with you, my circumstances have changed. I cannot now afford the agreed monthly payments for the following reasons.

.....
.....

I enclose a **budget summary** which shows my total income, and my total outgoings. As you can see, I have only £..... a month left for my creditors.

I have worked out the offers I have made to my creditors on a pro-rata basis, and I have written to all my creditors asking them to accept reduced offers.

Because of my circumstances, please agree to accept a reduced offer of £..... a month. If you are adding interest or other charges to the account, I would be grateful if you would freeze these so that all payments I make will reduce what I owe you.

If my circumstances improve, I will contact you again.

Please send a [paying-in book] [standing order form] to make it easier to pay.

I look forward to hearing from you as soon as possible.

Yours faithfully

Add your signature with your name printed underneath.

Include a paragraph outlining the special circumstances you have that you want the creditor to take into account. For example, illness, disability, age or bereavement. Include evidence of any medical condition you have or supporting evidence from a doctor, social worker or mental health worker. Also include information about why your financial situation is unlikely to improve.

This is the money you have worked out on your personal budget that you can afford to pay all your creditors.

This is the money you have worked out on your personal budget that you can afford to pay this creditor.

Choose the payment method you want.

Sample letter 3

If you are making token payments or no offer of payment

See 'Working out offers of payment to non-priority creditors' on page 19.

Use this letter to ask your creditors to accept a token payment or no payment on your debts. You can write out this example letter and send it to your creditors with a copy of your **budget summary**. We have used [square brackets] to suggest different points you may want to make. Choose the ones that fit your circumstances and make any other changes you need to explain your situation to your creditors.

Remember to keep a copy of your **budget summary** and any letters you send.

You can fill in this letter online at www.nationaldebtline.org.

Creditor's name and address:

.....
.....

Your address:

.....
.....

Date:

Account number:

Dear Sir or Madam

Since making the above agreement with you, my circumstances have changed. I cannot now afford the agreed monthly payments for the following reasons.

.....
.....

I enclose a **budget summary** which shows my total income, and my total outgoings. As you can see, I have no money left to make offers of payment to my creditors.

Because of my circumstances, please agree to [suspend payments for six months] [accept a token offer of £1 a month for the next six months]. If you are adding interest or other charges to the account, I would be grateful if you freeze these so my debt does not increase.

If my circumstances improve, I will contact you again.

Please send a [paying-in book][standing order form] to make it easier to pay.

I look forward to hearing from you as soon as possible.

Yours faithfully

Include a paragraph outlining the special circumstances you have that you want the creditor to take into account. For example, illness, disability, age or bereavement. Include evidence of any medical condition if possible, or supporting evidence from a doctor, social worker or mental health worker. Also include information about why your financial situation is unlikely to improve.

Decide if you are making a token offer of payment or asking the creditors to accept no offer of payment.

Only include this if you are offering a token payment. Choose the payment method you want.

Add your signature with your name printed underneath.

National Debtline has a range of sample letters. You can use these to help you to deal with your debts if:

- you need to negotiate with your creditors;
- you need to ask for information from your creditors; or
- you want to make a complaint about a creditor or debt collector.

You can see a full list on our website at www.nationaldebtline.org, where you can fill in your details and a letter will be produced for you. Or you can phone **0808 808 4000** to ask for a sample letter to be sent to you.

About National Debtline

National Debtline and the Money Advice Trust

National Debtline, part of the Money Advice Trust, is a helpline offering free, expert, professional advice over the phone, online, by email and via webchat. It helps people deal with their debts in an informed and active way. National Debtline offers self-help solutions, debt management plans, debt relief orders and individual voluntary arrangements to people with many debts. Please call **0808 808 4000** or visit www.nationaldebtline.org.

The Money Advice Trust is a charity formed in 1991 to help people across the UK tackle their debts and manage their money wisely. As well as running National Debtline, the Money Advice Trust also runs Business Debtline (www.businessdebtline.org).

Our partners

We work with leading UK agencies to achieve our aims.

- **AdviceUK**
- **Advice NI**
- **Citizens Advice**
- **Citizens Advice Northern Ireland**
- **Citizens Advice Scotland**
- **Institute of Money Advisers**
- **Money Advice Scotland**
- **StepChange Debt Charity**

National Debtline – our aims and services

We aim to provide a high-quality service. You can expect the following.

- To speak to an adviser who is approachable and trained to a high standard.
- A guarantee that any information you give about your situation will be kept strictly confidential. We keep records of our calls on a database, so if you need to contact us again, you don't have to tell us about your situation all over again. We will not pass your details on to any other organisations without your permission.
- We may ask your permission to be contacted by another research organisation, but this is either for the purpose of a phone call or written questionnaire on the quality of our service, or to help with research about debt.
- You do not have to tell us anything, such as your name and address, if you would prefer not to. Please **contact us** if you do not want us to keep your details on file. If we do not hear from you, we will assume that you agree to us doing so.
- Although our lines are very busy, we will do all we can to answer your call promptly.
- We are committed to equal opportunities in all our services, and will tackle any prejudice and discrimination, to make sure this happens.

INFO

Information: getting in touch by post

If you would like to write to us, either to make a complaint or ask for more information, send the letter to:

National Debtline, Tricorn House, 51-53 Hagley Road, Edgbaston, Birmingham B16 8TP.

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Scottish Power
SSE
StepChange Debt Charity
The Royal Bank of Scotland Group
TSB
UKAR
UK Cards
Vanquis Bank
Virgin Money
Wescot Credit Services
Wessex Water
Wonga
Yorkshire Building Society

NATIONAL DEBTLINE

ADVICE YOU CAN TRUST

Freephone
0808 808 4000

Monday to Friday 9am to 8pm
Saturday 9.30am to 1pm
Also 24-hour voicemail service



Follow us on Twitter
@natdebtline

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BUSINESS
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NATIONAL
DEBTLINE

WISER
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Email advice from our website:
www.nationaldebtline.org

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We cannot be held responsible for future changes to the law.

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