

Factsheet on Consumer Credit Judgment – Interest Charges

Can Creditors add interest to a County Court Judgment?

- If a creditor is taking action in the county court regarding an ordinary credit agreement, in most cases you are required to pay the total amount owed within the agreement.
- The amount owed therefore would include any interest payable under the terms of the agreement.
- Any further interest added on top of the agreement will not be enforced by the County Court.

Will I have to pay for any court fees or interest after the judgment has been ordered?

- The creditor can apply for a county court judgment that applies to court fees and any interest amounted up to the date of the judgment.
- Unless there is a clause in the initial agreement the any interest amounted after the judgment will not be enforceable.

Contractual Interest

- Judgments made prior to the 1st October 2008 differ from judgment to judgment concerning contractual interest.
- In some cases a creditor is entitled to add contractual interest to the judgment.
- This should be shown within the credit agreement allowing the creditor to do so after the judgment has been made.

Can the creditor continue to add interest without me knowing?

- You will have grounds for a complaint of unfairness if they have done this without informing you.
- You will know that interest has been added once you have paid the amount confirmed by the judgment and the creditor tells you that you owe a further figure.
- The creditor will only be able to enforce this by taking you to court for a second time.

Contractual Interest

- Judgments made after the 1st October 2008 have different regulations when creditors are looking to add contractual interest on the judgment.
- If the creditor wants to add the interest after the judgment has been made this will have had to be included within the credit agreement.
- A statement usually appears in the form of:

'You should be aware that if we take you to court and get a judgment against you requiring you to pay us the money you owe us under the agreement, you may have to pay us both the amount of the judgment and the interest under the agreement on all the sums owed by you at the date of the judgment until you have paid these in full. This means that even if you pay off the whole amount of the judgment, you may still have a further sum to pay'.

- If the creditor does intend to add interest then they should inform you via a notice. Only once you have received this can they begin to add interest.
- The notice will portray when the interest will run from and also at what rate the interest will be charged.
- You are entitled to ask the court to look at the rate of interest and the installment plan.
- In the case the creditor is adding interest in the long run, every six months they must send you a new notice.
- Any interest added before the notice has been sent is unenforceable.

Can I ask the court to prevent contractual interest?

- You can request the court for a time order.
- The court does not have to agree but if they do, they will look at not only the amounts for installments but also the interest rate to come to a fair conclusion.
- In some cases the court has decided the rate of interest will be zero.

Can I ask for a time order before the CCJ is made?

- In the case a claim has been made against you, you would receive a notice as well as a response pack.
- You can use the response pack to apply for a time order.
- You will need to portray your expenditure and income.
- The request for a time order is in Box 11 where you have to offer to settle the debt via installments.
- You can also apply to the court to change the terms in the agreement, which could prevent any further contractual interest being added upon the judgment being declared.

How do I know if my time order has been accepted?

- The court will send you the judgment, which will state within whether or not the time order application was successful.
- If nothing is stated about the time order you can request the court for a re-determination free of charge.
- The only time you cannot ask for a re-determination is if a district judge at a hearing granted the judgment.

If the CCJ has already been made can I get a time order?

First Option:

- You can apply using a N244 form.
- You should ask the time order to help with the payment plan at a fair rate of which you can afford and also to prevent any further interest being added.
- You should also supply the court with your income and expenditure to back up your request.
- Usually a £75 fee will accompany the application but showing a low income or another circumstance can make you exempt from the fee.

Second Option:

- You may write a letter asking the court to permit a time order on its own initiative.
- It is important you make an offering to pay the debt off and show the court a budget sheet.
- Be sure to ask the court to suspend all interest being added upon the current debt.

What happens once I have paid off the CCJ?

- You should clarify with the creditor if you believe you have paid off the full amount owed under the judgment.
- If the judgment has indeed been paid back completely this is the point you can stop paying.
- Any interest the creditor believes you to still owe will only be enforceable once the creditor re-takes you to court.
- It is very unlikely the creditor will take you to court for the interest and there are very few cases where the creditor has managed to have the interest paid back.

Is there a complaint service?

- If you have a problem with how a debt collector has acted you may be able to complain to the financial ombudsman service.
- Complaints can only occur for events that have taken place after April 2007.
- Before you submit a complaint with the FOS, you should first follow the initial lender's complaints process.

What can I do if I feel my lender has charged me excessively?

- In this case you may have grounds for a claim against the lender.
- You must have grounds to argue the interest rate was remarkably high or that the T&Cs of the credit agreement were unfair.
- The lender will also have a chance to show the agreement was not unfair.
- If the court finds the agreement to be unfair, they have the power to make amendments and order the lender to reimburse you.

When can the Unfair Relationship Test be used?

- Since April 2008, this test is related to all of the agreements regulated or not under the Consumer Credit Act.
- Applications can be made before the lender summons you to court.

Should I use the code of Practice?

- If you do use the code of practice and come to an agreed amount owed on the interest with your creditor, you will most likely be unable to take further action in a court hearing.
- Any figure agreed on is bound.
- Using the code of practice is seen as an alternative to using a court.

How can I become exempt from paying the charge for my application in the County Court?

- You will be exempt if you have the benefit of income support, income-based jobseekers allowance, the guarantee credit element of pension credit and working tax credit.
- If you have a low income you may also be exempt from having to pay the fee. Not only will your income be taken into account but also that of your partners and the number of children you may have.
- Each child adds £2,735.
- You may also be entitled to a discount if you can show the court your monthly expenditure and income and show them how much you have left over each month after your essential living costs.
- If you have below £50 left over then you will most likely be exempt from the charge.
- You must provide the court with evidence of the above.