

## **GUIDE TO DEALING WITH DEBT**

The issue of debt will not just disappear, if you are having troubles paying off your debts, attempt to communicate with your creditors and explain the difficulties rather than let the letters and calls accumulate.

If you disagree with the debt in question on any level, you should seek help from a debt advisor and communicate these discrepancies.

### **How to tackle a debt problem:**

In the first instance you should construct a list of your creditors, including, name and address, account or reference number and the debt in question. You should ensure you have all the relevant documents, letters and statements sent to you by your creditor.

The second aspect to take control of is to sort out the more urgent debts from the ones of less importance. Some debts may require immediate attention or you could be facing further problems, such as, bailiffs taking your belongings. Split these into two, priority debts and the non-priority debts. Non-priority debts can be dealt with second as they are not prison offences and a court hearing would need to take place in the first instance to grant bailiff permission.

### **What is included in priority debts?**

- Council Tax Arrears
- Mortgage Arrears
- Fuel Arrears
- Rent Arrears
- Arrears to Child Support for maintenance
- VAT Arrears
- Income Tax
- Court Fines
- TV License Arrears

### **What is included in Non – Priority Debts?**

- Student Loans
- Borrowed loans from friends or family
- Credit debts ó hire purchase, loans, overdrafts, and credit card amounts.
- Benefits overpayments

**Thirdly, construct a list separating expenses and income for the household.**

**What is included in Income?**

- Individual earnings for yourself and your partner
- Any assistance from family members or lodgers
- Maintenance income for Child Support.
- Benefit income ó child benefits or tax credits

**What is Included in Expenses?**

- Property Bills ó council tax, water, electricity, fuel, TV license, telephone costs.
- Travel costs ó insurance and maintenance
- Childcare costs
- Clothes
- General Housekeeping ó food etc
- Housing Costs ó mortgages, rent, secured loans, service charge, insurance on the property.
- Content Insurance on the property
- Emergency funds

After constructing these lists and collating the figures, you will be able to see if you have any available funds to pay off the debts.

**Fourth, concentrate on the priority debts.**

Once you have calculated what you can afford to pay back off the debts, communicate with your creditors, provide them with your financial situation and budget plan and try and come to an agreement to begin making payments. Even if you may not have enough funds now, you can communicate your expected income and plan for the future to pay back the money.

**Fifth, concentrate on the non-priority debts.**

When you have sorted the priority debts, if there are any funds left over, you can begin to look at the non-priority debts and finding a way to correct these arrears. There are a variety of ways to do this:

- Contact the creditors and come to an agreement
- Use a debt management company to contact and come to an agreement on your behalf
- Attempt to receive an Administration order.
- Attempt to arrange an Individual Voluntary Arrangement (IVA)
- Loan Consolidation



24 Hour IVA Helpline 0800 876 0999  
0161 790 0166

### **What is an Administration Order?**

This order will only apply if you have arrears of less than £5000 and have a minimum of one CCJ declared against you. The administration order allows you to only pay off a specific amount of the arrears.

### **What is an IVA?**

The IVA is a legal agreement made between yourself and your creditors using an Insolvency Practitioner to handle your affairs and to establish an agreement to pay off your arrears.

### **What is a Loan Consolidation?**

This is about combining all your arrears into one loan. This is a method of borrowing more money to relieve the debts, but this method has many disadvantages and can result in further serious issues.

### **What if you have no more money or assets to pay off your non-priority debts?**

You will be left with three options:

- 1) Have the debts withdrawn by the creditors
- 2) Declare Bankruptcy
- 3) If Bankruptcy is not an option, the application for a Debt Relief Order.

### **What is a Debt Relief Order?**

A Debt Relief Order is for those people who have debts below £15000 and a small income. Those who can't afford the fees for bankruptcy often choose this method. You must use an Approved Intermediary when submitting an application.