



DEBT ADVICE GUIDE

For People In Serious Debt Introduction

ARE YOU:

- Having problems with Debt?
- Facing creditors chasing you for payment?
- Being declined for loan applications?
- Robbing Peter to pay Paul to make ends meet?
- Afraid to answer the telephone and not opening your bills?

THERE'S MORE THAN ONE WAY TO SOLVE YOUR DEBT PROBLEM!

Did you know that there is more than one way to solve your debt problem?
Even if you are offered a solution for free, be sure that you choose the solution best suited to you!

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1. THE INFORMAL DEBT REPAYMENT PLAN

1.1 WHAT IS AN INFORMAL DEBT REPAYMENT PLAN?

If you cannot afford to maintain the minimum monthly repayments to your creditors, then it is often possible to reduce the payments you make to fit within a budget you can afford using an informal payment plan.

Your disposable income (the amount you can afford to pay your unsecured creditors after all of your reasonable living expenditures have been taken into account) is offered to your creditors on a pro rata basis. For example, lets say that your disposable income is £300/mth. If you owe £20,000 in total of which 50% (£10,000) is owed to Barclays, then Barclays will be offered a monthly payment equalling 50% of your disposable income (i.e. £150/mth).

Your creditors will not want to accept reduced monthly payments. However, if you are truly not able to afford more and are able to justify this, an agreement on reduced payments can normally be reached with enough time and negotiation.

The agreement is referred to as "Informal" because it is not legally binding on either party. The agreement is a "Gentleman's Agreement" which could be changed by either party at



any time.

1.2 ADVANTAGES

- Monthly payments are based on the amount that you can afford. Therefore you no longer have to Rob Peter to Pay Paul to keep up unrealistic payments.
- If your agreement is managed on your behalf by a third party, all of your monthly payments to creditors can be managed within a single affordable amount.
- Depending on the organisation you speak to, you may be able to get help with your creditor negotiations for free.

1.3 DISADVANTAGES

- Despite reducing your monthly repayments, your debt still has to be paid back in full. Therefore your repayment period will be significantly increased. If you have large debts, this can mean no light at the end of the tunnel.
- You will have to manage and maintain multiple monthly repayments unless you ask a third party to manage these for you. You could be charged for this.
- Creditors are under no legal obligation to freeze interest or late payment charges. Added interest and/or charges could significantly increase your debt and repayment period.
- You will be credit blacklisted. This will last until all of your debts are repaid in full. You will find it difficult to borrow until all of your debts have been paid.
- Creditors are under no legal obligation to stick to the agreement. They can ask for increased payments or add further interest at any time. This means that you are not protected from any future action that your creditors might decide to make, for example County Court proceedings.

1.4 WHO SHOULD USE AN INFORMAL REPAYMENT PLAN

If your unsecured debt is relatively low, then the informal debt repayment programme may be right for you.

First calculate your monthly disposable income. Then divide the total amount of debt that you have by your monthly disposable income. This will give you a good idea of the debt repayment period – the total number of months that it will take you to repay your debt (notwithstanding any further interest or charges that might be added). You can then divide by 12 to get an idea of the time in years.

If the repayment period you have calculated is less than 5 years, then the informal repayment plan could be for you.

If the repayment period is longer than 5 years, then the informal payment plan might not be the best solution. If you are facing repaying your debt over 5 years +, your motivation to



maintain the repayments will be low and the possibility of additional interest and charges being added is increased.

1.5 WHAT WILL AN INFORMAL PLAN COST?

There is no reason why you cannot negotiate an informal repayment plan with your creditors yourself. This will cost you nothing more than your time.

Many people find it very difficult and time consuming to negotiate with creditors themselves. If this is the case, then there are a number of organisations who will both negotiate on your behalf and then manage your ongoing monthly payments. You then only have to worry about one payment per month based on the amount you can afford.

There are some organisations which will carry out this work for you for free. However, most companies who provide these services will make a charge. This is normally the first monthly payment that you make and also an ongoing monthly management fee of between 10-17% of your monthly payment.

1.6 WHAT SHOULD I DO NEXT

The suitability of the Informal Debt Repayment Plan will depend on your personal circumstances. If you feel this might be the right solution for you, you should get further professional advice.

IVA.CO.UK can help and you should contact us for a free consultation.

2. IVA - Individual Voluntary Arrangement

2.1 WHAT IS AN IVA?

An IVA or Individual Voluntary Arrangement is a formal legally binding agreement with Creditors. It allows someone who is in financial difficulty to make a formal proposal to settle his/her debts within a reasonable and fixed period of time - normally 5 years.

The IVA involves making monthly payments based on your affordable disposable income. Once the final payment is made, any outstanding debt is legally written off. As such, the IVA offers a solution with a specific end date so you know exactly where you stand and when your debt problem will be over for good!

Why would your creditors accept such an agreement? The answer is that they will compare what they will be repaid directly with what they would get if you declared bankruptcy. This would normally be far less. As such the creditors are prepared to accept something rather than nothing – half a loaf is better than no bread!

The IVA is legally binding. The agreement is governed by a part of the law called the Insolvency Act of 1986. This means that once in place, the creditors cannot change their mind or go back on the deal.



2.2 ADVANTAGES

- Up to 75% of your debt may be written off although this amount may vary depending on your circumstances.
- You will make a single affordable monthly payment. There will be no need to make multiple payments to different creditors.
- All future interest and charges are frozen.
- The agreement is legally binding. This means that once agreed, creditors must stick to the agreement and they can take no further action against you. In addition, actions taken in the past such as County Court Judgements will be overturned.
- The IVA is a private and discreet procedure. No-one is told about the agreement other than the creditors themselves. The IVA can be used by professionals, forces personnel and the police without damaging career prospects.

2.3 DISADVANTAGES

- If you enter into an IVA this will be recorded on your credit file. This will mean that you will not be able to take further unsecured borrowing for the duration of the IVA (although it is possible to take a mortgage or re-mortgage in certain circumstances).
- Once the IVA is completed (normally after 5 years), you can borrow again. However, it may take some time for your credit rating to repair.
- If you enter into an IVA and then decide not to maintain your agreed payments, then you could risk being made bankrupt. However, if the amount you can afford to pay reduces through no fault of your own, it may be possible to re-negotiate your IVA payments.
- If you are a home owner, during the course of the IVA, you may have to release available equity from your property so that the overall settlement you offer to your creditors is increased.

2.4 WHO SHOULD USE AN IVA?

An IVA is appropriate for people who cannot repay their debt in full within a period of 5 years using an informal repayment plan. The IVA is designed to give people in serious debt, light at the end of the tunnel as it enables a settlement of debt within a sensible period. You can consider an IVA solution if your total unsecured debt is a minimum of £18,000 or above. There is no upper limit of debt which can be dealt with through the IVA process. An IVA is a sensible solution if you are a property owner. Although you might have to release equity, you will maintain control of the property. After the IVA is completed, your property will remain your own and any equity remaining in it or gained in the future will remain under your control. This is unlike a bankruptcy proceeding where your property might be sold to release the equity from it.

2.5 WHAT WILL AN IVA COST?

The IVA agreement is not undertaken for free.



You will need to use a specially licensed person called an Insolvency Practitioner to undertake an IVA. The Insolvency Practitioner will charge fees.

You will not be expected to pay these fees directly yourself. IVA fees are taken from your standard monthly payments. As such, your creditors pay these fees for you out of the money they collect from your IVA during its 5 year period. Your creditors are prepared to pay these fees as the amount that they are left is still financially better than their expected return if you declared bankruptcy.

You will not be asked to pay additional fees over and above your agreed monthly IVA payment.

2.6 WHAT SHOULD I DO NEXT

The suitability of the IVA solution will depend on your personal circumstances. If you feel an IVA might be the right solution for you, you should get further professional advice.

3. BANKRUPTCY

3.1 WHAT IS BANKRUPTCY?

Bankruptcy is normally seen as the last resort for dealing with debt. If you have debts which you just cannot afford to repay, then you can declare yourself bankrupt.

You must present a completed application form at your local County Court (or the High Court if you live in London). If the Court agrees that you are insolvent (not in a position to repay your debt), then you will be declared bankrupt on the same day. All your debts will then be taken away from you and you will no longer be responsible for repaying them.

Once you are declared bankrupt, you must no longer try and deal with your creditors yourself. All future dealings will be undertaken by the Court on your behalf. Your creditors can no longer demand payments directly from you by law.

3.2 ADVANTAGES

- The responsibility for paying your debts is taken away from you.
- You will normally be Bankrupt for just 12 months. After that period you will be discharged.
- If you can afford to do so, you will have to make monthly payments towards your debt for 3 years. However, after these payments are completed, any outstanding debt will be written off by law.
- If you declare bankruptcy, you will be allowed to keep reasonable household items. You will not have to give up reasonable goods such as your washing machine, fridge freezer television and DVD player.

3.2 DISADVANTAGES



- If you are declared bankrupt, your name and address will be published in the local newspaper and the London Gazette.
- The record of your bankruptcy remains on your credit file for 6 years meaning it will be difficult to obtain further credit during this time. After 6 years, you can borrow again. However, it may take some time for your credit rating to repair.
- You will have to give up your share of any equity you have in a property. This may result in the sale of the property unless a friend or family member can raise a similar sum on your behalf which can be given to the Court in lieu of your equity.
- You may have to trade in a car worth more than £1000.
- You are unable to act as a company director or be involved with the management of a limited company while you are bankrupt.

3.4 WHO SHOULD USE BANKRUPTCY?

If you have little or no disposable income available each month to make repayments to your creditors, then it may be sensible for you to consider Bankruptcy.

3.5 WHAT WILL BANKRUPTCY COST?

In order to declare yourself bankrupt, you will need to pay Court Fees. These normally total a one off charge of between £460-£490.

The Court is unable to give advice on completing your Bankruptcy application forms. If you require additional advice and help to do this from a third party, you should expect to pay an additional one off charge for this service.



Bankruptcy / IVA

– If you have been through a specific legal insolvency procedure within the last 6 years such as Bankruptcy or Individual Voluntary Arrangement (IVA), this will be recorded on your credit file. Clearly, these procedures are only used if you have had serious debt repayment problems in the past. You will normally be fully aware if you have been through one of these procedures as it is extremely unusual to have been through them without your consent or knowledge. Lenders will be made aware of the existence of these procedures in the information they receive from your credit file.

Electoral roll mismatch

- Every year, your local Council will send out a form for you to fill out. This form updates them on your current residential status and helps them record your movement. Many lenders will compare the address you have given them, to that given on the electoral roll. If the two do not match, then this may count against you in their scoring criteria.

Any missing details in your electoral roll can result in bad scores on your credit file and lead to difficulties if you attempt to apply for credit

Searches on your credit file

- Every time you apply for credit of any kind, the potential lender will interrogate your credit file. A mark known as a search entry is then made on the file. This lets all lenders see how many times you have applied for credit in the recent past. The lender dealing with your current application would expect to see a few search entries. However, if there are an unusually high number, this might throw up cause for concern. If the number of recent search entries on your file is higher than that allowed by the potential lender's criteria, they may reject your application.

2:4 How do Potential Lenders Score My Credit File?

When a prospective lender interrogates your credit file, they cannot see the same details as you are able to see when you request your file. For example, they cannot see the name of the current creditors, outstanding balances or required monthly payments. The prospective lender will be given the history of your past payments (defined in numerals as highlighted in 2.3.1 above). In addition, CCJs and other past credit difficulties will be highlighted to them. On receipt of your credit payment history, the creditor will score the list of numerals obtained from your file against their lending criteria. If your score matches their criteria for success, then it is likely that credit will be offered. If your score does not match their lending criteria, it is likely that your application will be rejected.

This scoring activity is largely why the output of your credit file has become known as your "Credit Score". A common misunderstanding is that when you get a copy of your credit file, this will show some kind of numerical score, which can be defined as good or bad. In fact, there is no such thing as a single "Credit Score". Each potential lender will accept or



reject your application for credit on the basis that their own payment history requirements are lower than, equal to or higher than those shown on your credit file. Different lenders operate different payment history requirements and so some may be willing to lend where others are not.

If you have been rejected for credit, you will quite rightly want to understand why. However, the potential lender will not have a specific understanding of why they have either accepted or rejected your credit application. All they are aware of is that they have compared their payment history criteria to that of yours and the two have either matched or not. If you have been rejected for credit, the only way to understand the reason for this is to request a copy of your credit file (see 2.2 above). You and you alone will then be able to review all the file entries and establish any payment problems. If these are reasonable and expected, then unfortunately there is little you can do to change them in the short term. The only way forward .

is to resolve the issues by starting to make your payments on time or repaying bad debts. If you identify problems on your file which are unexpected or incorrect, there are ways and means of correcting these (see section 3).

3. REMOVING INCORRECT ENTRIES

3.1 Time Over Which Information is Recorded

Your credit file should only show the last 6 years of your credit history. If you had a reason for poor credit over 6 years ago but this was then resolved, records of this should be removed from your file. It is your right to have this information removed. If it has not been removed you should write to the credit reference agency Equifax or Experian (see 2:2) and request that history over 6 years old is deleted.

Note, on-going disputes and unpaid debts will not be removed from your credit file simply because they started more than 6 years ago. Only records of resolved disputes (i.e. where the debt has been repaid in full or settlement has been agreed) will be removed entirely after the 6 year period.



3.2 Debt Which You Believe You Do Not Owe

3.2.1 Debts Owed by You

If you believe that a record incorrectly states that you owe money to a lender, you will have to prove this to the credit reference agency. You will have to write to the lender and request a copy of the agreement which they believe you signed. If they cannot produce this, you have a right to demand the record of the debt removed from your file due to lack of evidence that you owed this money.

3.2.2 Debts Owed By Someone Else

It is surprisingly common to find a record of someone else's bad credit on your file. If someone living at your address (with or without the same name) has poor credit, this person's records may get mixed up with yours and show up on your file. Mistakes do all too often happen. If you believe that this is the case, you should write to Equifax or Experian and request a notice of disassociation. They will send out a disassociation form for you to sign and return it to them for the record to be deleted from your file.

3.3 Defaults

If you have defaulted on your repayments or have ceased payment entirely, a default notice is likely to have been recorded on your file. This default notice will remain until you have resolved the issue by repaying your debt or making an agreed settlement with the lender concerned.

3.6.1 Lump Sum Settlement

If your debt is relatively old (for example in its 4th or 5th year) you will often be able to approach the lender and offer to pay a portion of the debt in exchange for the remainder being written off and the record of the existing debt being removed from your file. In order to have a good chance of getting lenders to agree to such arrangements, you will normally need to offer at least 50% of the outstanding debt payable in a single lump sum. Lenders with bad debts will often sell them to debt collection agencies at a very low price. If your case is taken on by a debt agency, remember that they may have bought it for much less than you actually owe. As such, to make a profit, they do not need to retrieve the whole balance. You may therefore find it easier to strike a deal with a collection agency than the original creditor.

Whether dealing with the original creditor or a collecting agent, make sure you set the terms to your agreement with them. I.e. if you pay, the creditor should agree to COMPLETELY remove the record from your credit file.

3.6.2 Reduced Payment Plan

If you properly present your financial circumstances to your creditors, you may be able to negotiate reduced monthly payments with them to fit within a budget that you can afford.



Often, lenders will be stubborn at first and most of them will refuse any offer short of paying the whole debt on the first attempt. However, if you are persistent they will often eventually agree to your proposal. Do be aware that they still require you to repay the full outstanding debt and this could take some time at a reduced payment rate.

3.6.3 Get The Agreement in Writing

If you make an agreement with a lender about repayment, specifically request that the lender confirm the agreement in writing. If they will not, then ask to speak to a Manager. If you are unable to speak to a Manager, threaten to write to both Head Office and the Banking Ombudsman with your complaint.

3.6.4 Removing the Record After Payment

The only person who can remove a record from your file is the lender who put it there. If you come to an agreement where the lender promises to remove any record from your file based on settlement or repayment, make sure you get it in writing. Keep all bank statements which hold proof that you have paid off the agreed settlement. These together with the written agreement from your creditor are enough legal proof to instruct Equifax or Experian to remove a default from your credit file.

3.4 Electoral Rolls

Be sure that your record on the Electoral Roll is correct. If you move, inform the local Council of this. Most Councils will have all the necessary forms on their websites available to download. Electoral rolls exist primarily to enable individuals to register for elections, however up to date registration will also improve your credit file.

3.5 County Court Judgments (CCJ)

It is normally not possible to have a CCJ removed from your credit file once it is in place. As such, the best advice is to try and avoid the judgement being made in the first place! If you are being threatened with a CCJ but do not have the money to repay your debt in full, you must try to agree a reduced repayment plan before you receive the CCJ.

3.5.1 Payment of Debt before CCJ Issue

Before a CCJ is obtained against you, you will receive 14 days notice; in the form of a County Court claim form. You will be given 14 days to pay your debt in full. If you do so then you can avoid the CCJ being issued. If you are unable to pay your debt in full, then it is likely that a CCJ will be issued and recorded on your credit file.

3.5.2 Payment of Debt after CCJ Issue

If a CCJ has been issued and you repay your debt (either through a lump sum settlement or monthly repayment plan) the CCJ record on your file will be 'satisfied'. However, from that point it will remain on your file for up to 6 years. Unfortunately, once a CCJ is registered on your file, it will count against your credit score and generally potential lenders will not care



whether it has been satisfied or not.

3.5.3 No Notice of CCJ

If you believe that you did not receive notice of intent to issue a CCJ, it might be illegal. You have the right to have a CCJ removed from your file if you can prove that it wasn't issued correctly. To do this you will need to send a 'Notice of Application' form to the Court where the CCJ was issued. The Court will then be obliged to offer you a date to attend a hearing where you can argue your case.

3.6 Searches on Your Credit File

All searches will be recorded for 2 years, if the same company has conducted more than 1 search you can request for these to be removed claiming duplicate searches from the company.

3.7 CIFAS (the Credit Industry Fraud Avoidance System)

Any CIFAS should expire from your file in only 13 months. You should strongly complain against any incorrect CIFAS information existing on your file. Write to the agency to receive all the information on your file, including the hidden one. Then write to the lender who placed it there and demand them to remove the incorrect record. The Office of Fair Trading can help you if you are not getting a satisfactory result.

3.8 Lenders

Lenders all have different ways of scoring your credit file. Filling out different lenders forms with the same answers will often produce different results. Some lenders have a high threshold for scoring and may not accept your application if you have any traces of credit defaults. Other lenders just may not be in the lending "mood". However, if a creditor is in the midst of launching a new card or loan package they may let their approval guard down during the promotional period to gain more success.

Don't apply for too many loans at the same time, creditors can access your file and see how many loans you are currently applying for. Making multiple applications at the same time may decrease your chances of being approved for credit.

4. BANKING WITH A POOR CREDIT HISTORY

4.1 Opening a New Bank Account

It will be most unlikely that you will be granted credit in the UK if you do not have a UK bank account.



4.1.1 Bank Accounts and Poor Credit

If you do not have a bank account due to a previous poor credit history then it may be difficult for you to open up a standard current account. This is because due to banking competition, most high street current accounts are operated by the banks for free. There is no monthly or annual charge to keep the account open and no charges for general transactions such as withdrawing money or writing cheques.

Because Banks operate personal current accounts for free, the way that they make money is by lending to you. Once you have opened a current account, over time, the bank wants to offer you an overdraft facility, a credit card or personal loan, which you may subsequently accept. If you have a poor credit history, the bank will not want to lend to you. As such, if they give you a current account, this will just cost them money to operate with little hope of recouping this cost by offering you other products.

4.1.2 Card Cash Accounts

If you have a poor credit history, many high street banks and Building Societies are now starting to offer simple bank accounts with no lending facilities called "Card Cash" accounts. You can still have your wages paid into a card cash account via BACS. You can also set up direct debits and standing orders from it. However, you will not be granted any lending facilities or even a cheque book or debit card.

If you believe that you have a poor credit history, then you should go into a bank in person and explain the situation. You should then specifically ask for a simple card cash account with no lending facilities. Generally the banks on the list below will be able to help you:

Barclays Bank.

Account name: Barclays Cash Card Basic Bank Account.

It will not be well advertised and the bank staff will try to persuade you to open a different account. The account can be opened with a proof of ID (passport, drivers licence) and a proof

of Address (Utility bill – but not mobile phone bill) and is available for anyone over 18. No credit check is carried out and you should be able to open an account in one visit. You will receive an 8 digit bank account, a cash point ATM card and basic banking services. There is no cheque book or cheque card, but this account does support direct debits and credits.

To find out more information call the Barclays Bank Helpline on 0207 684 2099, or visit one of their branches.

Abbey

Account name: Instant Plus

This is a simple version of a bank account with direct debit facilities but no debit card; you will not receive a cheque book or any overdraft facilities. Abbey does conduct a lenient credit check and may turn you down if you have traces of bankruptcy or a CCJ on your file.

To apply; fill out the form at any Abbey branch, bring your passport and 2 forms of proof of



address.

Abbey may upgrade your basic account after 6 months if it has been well kept. They will lend you credit based on your 6 months trial account rather than your credit file.

Halifax

Account name: Card Cash

Similar to the Abbey account, this is a simple bank account with direct debit facilities; you will not receive a cheque book, debit card or any overdraft facilities.

To apply; fill out the form at any Halifax branch, bring your Proof of ID (Passport, Driving License) and proof of address (Utility bill – not mobile).

Nat West

Account name: Step Account

The account can be opened with a proof of ID (passport, drivers licence) and a proof of Address (Utility bill – but not mobile phone bill). No credit check is carried out and you should be able to open an account in one visit. You will receive an 8 digit bank account, a cash point ATM card and basic banking services. There is no cheque book or cheque card, but this account does support direct debits and credits.

To apply; fill out the form at any Nat West, bring your passport and 2 forms of proof of address.

4.2 Borrowing With a Poor Credit History

If you have a history of poor credit, in order to get on the borrowing ladder, you might consider

using a Credit Broker. Credit brokers have access and information about lenders who offer products requiring lower credit scoring profiles. Brokers will charge a fee to introduce you to these but will help to handle your loan application and forward it to the relevant lender.

Note, if you have a poor credit history, you will have to accept a loan or credit card with high interest rates. However, once you start using these forms of credit responsibly (i.e. always making the required payments on time) you can soon ditch the high-interest lenders and start to get approved by most other mainline credit companies. Low interest lenders will have high scoring thresholds, so improve your situation by only selecting a couple of lenders to apply to at a time. If you apply to more than 3 at a time this may work against you as every search conducted on your name means bad scoring on your file.

4.3 Pre Paid Debt Card

Pre paid Debt Cards have only recently been introduced into the UK. However, they are the perfect solution for individuals with bad credit history. Prepaid cards are currently offered by the following suppliers:

www.easykard.com

www.mycashplus.co.uk



The Pre Paid card is a credit card look-alike with either a MasterCard or VISA symbol on it. The card can be used at all the same places a VISA or MasterCard credit card but is completely free from interest charges and credit checks. The card works on a top-up basis; you deposit money onto the card and then you are free to spend it however you like. The card is a good option if you want the convenience of having a card rather than having to carry cash all the time. The cards are issued with a chip and pin for your security and you can monitor your account and security online.

Note: As there are currently relatively few suppliers of Pre Paid debt cards, you need to anticipate charges for having the card. These are generally in the form of a joining fee (c£15) and a monthly fee (c£5/mth) as long as you have cash available for use on the card.

5. QUESTIONS AND ANSWERS

5.1 I have asked Experian and Equifax to remove incorrect information from my File but They Refuse to Do So.

If you do not get a satisfactory response from a credit reference agency then you can, under the data protection act, take your case to the Information Commissioners' Office. This Office oversees the data protection act which credit bureaus are required to follow.

You can contact the Information Commissioner's Office via their website:

<http://www.informationcommissioner.gov.uk>

5.2 My Debt is Older than 6 Years Old. Does this mean it is automatically written off?

The UK Limitations Act of 1980 states that the maximum time a creditor can demand repayments on a sum outstanding is 6 years. If a period of 6 years has passed since the creditor last contacted you demanding payments towards your debt, your debt is statute-barred (i.e. no longer legally collectable). If you have not been chased for payments for a clear period of 6 years then after that you do not have to repay your debt and your file should be cleared off the debt record. You can write to your lender after the 6 years and notify them that the debt is no longer legally collectable.

For the purposes of the UK Limitations Act, you cannot count the beginning of the 6 years as being the date when the debt was taken out. The 6 years start when the last payment, admission or acknowledgment of the debt was made. For example, if you make repayments on a debt for 3 years and then stop, the lender then has a further 6 years from this point to acknowledge the debt and try to recover it before the debt will be statute-barred.

Note: on-going disputes and unpaid debts will not be removed from your credit file simply



because they started more than 6 years ago. Only records of resolved disputes (i.e. where the debt has been repaid in full or settlement has been agreed) will be removed entirely after the 6 year period. If you have made a part-payment or the creditor can prove they wrote to you to recover the debt or you wrote to them admitting the debt within a six year period, then the six years clock will restart at that point in time!

Think carefully before opening and negotiating a debt close to 6 years old as the creditor may be making the necessary procedures to write off the debt entirely. To make sure, run a couple of checks on the lender to see what they have done in previous situations. Under the Data Protection Act 1998 it is your right to obtain all the documents which the creditors have relating to you. A carefully worded request of this nature would not constitute admission or acknowledgment of the debt and so this should allow you to gain information about your debt without affecting your 6-year clock under the Limitations Act.

Exceptions to the UK Limitations Act Time Limit

For “speciality debt” which for the most part is mortgage debt shortfall after a property-repossession, 12 years is used as the period under the limitation act as opposed to the 6 years above.

For Income Tax, VAT, State benefit overpayments, social fund loans, overpayment of grants, council tax and any other debts to the Crown there is no limitation period, which means you can be chased forever for these debts.

5.3 Can I get a New Credit File History?

Unfortunately it is illegal and practically impossible in the UK to receive a new credit file. You may see advertisements to get a new credit file or “clean up” your credit file. These are often misleading as there is very little that can be done to achieve this other than that already explained within this guide.

5.4 I am Already in Debt but Keep Getting Offers of More Credit!

Perhaps strangely, creditors may not be aware that you cannot really afford to repay the debt that you already have. This is because you continue to maintain your minimum payments largely by robbing Peter to pay Paul.

If there is frequent and satisfactory activity recorded on your credit file (i.e. minimum payments always made on time), this will generally indicate a good credit score to potential lenders even though in reality you are simply moving funds between different creditors and may be heading for a fall.