



Debt Advice Self Help Pack



**Welfare Benefits Information Centre, Town Hall
Annexe,
Birley Street, Preston, PR1 2QE**

Are you having problems managing your money and making ends meet?

Are you getting letters from people you owe money to and can't afford what they are asking you to pay?

What can you do?

Don't feel guilty - over 2 million people have the same problem.

Don't borrow more money to pay off the debts you have.

Don't ignore the problem - it won't go away.

Don't agree to sign your home as security. You could lose your home.

Don't offer to pay more than you can afford

Don't let creditors put pressure on you or harass you. They can be prosecuted for this.

Don't panic - there are things you can do

Preston City Council's Welfare Benefits Information Centre can help with problems you have with debt or benefits.

Contact us at :

**Welfare Benefits Information Centre, Town Hall Annexe,
Birley Street, Preston, PR1 2QE**

Telephone 01772 906363

Email: welfarebenefits@preston.gov.uk

Or

debtadvice@preston.gov.uk

You have already taken the first step by reading this.

Guidance notes

In this pack you may come across some words which you may not understand or be familiar with. We have listed some below to help you with the most common ones.

Creditor	The person you owe money to
Expenditure	The amount you spend on household bills and housekeeping
Income	The amount of wages and/or benefit you get each week or month
Secured loan	A loan that is secured on your property, e.g. a second mortgage. You could lose your home if payments are not maintained.
Hire purchase	A loan which is secured on the goods you have bought. You could lose the goods if payments are not maintained.
Priority	The people who should be paid first
Non-priority	The people paid with whatever amount of money is left

To help you decide who are priority and non-priority creditors we have listed below the most common creditors who are priority creditors and why.

<i>Priority creditor</i>	<i>what can happen</i>
Mortgage/secured loan company	repossession or eviction
Landlord for rent	repossession or eviction
Council Tax	bailiff action/imprisonment
Fuel companies for gas and electricity	disconnection
Magistrates court fines	warrant for arrest/imprisonment
Child maintenance	imprisonment
Income tax and VAT	bailiff action/imprisonment
Hire purchase	repossession of goods
Telephone	disconnection
Rental of goods	repossession
Fixed penalties	bailiff action/further costs

When deciding whether a creditor is priority, you may need to look at the credit agreement that was given to you when you bought goods or were given the loan. Many people think they have hire purchase when they have been given a personal loan.

Look at your loan agreement. At the top of the agreement it will state whether it is a hire purchase or a conditional sale agreement, under the Consumer Credit Act. If it does not have this written in your agreement it is most likely that you have been given a personal loan and can treat this as a non-priority creditor. If you are still not sure always ask for further advice. It is very important that payments are continued if you are undecided. You will need to continue with normal payments to all your priority creditors before making payment to other people.

Non priority debts are usually unsecured and are: bank/building society loans, credit cards, store cards, loans from doorstep lenders, catalogues, and bank/building society overdrafts.

Overdrawn bank and building society accounts.

Most wages are paid direct into a bank or building society account, and direct debits are set up to make monthly payments to creditors. If your bank or building society account has gone overdrawn and is over the agreed overdraft limit, additional charges can be added to the account that will make your situation worse.

The bank or building society may put a stop on your account and ask you to return cheque books and any cards you have. Direct debits may also go unpaid and you will be charged for this. To prevent the situation getting worse you should contact the bank or building society and ask them to cancel the direct debits for non-priority bills and then arrange an alternative payment method to the creditor.

If you have other credit e.g. loans, credit cards with the same bank or building society you may have to consider changing your bank or building society and having the wages paid into a new account. If you are not sure what to do, always ask for further advice.

Mortgage/secured loans.

When you fall into arrears with your payments, the lender will write to you and ask you to pay the arrears in full or contact them to make an arrangement. If you do not contact them or you are unable to make an arrangement they will, at some stage, pass your account to their solicitors who will then apply to the county court for an order for possession.

You will then receive a date and time to attend court. If you do not attend the hearing the judge will make an order for possession and you could lose your home. The judge can suspend a possession order on condition that you make your normal monthly payment plus an amount which the court considers reasonable, to pay off the arrears over a period of time.

The amount which you will be ordered to pay off the arrears will depend on the amount you can afford, providing the amount you can afford will pay off the arrears before your mortgage expires.

Some county courts offer duty advocacy service in partnership with advice services whereby an adviser will be able to assist you on the day of the hearing. You should contact your county court to enquire whether this service is running.

Hire purchase

You do not own the goods until you have paid the full amount you borrowed, plus any interest charged.

If you have paid less than one third of the total amount of credit the lender can take the goods back without your permission and without a court order.

If you have paid more than one third of the total amount, the lender may ask you to return the goods but they can not take them back without your permission or unless they have been given a possession order by the court.

When the lender has possession of the goods they will sell them. If they sell the goods for less than you still owe, including costs and charges, you are responsible for paying the remainder. If you have paid half of the balance due under the agreement you may be able to return the goods without anything more to pay.

Joint loan accounts.

Joint loan accounts are when two people sign the credit agreement. Both people are responsible for paying the full amount. If a loan is in joint names (between two people) and they separate, the loan is not divided equally between both people. The lender can take both people to court to recover the balance owed.

Step one – contacting creditors

Before contacting creditors, separate your creditors into priority and non-priority order. Use the list of creditors above to help you decide who they are.

You will not need to write to your priority creditors if you can continue with normal payments and do not have arrears. If you have arrears you will need to write to them for further information. *If you are unsure who is a priority creditor ask for further advice.*

You can use the letters in this pack help you.

If your wages are paid direct to a bank or building society and you have decided to open a new account with another bank or building society to have wages paid to a new account, check with your employer that your wages have been transferred before writing to that bank or building society. *If you are not sure what to do ask for further advice.*

You will need to contact all other creditors to explain you are having financial problems.

In your letter you will need to briefly explain why you are having problems. For example, you may have been made redundant, you may be off work with an illness, your relationship may have broken down, or you may have been experiencing problems for some time and things have just got out of hand.

The letter asks the creditor to supply information and return it to you as soon as possible. When you have received replies from all creditors you can then fully assess the extent of your problems. If you have payment protection it may be possible to make a claim if you are sick or you have been made unemployed. Contact the lender as soon as possible and ask for a claim form to be sent to you.

If you have credit cards do not use them any more. Cut them in half to prevent further use and return them to the creditor with your letter.

Make a list of all the creditors that you write to, including the date you wrote.

Keep a list of all telephone calls made to, and received from, creditors and what was agreed.

Make up a file to use. This will help you to keep all letters and replies in order for further reference.

If you are not sure what you should do, or who you should write to, ask for further advice.

Step two – working out your income and expenditure

Work out a budget plan while you are waiting for replies from creditors by using the expenditure sheet. List the money coming in each week or each month. Try not to mix them up.

To calculate weekly income monthly, multiply the weekly amount by 52, then divide it by 12.

To calculate a monthly income as a weekly amount, multiply by 12 then divide it by 52.

If your income varies from week to week or month to month calculate an average amount. To do this, add together four weekly amounts or four monthly amounts, then divide them by four. This will give you average over a period of four weeks or four months.

When you have listed your income including wages, benefits, and contributions from other living in your home, make a list of your expenditure. Start by listing all the priority payments, for example mortgage/rent, gas, electricity and Council Tax.

List your normal monthly or weekly payments separately from the amounts you may be paying in addition for arrears. If you do not pay for all items on a weekly or monthly basis you will need to calculate what the average cost is for the period the bill covers.

For example, if your gas or electricity bill may be for a quarter. To calculate a weekly amount divide the amount you owe by 13 and this will give you an average weekly amount. To calculate a monthly figure divide the amount you owe by three. This will give you an average monthly amount.

If you pay your television licence, road tax, car insurance yearly, calculate the weekly amount by dividing the total cost by 52 or the monthly amount by dividing the total cost by 12. Do this for all your items of expenditure.

At this stage do not list payments you are making to loan companies unless they are secured on your home or they are hire purchase agreements.

When making a list of expenditure allow an amount for items of clothing and dental and prescription charges, unless they are free. These figures will vary according to the needs of each family.

When your list is finished add the items of expenditure together to give you a weekly or monthly total. You will then need to deduct total expenditure, including amounts you pay off any priority arrears, from your total income.

Hopefully you will have some income left over. This is the amount of money you have to pay to your creditors (available income). If you have a minus figure and no available income ask for further help and advice. It may be because some items of expenditure are high and you may need to look at how savings can be made. It may be that you have arranged to pay a priority creditor more than you can afford. *Ask for further advice if you are not sure.*

You should make arrangements with your priority creditors before you make arrangements with non-priority creditors. *Ask for further help if you are not sure what to do.*

You can now make a list of all your creditors. Use the creditors sheet to do this.

When you receive replies from creditors, you can enter the amount you owe to each creditor next to their name. When you have listed all the creditors and the amounts you owe, add all the amounts together to give you a total.

If you do not agree with the amount the creditor says you owe or you think the information they have supplied is wrong. **Ask for further advice.**

Step 3 – making offers to creditors

If you have available income, you can now start making offers of payment to your creditors. Offers of payment are made on a pro-rata basis

To calculate the amount to offer to each creditor, you should divide each individual amount you owe to a creditor by your total debt, then multiply this by the amount of available income.

To check you have done it right, add up your offers of payment. They should equal your available income.

For example:

Monthly available income £56

Creditor	Balance outstanding	Monthly offer
Barclaycard	£2654.26	£26.10
Lloyds TSB bank	£1228.02	£12.07
Beneficial bank	£862.96	£8.48
Capital one	£950.00	£9.34
Total	£5695.24	£55.99

Barclaycard	$£2654.26 \div £5695.24 \times £56.00 = £26.10$
LloydsTSB Bank	$£1228.02 \div £5695.24 \times £56.00 = £12.07$
Beneficial Bank	$£862.96 \div £5695.24 \times £56.00 = £8.48$
Capital One	$£950.00 \div £5695.24 \times £56.00 = £9.34$

If you are not sure what to do ask for further advice.

When you have prepared your expenditure sheet and worked out what you can afford to pay your creditors, you will need to prepare a financial statement. You will need to send a financial statement to each creditor with another letter explaining the amount you are offering to pay and why you are unable to maintain your normal payments.

You can use the financial statement sheet and letter included in this pack.

Clearly write your name and address at the top of the page. State the number of people living in your home and include the ages of each dependent child. (A dependent child is a child for whom you receive child benefit).

List the income and expenditure details from the sheet you used to work out your income and expenditure details. If you are receiving benefits list the name and amount of each benefit separately.

On the back of this sheet list all your creditors, the amounts you owe and the amount you are offering to pay to each creditor.

When you are happy with what you have prepared you can send the offer letter included in this pack with your financial statement to all your creditors.
Interest/charges – ask for interest and charges to be frozen as these will continue to be added and your balance will increase if your payment offer is less than your contractual payments.

Start to make payment at the reduced amount from the date your next payment is due. If you have not been paying and the creditors have passed your account to a debt collection agency you may need to make payment to that agency.

If you are not sure what to do ask for further advice.

When you have completed all three steps above you have done the most important thing to prevent the situation from worsening.

Will they accept my offer?

Hopefully your creditors will accept your offer of reduced payments and you will continue to make payments without any further problem.

However, most creditors will only accept your offer of reduced payment for a limited period of time and will review your situation after the time stated in their acceptance letter. When the account is due for review you will need to contact the creditor again and explain any change of circumstances. If there are no changes in your circumstances you will need to write to the creditor to ask them to continue with the present arrangements.

If you are not sure what to do ask for further advice.

What if they refuse my offer?

Creditors sometimes refuse offers of reduced payment. If you believe your offer is reasonable you should write back to the creditor asking them to reconsider your offer. If other creditors have accepted you should include this in your letter. Continue to make payment at the reduced amount offered. Write back to the creditor and explain that you are unable to increase your offer of payment.

They may have stated that they are unable to accept your offer because items of expenditure are high and should be reduced. You will need to decide whether the expenditure is high or whether the creditor is being unreasonable.

If they have refused your reduced offer but will accept a reduced offer higher than you have offered, you will need to decide whether you can afford to increase your offer to that creditor. However, if every creditor asked you to do this it would be unmanageable.

If you are not sure what to do ask for further advice.

What if creditors take me to court?

Creditors do not have to accept your offer of reduced payment or agree to suspend payments and interest charges. If they are not happy with the amount you are offering to pay they can take you to court to obtain a money order judgement (CCJ).

If the creditor does take you to court, you will receive a summons for the balance outstanding plus court fees and solicitors costs. With the summons you will receive an admission form N9a and a defence form N9b.

If you agree with the amount of money claimed you will need to complete the admission form N9a in the same way as you completed the financial statement, listing income and expenditure and making your offer of payment. The form is to be completed and returned to the creditor or their agents, stated on the summons, within the time stated.

They may accept your offer of payment and you will receive notification of the judgement from the court. Providing you continue to pay this amount no further action can be taken against you. If your creditor refuses your offer payment, the court will decide whether the amount you have offered is reasonable and will send you a judgement for the amount they think is reasonable, depending on your financial situation. Providing you continue to pay this amount no further action will be taken.

However, if you disagree with the amount you are ordered to pay by the court you will need to write back to the court within the time given/allowed stating why you object. The court will then reconsider the amount you have to pay or give you a date and time to attend court when you will have the opportunity to explain your situation to the judge.

If you disagree with the amount the creditor is claiming you will need to complete form N9b defence/counter claim and state your reasons for disagreeing. You will then be given a date and time to attend court when you can explain why you disagree. At this hearing the judge will decide whether you have a valid defence. However, the matter may be adjourned for further evidence of your defence to be supplied.

If you are not sure what to do ask for further advice.

If you do not keep up with the payments as ordered by the court or receive a Forthwith Order from the court, the creditor will be able to apply to the court for further action. The most common enforcement actions are:

Bailiffs

The creditor can apply to the court to request that the court bailiffs come to your home to seize goods. The bailiff cannot force entry and unless you have let them in previously for the same debt. They can seize your car if it is parked outside your home. You can apply to the court to suspend the bailiffs action using the form N245.

Attachment of earnings

A creditor can apply to the court to make deductions directly from your salary on a weekly or monthly basis. The courts will work out the amount to be deducted or can suspend the deductions if your job will be at risk from this action and you are able to make the payments yourself.

Charging order

If you own your home, the creditor can use this method to request the court to secure an unsecured debt against your home. This entails a hearing at the court prior to the order being made. This does not necessarily mean that the creditor will then apply to “re-possess” your home.

If you receive any of the above seek advice.

What if they have a money order judgement against me and my situation changes?

You can apply to the court for a variation of the order by completing form N245. There is a fee payable for making an application to court. Check whether you have to pay before making an application. Most people in receipt of a means tested benefit such as Job Seekers Allowance or Working Tax Credit do not have to pay.

If you are not sure what to do ask for further advice.

Letter templates

The following pages contain letters for you to complete and send to your creditors and mortgage lender or secured loan, if you have arrears. There is also a questionnaire form for your mortgage lender and creditors to complete and return to you. If you require more copies of these and are unable to copy them yourself, contact Blackburn with Darwen Council's advice service for more copies.

If you need letters for other priority arrears such as Council Tax or fuel bills, contact the advice service.

If you are not sure what to do seek further advice

Templates:

Page 14 Income and expenditure form

To work out how much money you have left every week or month.

Page 15 Creditor list

For you to list who you owe money to

Page 16 Initial creditor letter

To send to your creditors to ask for details of how much you owe

Page 17 Creditor questionnaire

Send with initial creditor letter

Page 18 Creditor offer letter

For you to offer reduced payments to creditors

Page 19

Initial mortgage letter

Page 20 Mortgage questionnaire

To send with initial mortgage letter

Income and expenditure form

Name: _____ Telephone no: _____
 Address: _____

 No. of people in property: _____ No. of children: _____ Ages: _____

Net weekly/monthly income:		Benefits weekly/monthly:	
Average wages:	£ _____	Child benefit	£ _____
Average wages:	£ _____	Tax credits	£ _____
Maintenance:	£ _____	Income support/J S A	£ _____
Other income:	£ _____	Other benefits (state)	£ _____
		_____	£ _____
		_____	£ _____
		_____	£ _____
		Total income: A	£ _____

Weekly/monthly expenditure:		Arrears:
Mortgage/rent	£ _____	£ _____
Secured loan	£ _____	£ _____
Endowment/life Ins.	£ _____	£ _____
Buildings/contents ins.	£ _____	£ _____
Water charges	£ _____	£ _____
Gas	£ _____	£ _____
Electricity	£ _____	£ _____
Council Tax	£ _____	£ _____
TV Licence/Sky, etc	£ _____	£ _____
Rental	£ _____	£ _____
Telephone	£ _____	£ _____
Fines	£ _____	£ _____
Maintenance	£ _____	£ _____
Hire purchase	£ _____	£ _____
Housekeeping	£ _____	£ _____
Cigarettes/alcohol	£ _____	Total arrears C: £ _____
Meals at work/school	£ _____	
Clothing	£ _____	
Child care	£ _____	
Prescriptions/dental	£ _____	
Public transport	£ _____	
Car insurance	£ _____	
Road tax	£ _____	
Petrol/repairs	£ _____	
Other (Please state)	£ _____	
_____	£ _____	
_____	£ _____	
_____	£ _____	
Total expenditure: B	£ _____	

Total income :	
A	£ _____
Minus	
Total expenditure:	
B + C=	£ _____
Available income for	
creditors	£ _____

Creditor list (for you to make a list of your creditors)

Creditor	Account number	Balance outstanding	Contractual payment i.e. the amount you should be paying	Reduced payment (ie what you think you can afford paying)
<i>E.g. Anytown building society</i>	<i>1234567/8</i>	<i>£35,000</i>	<i>£280</i>	<i>£</i>
Total		£	£	£

To:

My address:

Date:

Dear Sir/Madam,

Account Number: _____

I have been advised by _____ from Preston City Council's advice service to write because I am unable to maintain normal payment because

To enable them to fully assess my situation and to advise me further I would be very grateful if you would complete the enclosed form and return it to me. It may take up to six weeks to receive replies from all creditors and therefore, I ask for your consideration to accept a good will interim payment and agree to suspend interest charges and recovery action for the six weeks. As soon as I have replies from all creditors I will be able to contact you with an offer of repayment.

I thank you for your assistance and look forward to your reply.

Yours faithfully,

Please reply to:

Please complete and return this form

Name of account holder(s) _____

Address of account holders(s) _____

Name of creditor _____

Address of creditor _____

Type of account _____ Account number _____

Amount of original credit _____ Outstanding balance _____

Contractual payments _____

Is ongoing interest being charged? _____ What is the APR? _____

What is the monthly interest? _____

Are there arrears? How much? _____

Is agreement covered by the Consumer Credit Act? **Yes/No**
(please attach copy of agreement)

Term of agreement _____ Is the agreement secured? _____

Is the agreement covered by insurance? **Yes/No**
(if yes, please send details and a claim form)

Has a default notice been issued? **Yes/No**
(please attach a copy)

What action has been taken/is pending? _____

Have you agreed to freeze interest rates? _____

Have you agreed to suspend recovery action? _____

Who do I contact regarding the account? _____

Signed: _____

Position: _____ Date: _____

Creditor questionnaire – send with initial creditor letter

Date:

Dear Sir/Madam,

Account Number; _____

I have been advised by _____ from Preston City Council's Debt Advice Service to write because I am unable to maintain normal payment to the account. Please find enclosed a financial statement with an offer of reduced payment.

I am experiencing financial difficulties and having problems keeping to payments because

You will note from the financial statement, I am only able to offer you a reduced payment of £ _____ each month. I realise this offer may be lower than the amount expected, but I feel it is realistic and at a level which I should be able to maintain.

I would be very grateful if you could accept my offer and waive further interest charges on the account for a minimum period of six months. In order for me to make payments, please could you forward the relevant payment book or giro credit slips. However, should my situation improve within this period, I will contact you with the relevant details.

I thank you for your consideration and look forward to your reply.

Yours faithfully,

Creditor offer letter

Date:

Dear Sir/Madam

Acc no:

I have been advised by _____ from Preston City Council's Debt Advice service to write as I am currently in arrears with my account.

In order for them to advise me fully I would be grateful if you would complete and return the enclosed questionnaire.

As soon as I have this information from all my creditors, I will then be able to discuss my circumstances with my adviser and update you of my situation and ability to make payments in the future. It may take up to six weeks to receive replies from all creditors, therefore I ask for your consideration to suspend recovery action and interest charges/default charges to prevent my situation worsening.

I look forward to receiving your reply.

Yours faithfully

Please complete and return this form

Name of account holder(s) _____

Address of account holders(s) _____

Name and address of mortgage company _____

Type of mortgage _____

Date mortgage granted _____ Monthly payment date _____

Initial sum borrowed _____ Any further advance _____

Amount repaid _____

Capital outstanding _____

Current arrears _____

Monthly payments _____

Capital _____

Interest _____

Endowment premium _____

Insurance policies (please specify) _____

Is the mortgage covered by payment protection Insurance? (please give details)

Any recovery action taken/pending _____

Signed:

Position:

Date:

Mortgage questionnaire – send with initial mortgage letter