



**GUIDE TO
DEALING
WITH DEBT**

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**If you don't
know what
to do after
reading this
or need more
information,
Call 020
8583 5016
for advice
(Minicom
020 8583
5013)**

What can you do?

When you have debts it is best to deal with things step by step. You cannot make an offer until you know what you can afford to pay. You don't know what you can afford until you have worked out what you need to live on.

So what are the steps?

- 1) Check you owe the money. Just because you receive letters it does not mean that you owe the money or the amount you owe is right.
- 2) Work out what you need to live on so you can see what is left to pay the debts on page 15 there is a budget sheet that will help you do this.
- 3) Make offers to the most important debts first. Some debts are more important than others because of what they can do. For example if you don't pay a mortgage, you could lose your home. If you don't have much money you need to sort out these types of debts first.
- 4) Having made arrangements with the important debts, you can now deal with the other debts you have.
- 5) Finally if you get taken to court don't panic. You can still make offers and stop further action being taken against you.

When dealing with your debts remember

- Keep in contact with the people you owe money to - they can't help if they don't know your situation.
- If the person you speak to is not helpful ask to speak to someone more senior
- Don't ignore letters or phone calls - things will get worse not better.
- Don't be pushed into making offers that you can't afford.
- Don't borrow more money without thinking about it carefully. It will usually mean a fresh lot of interest charges that will add to your debts

WHERE DO YOU START?

Having debts or bills to pay can seem like a never ending problem. The more payments you miss, the more you get into debt. Some creditors can put you under a lot of pressure and it can be difficult to see what to do.

This pack explains how to deal with debts and what to do to stop things getting worse.

STEP 1 - DO I HAVE TO PAY?

Before you make any offers to pay you need to check that you owe the money. Listed below are the main things to check. If you're not sure phone us for advice.

Who's names on the account?

You normally only have to pay if your name is on the bill or account. This means you don't normally have to pay if its your partner's bill. (Council Tax and Community Charge are the main exceptions). If an account is in joint names, you can be asked to pay the whole debt if the other person does not pay.

How old is the debt?

There are time limits on how long a creditor has to take court action for a debt. The time limit is normally 6 years. If you have not heard anything for a while and then you get a letter, speak to us first before you reply. If you reply the 6 years may start all over again.

Is there a proper agreement?

Most loans and credit cards are covered by the Consumer Credit Act, which makes certain rules about how money or credit is arranged. This means you should have signed an agreement and the agreement should have explained things like the interest rate. If you are not sure about what you signed or if you didn't sign anything call us because the creditor may not be able to take action against you.

Now that you know what you have to pay, the next step is to look at what you can afford to offer. To be able to do this you will need to work out:

- 1) What money you have coming in and
- 2) What money you need to live on

To help you do this on page 15 there is a budget sheet. To work out what money you have coming in fill in Box 1. You should only include money that you normally get every week. To work out what you need to live on fill in Box 2. It may take a little time to do this, particularly as it is not always that easy to allow for expenses such as clothes or car repairs. However, this step is very important. Whatever you have left is what you will use to make offers with so it has to be realistic or you won't be able to afford the offers you make.

Remember,

- 1) Fill in the budget sheet either on a weekly or a monthly basis. If you mix figures they won't add up.
- 2) Only put in money you know you will get. If you do overtime only include this in your wages if you are sure that you can rely on getting it each week or month.
- 3) When you list what you spend, do not include loan repayments or bills unless they are things like your current mortgage or your weekly rent. This is very important because it is only when you have worked out what you need to live on that you can see what you can afford to pay.
- 4) Always check to see if you are entitled to any benefits or that you are not paying too much tax. Call us on 020 8583 5016 if you want us to check.

STEP 2 - WHAT CAN I AFFORD TO PAY?

Mr Hounslow earns £325 per week. Mrs Hounslow earns £52 per week and they receive Child Benefit of £36.20 per week. They fill in Box 1 and 2 like this

BOX 1: INCOME		Weekly
Wages/Salary		£325.00
Wages/Salary		£52.00
Child Benefit		£36.20
Total Income (A)		£413.20
BOX 2: EXPENDITURE		Weekly
Housekeeping		£120.00
Clothes		£15.00
Gas/Electricity		£20.00
Water Rates		£5.00
Mortgage/Rent		£140.00
Insurance		£8.00
Council Tax		£19.00
Telephone		£8.00
TV Licence		£2.00
Public Transport		£12.00
Car Costs		£35.00
Pocket Money		£6.00
Entertainment/Hobbies		£12.00
Total Expenditure		£402.00

Having filled in Box 1 and 2 on the budget sheet you will be able to see what money you have left. This amount can be put in Box 3 and this is the amount that you will use to make offers on your debts. If you have allowed enough to live on you should have this amount left to repay your debts.

What if there is no money left?

If you find that having done all this there is no money left, then depending on who you owe money to there may be a problem. It is not unusual to have no money left particularly if you are on a low income or getting Income Support. If your only debts are credit debts, things like loans and cards, this is not a problem because you can ask them to accept no payments. However, if you owe money on your rent or more important debts (see Step 3) you will need to look at either 1) increasing your income or 2) cutting back on what you spend. If you cannot do this then there may be serious consequences - read Step 3 for more information.

To help you deal with your debts we have an example family - The Hounslows.

Mr Mrs Hounslow have 3 children and they have a number of debts.

They want to deal with them because people are now threatening to take them to court.

They start to deal with their debts by filling in Box 1 and 2 of their budget sheet.



STEP 3 - WHO TO PAY FIRST?

Having worked out what money you have and what you spend, you can now start to look at what you should pay.

The chances are that there will not be a lot of money to go round and so it is very important you pay the most important debts first.

Which debts are important ?

It can be difficult to know who to pay first when you get lots of letters from different people or creditors. Listed below are the most important payments to make. These payments are important because of what they can do if you don't pay. The worst action they can take is listed by each debt. As you can see, some of the actions can be very serious. These debts are therefore known as priority debts:

PRIORITY DEBTS	ACTION THEY CAN TAKE
Mortgages or loans secured on your house	Take your home
Rent	Take your home
Gas/Electricity	Disconnect you
Magistrates Court Fines for Criminal offences	Imprison you
Council Tax/ Poll Tax	Imprison or take money from wages/Benefits
Child Support	Imprison, take money from wages or benefits or take your driving licence

If you have any debts listed above, you should make sure that what money you have is used to make arrangements to pay these first. If you have other debts - things like credit card or loans these are not as important. You should not make payments on these until you have made sure that you have enough money to pay the important debts first. In Step 4 we will look at how you make offers on your credit debts because these are often the ones that contact you the most!

What sort of offers can you make?

The sort of offer that will be acceptable will depend on:

- 1 The debt
- 2 Your situation and
- 3 What stage things have got to

If you owe money on priority debts, you should ring us for advice. We will be able to tell you what offers might be acceptable and we may even be able to offer you an appointment. To help you deal with your priority debts, we have listed below the sorts of arrangements that can be made. If you need more information about any particular debts, we have a range of fact sheets - call us now on 020 8583 5016. Use your budget sheet to work out what you can pay.

Use the amount in Box 3 to make the offers. Remember it is important to make offers to the priorities first. Do not worry if you use up all your money in Box 3 to make offers on these debts.

However, if you do have some money left once you have made arrangements then you can use this to make offers on credit debts if you have them.

Mortgage Arrears/Secured Loan Arrears

If you have arrears on these, they are important because if an arrangement is not made, they can take you to court to try and take your home.

What can you do?

- 1 Look at your budget sheet. If you have some money left over after filling in Box 2 this can be used to make an offer towards your arrears. The mortgage company will normally want the arrears paid off over 1 or 2 years but will accept less, so it's up to you to see what you can negotiate with them.
- 2 If you haven't got much money left - see if they can add the arrears to your mortgage or extend the length of time you have to pay off your mortgage
- 3 If you are on income support, see if they will accept what the DSS (Social Security) are paying. Often they will because in most cases the DSS pay them direct so they know they will get their money. There will be problems if the DSS payments don't cover your payments.
- 4 If from looking at the budget sheet, you can't even afford the current payments, you may be able to get them to accept reduced payments. Whether they will agree to do this may depend on the value of your house. For example, if your house is worth a lot less than what is owed, they may not want to force a sale.

However, if your house is worth a lot more than what is owed, this can also work in your favour because there is less risk for them in agreeing to lower payments as the value of the house covers the debt. Reduced payments are normally only a temporary arrangement.

If you cannot make an arrangement with your lender then they will normally take court action to try to recover your home. If you are now facing possession action, details of what to do are in Step 5 on page 12

Rent Arrears

If you owe money to your landlord and you cannot make an arrangement to pay the arrears you may lose your home. There are lots of different types of tenancy and some have more rights than others. In Step 5 we explain this in more detail. If you are not sure what type of tenancy you have you should get advice straight away.

If it has not reached the Court stage you should try and make an arrangement with your landlord to pay off the arrears. Because you have to pay rent each week or month the landlord will normally want the current rent plus an amount towards the arrears. Use the budget sheet to see what money you have to make an offer. It is always worth checking to see if you can get housing benefit if you don't already because this can help towards the cost of your rent.

If you are Income Support or Income Based Jobseekers Allowance you may be able to have money taken out of your benefit and paid direct to your landlord. You can ask the benefits office about this.

Fuel Arrears

If you owe money on the gas or electricity then they can cut off your supply if you don't make an arrangement. If you do owe money there are a number of arrangements you can try, for example:

- 1 Budget Payments - This is where you pay for your gas weekly, fortnightly or monthly. If your arrears are not too high these can be included in the budget plan.
- 2 Fuel Direct - If you are on Income Support the DSS can take an amount out of your benefit to cover the gas or electric that you use and pay towards the arrears. You need to contact the DSS to arrange this.
- 3 Key or token meter - This is where you put keys or tokens in to the meter which you buy from shops and some post offices. The fuel companies will not normally refuse this option as you pay as you go along - no token, no gas. What you will need to check is that if you have arrears, they don't set your meter at too high a rate of recovery.

Council Tax Arrears

If you do not pay your council tax the first thing that will normally happen is that after reminders, the council will start court action. They take action in the magistrates court and it is known as a liability order hearing. You do not have to go to this hearing because the court at this stage is not there to decide what you should pay. As long as the council can show that some money is owed, they will get a 'liability order'. This order gives them lots of powers, for example they can:

- 1 Take money from your wages
- 2 Take money from your benefit
- 3 Send the bailiffs to your house, but remember these bailiffs cannot break in to your house, so if you don't let them in there is nothing that they can do.

If none of these actions are successful, the council can then ask you to go back to Court. At this stage you do have to go to court because the court are there to decide why you haven't paid.

The court has 3 choices:

- 1 They can write off the debt
- 2 Ask you to pay by instalments or
- 3 Send you to prison but this is only if they think you have deliberately not paid.

If you owe money on the council tax and it has not yet been to court, you should contact the council tax section and make an offer. They will usually be looking for an offer that covers at least the current instalment. Use your budget sheet to work out what you can afford to pay.

If it has been to court it is not too late to make an arrangement, although you may be asked to make an offer to the bailiffs instead of the council tax section. Again your offer should be an amount to cover your current council tax plus a bit towards the arrears. If you cannot make an offer at all, phone us on 020 8583 5016.

Community Charge (Poll Tax) Arrears

The way that these are recovered is very similar to the council tax, so you should follow the same rules. However, because poll tax has now ended, the offer you make will be towards the arrears that you have and not any ongoing bill.

Magistrates Court Fines

Paying a fine is important because you can go to prison if you do not pay. Remember, don't mix up fines with county court judgements. You only get a fine if you have done something wrong - for example motoring offences. If you do not pay a fine the court will normally ask the bailiffs to call. Again these bailiffs cannot force their way in but when they call this adds costs to your debt. If you do not make an arrangement to pay, you can be asked to go back to court and there is a chance that you could be imprisoned. If you can't pay a fine you should contact the court to see if you can pay by instalments. Use your budget sheet to explain your offer to the court.

Making offers on money debts

Once you have worked out what you can pay off your priority debts you need to fill in Box 4 on the Budget Sheet. The Hounslow's only have Council tax arrears as a priority debt. They owe £250 and no court action has been taken yet. They work out their offer on a monthly basis because that is how they normally pay this bill. The offer in Box 4 is on top of their ongoing bill that they have allowed for in Box 2 in their expenditure. They fill in Box 3 and Box 4 like this:

BOX 3: MONEY FOR DEBTS	Weekly
Income (A) - Expenditure (B)	=£11.20

BOX 4: OFFERS ON PRIORITY DEBTS	Weekly
Council Tax	£4.00

The Hounslow's will have £7.20 per week left with which to make offers on their other debts

STEP 4 - WHAT CAN I AFFORD TO PAY ON MY CREDIT DEBTS ?

If you do not have any important debts (those listed in Step 3) or you have already made an arrangement with them, then the next thing to do is to see if there is any money left for any other debts that you still have. The only debts that we have not covered so far are credit debts, things like bank loans or credit cards and water debts, We have left these to last as they are not as important as the other debts that we have talked about.

If you don't pay your credit debts or water and cannot come to an arrangement to pay, they can take court action. This action is usually taken in the County Court and it is **not a criminal offence**.

As long as you fill in the forms, the court will take into account your circumstances and the payments that they order are often quite low. Even if people have already taken you to court you do not need to worry as payments can be changed. We will look at this in Step 5. There is only one thing that you need to check at this stage and that is whether you have bought things on Hire Purchase.

HP or NOT?

Many people think that they have hire purchase agreements when they haven't and it does make a difference! It is important because if something has been bought on HP it may be possible for the company to take it back. This may mean therefore that it is more important to make an arrangement to pay this before dealing with your other credit debts. HP agreements are only normally made when buying a car. If you owe money on other things such as carpets or furniture, then these things cannot be taken back. Ring us on 020 8583 5016 if you are not sure what to do.

Water Debts

The water company can only take you to court if you don't pay. They cannot disconnect you. However because water is an ongoing bill you should allow for the current water bill in Box 2 of the budget sheet and then make an offer on the arrears in the same way for other credit debts.

No money left to make payments?

You may find that having made arrangements to pay essentials such as food, mortgage or priority debts, that you only have a very small amount of money or no money left with which to make payments to anyone else. If you find you've no money left then write and tell the creditor this. Show the creditors your budget sheet and ask them to hold action on the account until your situation changes. You should also ask them to stop charging interest on the account, otherwise the debt will continue to increase. You can find an example letter at the end of the pack. If you only have a small amount left then you can make offers of say 50p or £1 per month Although it is not much, it shows the creditor that you want to pay.

Some money left?

If you find you do have some money left, this can be divided up and shared amongst your different creditors. There is a way of working out who gets what fairly. To be able to work out what the offer is, you need to know the following:

- 1) How much money you have left to make an offer (Box 5 on your budget sheet)
- 2) How much you owe in total
- 3) How much each debt is

Our example family the Hounslows have £7.20 per week or £31.20 per calendar month left after making offers on their less important debts. They owe

Lloyds TSB Bank	£1,100.00
Access	£ 750.00
Provident	£ 450.00
Capital One	£1,020.00

Total Debt = £3320

What they need to do is work out a way that everyone gets an equal share of the £31.20 pcm according to what they owe. This is known as 'pro rata' distribution. This means that each creditor gets an offer proportionate to the size of their debt, - the biggest debt gets the bigger share.

The calculation is $\frac{\text{Individual Debt}}{\text{Total Debt}} \times \text{money left}$

In the Hounslows case this is how the offers would be worked out -

Lloyds TSB	$\frac{£1100}{£3320} \times £31.20 = £10.34$
Access	$\frac{£750}{£3320} \times £31.20 = £7.05$
Provident	$\frac{£450}{£3320} \times £31.20 = £4.23$
Capital One	$\frac{£1020}{£3320} \times £31.20 = £9.58$

You will probably need a calculator to work out the payments. If you can make offers there is an example letter at the back of the pack which you can copy and send to your creditors with a copy of your budget sheet. It is usually best to make offers monthly like The Hounslows as it looks more and means you only have to make the payment once a month.

How to pay?

If your creditors accept the offers, payments can sometimes be a problem. Many banks and building societies offer accounts which provide standing orders. Once your offer has been accepted this could be a convenient way of making payments. If this cannot be done, see if your creditor can give you a paying in book to use at a local branch.

Some creditors may try and put pressure on you to pay more. If you feel that you have made the best offer that you can then you should not pay more. If they threaten court action, then do not let them frighten you into paying more. Remember the court will take into account your circumstances and you probably will not need to go to court as most things are done by post these days.

Although creditors are allowed to ask for payment, they should not keep demanding payment by for example phoning you late at night or continually calling you at work.

They should also not threaten action which they are unable to take for example threatening imprisonment or criminal action. If you feel that your creditor is harassing you, this is illegal and you should complain to your local Trading Standards Department.

STEP 5 - WHAT HAPPENS IF THEY TAKE ME TO THE COUNTY COURT?

Sometimes an arrangement cannot be made and the creditor or company takes court action. Just because it is at the court stage it does not mean it is too late to make offers. Sometimes the court will accept lower offers than the creditor wanted! If you receive forms from the court it will usually be to do with repossession of a house or for non-payment of a debt.

Court Action for Mortgage Arrears

In Step 3 we looked at how to deal with mortgage arrears. If you have been unable to make an arrangement or have not contacted your lender, they will start possession proceedings. If you are threatened with repossession it is serious. Call us on 020 8583 5016 for advice.

You will receive a possession summons with a date on the front of it for when the case will be heard. Attached to the summons are forms for you to fill in. The court needs this information as possession hearings are very quick and this information will help the court to decide whether you can keep your home. The form should be sent back within 14 days of you receiving it but you can send it back later as long as the court gets it before the hearing.

At the hearing the case will be decided by a District Judge and it is in private. Always try and attend the hearing and speak to your lender's solicitor before you go in to see if it is possible to come to an arrangement. If you are unable to attend on that day, write to the court and see if the hearing can be adjourned, (changed to another date). Even if you did not send the court form back, you should go to the hearing. If you do not go then they will almost certainly make a possession order against you.

What will happen?

What happens will depend a lot on your circumstances. If you can make an offer you should tell the District Judge this. The court can stop possession if they think your offer clears the arrears in a reasonable period. A reasonable period can be as long as the number of years you have left on your mortgage. If the court accepts your offer then they will normally make what is called a suspended possession order. This means that as long as you pay what the court orders then no further action will be taken.

If you cannot make an offer or even afford the current mortgage and there is no sign that your situation will change, the District Judge will probably make a possession order for say 28 days time. It may be possible for you to get the time extended if you want to try and sell the property. It is usually better to sell a house yourself as you may get a better price than the lender. (Remember to read the part on re-housing before doing this, as selling your house may affect your chances of being re-housed).

What happens next?

If you do not pay the instalment ordered by the court or the time on the possession order has run out (the 28 days are up), the lender can apply for a warrant to evict. This means that the bailiffs can call on the date shown on the warrant and force you to leave your home. The Court does not arrange another court hearing.

It is possible to stop things even at this stage. As soon as you fall behind with your payments you should speak to your lender. If they will not hold action, you can ask the court to change the order. If you have received the eviction warrant, you can ask the court for more time or make a different offer. To do this you should fill in form N244 available from the Court. On this you should put the following:

- The Court Case No.
- The Warrant No. if it has reached this stage
- The reasons you didn't pay and
- Your new offer.

You will need to act quickly and you should get advice. There is a charge to change an order. The charge does not apply if you are on certain benefits or if you ask the court to waive it on the grounds of low income and they agree.

Eviction and Getting Re-housed

If there is an eviction date and you cannot stop the eviction, try and make arrangements for your furniture and possessions. If they are still in the house when the bailiffs call, they will be locked in and you will need to ask the lenders permission to get them out.

The lenders will now sell the property and any costs involved such as estate agents will be taken out of the sale money. Although the lender must try and get the best possible price, this is often less than what you could have sold the property for. Until the property is sold you are still responsible for the mortgage payments and so the debt is increasing. If once the house is sold there is still money owed to the lenders, they are in the same position as other non priority creditors, as described in Step 4. The amount that you owe is not important and does not give them any stronger powers.

If you lose your home and are homeless, the council may have a duty to re-house you, but this is not an automatic right and will depend upon your family circumstances and the reasons why you have lost your home. As soon as you think you might lose your home, contact your local homeless persons unit and ask what they can do. You should also contact a local advice centre for information on your rights if you become homeless.

Most people who live in this country can ask to be re-housed if they are homeless. However, some people have restrictions put on their stay in the UK and this may lead to difficulties when asking to be re-housed. If you are not sure you should get advice before asking to be re-housed.

Court Action for Rent Arrears

If you have been unable to make an arrangement to pay off the rent arrears the landlord will start action to take back your home. If you are threatened with repossession call us on 020 8583 5016.

If they start action you will receive a possession summons with a date on the front, which is the date the case will be decided at Court. If there is no date you should get advice straightaway because what you put on the forms may be very important. If there is a hearing you should return the forms attached to the papers within 14 days. If you cannot do this try to send them back as soon as you can as this helps the Court to understand your circumstances.

What orders can the Court make?

The sort of order will depend on what type of tenancy the person has. In the following situations the Court has less power and so it is important that you get advice because it can be harder to stop repossession.

- People with resident landlords
- People who receive food with their accommodation
- People who have a private landlord or Housing Association Tenancy which began after 15/1/89

If it is not clear what the arrears are or there is housing benefit due, the Court may agree to delay making a decision and a new date will be set up.

If you are a council tenant or a Housing Association tenant from before 15/1/89 the Court can stop possession if it feels that it is reasonable. The Court will normally make a suspended possession order as long the current rent is being paid and an agreed amount is paid towards the arrears each week or month. If this is not paid the landlord can ask for a date for you to be evicted without another Court hearing.

If you cannot afford the payments or you fall behind and have a date for eviction you can ask the Court to look at the case again by filling in Court form N244. There is a charge for this unless you are on certain benefits or the Court agrees to drop the costs because you are on a low income.

If you cannot pay the rent and are evicted the Council may have a duty to help you. See Eviction and Getting re-housed above.

Court Action for Credit Debts and Water

If you cannot make an arrangement to pay your credit debts or water they can start court action. You will receive papers from the court and in them there are forms for you to send in your reply. The forms give you a chance to say:

- 1 Whether you agree you owe the money
- 2 What you can afford to pay

If you don't agree you owe all of part or the money, the form should be sent back to the court. They will then arrange a date to hear the case. If you agree you owe the money but cannot afford to pay it, you should fill in the forms, make an offer and send it back to the creditor. They will look at your offer - if they don't accept it they will send it to the court and they will decide what you should pay. There is the right to appeal if you feel you've been asked to pay too much. The court forms should always be sent back within 14 days. If you do not reply to the forms, the creditor will normally get an order for the whole amount to be paid at once or by the instalments they ask for.

What happens if you don't pay or don't reply to the forms?

If you don't pay what the court orders the creditors can take further action. They can do any of the following:

- 1 Take money from your wages - If you work the creditor can ask the court to have money deducted from your wages to pay for the debt. If you are worried that this would affect your job, you should explain this to the court. The court does not have to agree to make the order that the creditor wants.
- 2 Use bailiffs - The creditor can ask for the bailiffs to call to try and take things to sell to clear the debt. Remember bailiffs can't break in or force their way in. However, enforcement action increases the debt. You can ask the court to stop the use of bailiffs by filling in a court form N245, which you can get from the court. There is a charge to make this application unless you are on certain benefits or you ask the court to write off the charge because you are on a low income.
- 3 Take money from your Bank or Building Society account - If the creditor knows you have money in a bank or building society account, this can be frozen and paid to clear the debt. This form of action is called a garnishee and is quite rare.
- 4 Ask you to go to court to explain your circumstances - This is known as an oral examination and is where the creditor asks you to attend court to see if you have any way of paying the debt. The creditor normally does this to see what is the best way to recover their money. Make sure if you are asked to attend to take your budget sheet with you as this is a good way of explaining your situation. If you own your own home, they can ask for their debt to be secured against your house. There will always be a court hearing to decide this and you should phone us on 020 8583 5016 if this happens.

What can you do?

Even at this stage you can get action stopped and instalments reduced. To do this, ask the court for a form N245 and fill it in. If the creditor won't agree to reduce instalments, the court will look at what you pay, again. Remember there is a charge for doing this unless you are on certain benefits or ask the court to stop the fee and they agree.

Remember Court has its advantages and its disadvantages

- 1 The court often orders payments lower than what the creditor wanted.
- 2 Interest usually stops once a court judgement has been made.
- 3 If you have lots of debts but the total is less than £5,000 you can ask the court if your debts can be put together for you to pay one payment to the court. This is known as an administration order. Call us for details. The amount may increase in the future, call us on 020 8583 5016 to check this
- 4 If a court order is made, this is known as a judgement. If it is not paid after 1 month, it is registered against you. A judgement makes it more difficult for you to get credit. However, once you get into debt you will find that information is registered against you by credit reference agencies which affects your ability to get credit anyway.

**If you need
any more
information
or advice
contact our
advice line
020 8583
5016
Tuesdays
2-5pm
Thursdays
4-7pm
Fridays
10-1pm
(Minicom
020 8583
5013)**

Box 1: Income**Wkly/Mthly**

Wages/Salary
Wages/Salary
Child Benefit
Income Support
Other State Benefits
Pensions
Contributions from Lodgers/
Grown up Children
Total Income (A)

£**Box 2: Expenditure**

Housekeeping
Clothes
Gas/Electricity
Water Rates
Mortgage/Rent
Second Mortgage/
Secured Loan
Mortgage Endowment
Insurance
Ground Rent/Service Charge
Council Tax
Telephone
TV/Video Rental
TV Licence
Public Transport
Car Costs
Pocket Money
Entertainment/Hobbies
Maintenance
Magistrates Court Fines
Others
Total Expenditure (B)

£**Box 3: Money for Debts****Wkly/Mthly**

Total Income (A) less
Total Expenditure (B)
= Money for Debts (C)

£**Box 4: Offers on Priority Debts**

Mortgage/Rent Arrears
Second Mortgage/Secured Loan
Council Tax
Community Charge
Gas/ Electricity
Magistrates Court Fines
Maintenance (Child Support)
Telephone
Inland Revenue (if self employed)
Total Offers (D)

£**Box 5: Money for Credit Debts**

Total (C) less
Total (D)
= Total (E)

£**Box 6: Offers on Credit Debts**

1)
2)
3)
4)
5)
6)
7)
8)
Total Offers (E)

£

Your Name and
Address

EXAMPLE LETTER A

Creditors Name
and Address

Date

*Dear Sirs,
Account No.*

I am experiencing financial difficulties and can no longer afford to make the agreed payments on the above account. I am finding it difficult because

I enclose details of my income and expenditure and as you can see once I have met my essential expenditure I have no money left with which to make offers.

In the circumstances I am writing to all my creditors to ask them to accept no payments on the account until my situation changes. It would also be appreciated if further interest charges could be suspended to prevent my debt increasing.

As soon as my circumstances improve I will contact you again. Your assistance in this matter would be appreciated.

Yours faithfully,

Your Signature

Use this letter to send to your creditors with a copy of your budget sheet if you can make an offer to reduce your debts.

Always try to keep a copy of any letter you send.



EXAMPLE LETTER B

Your Name and
Address

Use this letter to send to your creditors with a copy of your budget sheet if you can make an offer to reduce your debts.

Always try to keep a copy of any letter you send.

Creditors Name
and Address

Date

*Dear Sirs,
Account No.*

I am experiencing financial difficulties and can no longer afford to make the agreed payments on the above account. I am finding it difficult because

I enclose details of my income and expenditure and as you can see I only have £..... per month left with which to make payments to my creditors.

In the circumstances please would you accept a reduced payment of £..... per month towards the account.

I would also appreciate it if further interest charges could be suspended so that all the payments I make will reduce my debt to your company.

As soon as my circumstances improve, I will contact you again.

Thank you for your assistance and I look forward to hearing from you as soon as possible.

Yours faithfully,

Your Signature



 **Hounslow** Council



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