

Prisoners and debt

Many people are in debt when they go to prison and for most prisoners, a debt problem will get worse whilst you're there. Your family also might get into debt because you're in prison. This fact sheet will help you to deal with your debts and help you get back control of your finances as much as possible.

Examples of debts

Even if you don't have debts when you first arrive in prison, debts can soon build up if you don't deal with your finances quickly. Here are some examples of debts you might have:

- rent or mortgage arrears
- council tax
- gas and electricity bills
- loans
- credit cards or store cards
- catalogue debts
- money you should pay to the Child Support Agency
- court fines you owe
- tax and national insurance debts.

Contact the people you owe money to

First of all, try to check that the money they say you owe is correct. Then, as soon as possible, write to the people you owe money to (**your creditors**). Explain that your circumstances have changed. Say why you can't pay back the money you owe and ask them if they will freeze interest. You can also ask them to write off the debt altogether. This is the best option if the only money you have coming in is your prison earnings. Other options might include asking your creditors to allow you to pay smaller amounts of money each month or to allow you to make no repayments until your release date.

If you have credit or store cards, explain you can no longer use them. If possible, get them cut up and sent back to the lender.

At the end of this fact sheet, we have included details about a sample letter you can use to write to your creditors. Make sure you keep copies of each letter you write.

If you delay contacting your creditors, your debt will just get bigger because of late payment charges and interest. Also, they could take you to court. This will make it difficult for you to get credit when you leave prison and you could even end up losing your home.

If you need time to get proper details of your debts, it's best to write just a brief holding letter to your creditors to say that you're in prison. Ask them to freeze interest and late payment charges until you've been able to get advice about what to do next.

If an advice agency like the CAB runs sessions in your prison, you could ask them to deal with your debt problem for you. Or you could write to a CAB to ask them to deal with your debts for you.

Paying back what you owe

If the creditor agrees that you can pay back a small amount, start paying as soon as you can. Make sure you don't miss any payments. A creditor will usually only agree a small payment for a short period of time, usually three or six months. Then they will contact you again to find out whether your circumstances have changed. You should always reply to these letters. Check the amount of money they say you owe on any statements or letters you are sent, to make sure that interest hasn't been added. When you reply, make sure to ask them to carry on freezing the interest.

When you first get to prison, make sure that you have claimed all the benefits you have a right to. If you're due a back payment, this could be used to help pay off your debts. Get advice from an advice agency like the CAB about what benefits you and your family can get whilst you're in prison. Also, check your tax situation – you may be due a tax rebate when you first go into prison.

When you're in prison, you're allowed to use your private cash to repay money you owe to creditors. You're also allowed to use your prison earnings to pay back your debts, up to a certain limit. If the only money you have is prison earnings, you'll need to explain to your creditors how much your prison earnings are, how much you're allowed to spend of this and what you have to use your prison earnings for. This will show them why you can make only very small payments, if at all.

When you're in prison, you have the right to sell your personal property. You could use the money to pay off your debts. You should get advice from an advice agency like the CAB before you sell your personal property. In particular, it's very important to get advice if you're thinking of selling your home. Also, if you're an unconvicted prisoner, the Police Liaison Officer will be consulted if you want to sell your home.

If you've got a bank account, you'll need to get permission from the prison to send out cheques to pay off your debts. If you've got a telephone or internet bank account, get in touch with your bank to change the account to a paper account. This is because you can't use a telephone or internet bank account when you're in prison.

Further loans

You can't take out any further loans when you're in prison. For example, you can't remortgage your home to release money to pay off your debts. However, if you have a joint mortgage, your partner may be able to remortgage the property if they can afford the extra mortgage payments. They should get financial advice before deciding to do this.

Joint debts

Someone else may be responsible for your debts. For example, if you took out a joint loan, the other person is responsible for the whole of the debt. Also, if you were living with someone and you got into arrears with your council tax, the other person is responsible for the whole of the arrears. But if you took out a loan in your name, no one else is responsible for your debt. Your family don't have to pay. You may feel your creditors are putting pressure on your family members to pay your debt. This is against the law. Get advice about what to do if this is happening.

Mortgage and rent arrears

It's very important for you to sort out mortgage arrears and rent arrears because otherwise you could lose your family home. There are rules about payment of benefits for your home if you're in prison. These rules depend on how long your sentence is. If you have family living in the family home, make sure they get advice from an advice agency like the CAB about how they can keep the home. If you lose your home, get advice from a CAB about how your family might be able to get rehoused by the council.

Bailiffs

Your creditors may use bailiffs to take your belongings away. They sell the belongings and use the money to pay off the debt. Bailiffs are often used if you've got unpaid court fees, council tax arrears or if you owe money to the Child Support Agency. Bailiffs can come into prison to take your belongings away if the Prison Governor agrees. They can take money from your private cash but not from your earnings. If you get a letter from the bailiffs saying they are coming to take your belongings, get advice from an advice agency like the CAB.

Bankruptcy

In some circumstances, the only thing you may be able to do is to go bankrupt. This may be the case if you've got no hope of paying off your debts and your creditors refuse to write off the debt or to accept small payments.

Going bankrupt can take the pressure of creditors away from you. At the end of your bankruptcy, you can make a fresh start and the money you owe is usually written off. In many cases, this can be after only one year.

However, there are disadvantages to going bankrupt. For example, it will cost you a lot of money to go bankrupt (£600, more if you use a solicitor). Also if you own your own home, it will usually have to be sold. Also, it can be difficult in practice for prisoners to go bankrupt. You have to go to court for a bankruptcy order to be made and you also have to be able to speak to a bankruptcy official on the phone or go to meet them. In some areas, special arrangements have been made to let prisoners use video links to go bankrupt – check whether this can happen in your prison.

If you're made bankrupt, the prison will be asked to report any property or money that they are holding for you.

Courses to help you control your finances

Your prison may run courses to help you get back in control of your finances. These courses can help you sort out your debts and also help you to claim benefits, make budgets, run a bank account and understand more about credit.

Further help

Citizens Advice Bureau

Citizens Advice Bureaux give free, confidential, impartial and independent advice to help you solve problems. To find your nearest CAB, including those that give advice by e-mail, click on [nearest CAB](#), or look under C in your phone book.

Prison Service Order 4465 covers the rules about prisoners and their money. You can get hold of a copy in the prison library.

Other information on Adviceguide which might help

- Prisoners - letters
- Prisoners and benefits
- Sample debt letters
- Bankruptcy
- Leaving prison
- Prisoners and housing

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