

Help with debt fact sheet

If you're in debt, don't panic. But it's important to do something, because the problem won't just go away. Don't ignore calls or letters from the people you owe money to (your **creditors**). Contact them to explain why you're having problems and follow the steps in this fact sheet to help you get back in control of your finances.

If you don't agree that you owe any money, or don't agree with the amount you've been asked to pay, get advice from an experienced debt adviser straight away, before following the steps in this fact sheet.

Step One – make a list of your debts

Before you can tackle a debt problem, you need to collect together information about your money affairs. Make a list of all your creditors. You will need the following information for each debt:

- the name and address of the creditor
- the account or reference number
- the amount you owe.

It's a good idea to keep the latest letter or statement for each debt together in one place so that you can easily find them if you need them. If you've received any court papers or letters that seem urgent, you may need to act quickly. If you're not sure what you should do next, get advice straight away from an experienced adviser.

Once you've made a list of all your creditors, you need to work out which ones to deal with first. You need to deal with some debts first before others because the consequences of not paying these debts can be more serious than for other debts. The debts you deal with first are called **priority debts**. The debts you deal with after your priority debts are called **non-priority debts**.

Priority debts

Priority debts include:

- mortgage or rent arrears. If you don't pay these, you could lose your home
- fuel arrears. If you don't pay these, your fuel could be cut off
- council tax arrears
- court fines such as magistrates' court fines for traffic offences
- arrears of maintenance payable to an ex-partner or children. This includes child maintenance you owe to the Child Support Agency or Child Maintenance Service

- income tax or VAT arrears
- TV licence or TV licence arrears - it's a criminal offence to use a TV without a valid licence and you could be fined.
- If you don't pay council tax arrears, court fines, maintenance, income tax or VAT arrears, bailiffs can take your belongings. As a last resort you could be sent to prison or made bankrupt.

Non-priority debts

Non-priority debts include:

- benefits overpayments
- credit debts such as overdrafts, loans, hire purchase, credit card accounts and catalogue debts
- student loans
- money borrowed from friends or family.

You can't be sent to prison for not paying non-priority debts. But if you don't make any offers to pay without explaining why, your creditors may take you to court. If you still fail to pay, your creditors can take further court action against you, which could allow them to send bailiffs round to take your belongings away.

Step Two – work out your budget

List all the income and expenses for your household. Be honest and make sure that the amounts are realistic. You can use a budget sheet to help you do this.

Under income, include:

- earnings for your partner and yourself
- any benefits you are paid, including Child Benefit and tax credits
- maintenance from an ex-partner for you or your children. Include any child maintenance arranged by the Child Support Agency or Child Maintenance Service
- contributions from other members of your family and any lodgers.

Think about the ways in which you might earn extra money or increase your income. You may be able to claim benefits or tax credits.

Under expenses, include:

- housekeeping. Fill in realistic amounts for what you spend on all your expenses, including food, cigarettes and pet food
- housing costs. This should include mortgage or rent, a second mortgage or secured loan, service charges and life or endowment insurance cover attached to your mortgage
- council tax
- fuel and water charges
- telephone charges
- travel expenses. Include both public transport and the cost of running a car such as road tax, insurance, and maintenance
- insurance such as buildings and contents insurance on your home
- childcare costs
- TV licence and any TV rental costs
- clothes
- any other essential expenses
- money you set aside for emergencies.

When you've added up all the figures, you'll see if you have any money left over to pay your debts. You may even be able to see if you can make some savings. An advice agency can help you draw up a budget and help you increase your income if this is possible.

Step three- sort out your priority debts

When you've worked out how much you have left over after paying your expenses, contact each of your priority creditors. Show them your budget and try to make an arrangement to pay back what you owe. For example, you may be able to pay an extra bit each month until the arrears are cleared. Or you may not have any extra money at the moment but know you will have a lump sum in three months' time which will clear the debt completely.

If you can't afford to pay anything to your priority creditors and your situation isn't likely to get better, the outcome may be very serious. Get advice straight away.

Step four- sort out your non-priority debts

How you deal with your non-priority debts will depend on whether you have any money left over from dealing with your priority debts and paying for essential household expenses like housing costs and food.

If you have money to spare, you may have several options for dealing with your non-priority debts. You may have the option of:

- making offers to creditors yourself
- asking a Debt Management Company to make offers for you. Most debt management companies will charge you for this service but there are two free organisations, StepChange Debt Charity and Payplan
- applying to court for an Administration Order. This would mean you only have to pay off a certain amount of the debt. You can apply for an Administration Order if you have at least one county court judgment against you and debts of less than £5000
- arranging an Individual Voluntary Arrangement (IVA). This is a legal agreement between you and your creditors about how you'll pay off your debts. Get more advice from an experienced adviser about IVAs
- putting all your debts into one loan. This is called loan consolidation. It isn't usually a good idea to borrow more money to get out of debt and there can be serious disadvantages. Make sure you get advice before you take out another loan.

If you have little or no money left after you've done your budget, have nothing of value to sell and think your circumstances are unlikely to get better soon, you will have limited options for dealing with your non-priority debts. The options you'll have are:

- asking your creditors to **write off your debt**
- applying for **bankruptcy** (although this won't write-off all your debts)
- applying for a **Debt Relief Order**. This is like bankruptcy but for people who can't afford to make themselves bankrupt. You can apply if you have debts of less than £15,000 and a low income. The application has to be made through an adviser called an 'approved intermediary'. Your CAB can refer you to an approved intermediary in your area.
- Further help

Citizens Advice Bureau

Citizens Advice Bureaux give free, confidential, impartial and independent advice to help you solve problems, including debt problems and helping you claim benefits which could increase your income. 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.

National Debtline

The National Debtline can give free information to people with debt problems.

The National Debtline telephone number is 0808 808 4000. There is also a website at: www.nationaldebtline.co.uk.

The Insolvency Service

Enquiry line: 0845 602 9848

Website: www.insolvency.gov.uk.

A range of information about bankruptcy is available from the website or to order. Information is also available in languages other than English.

StepChange Debt Charity

StepChange Debt Charity is a registered charity offering free, confidential advice and support to anyone who is worried about debt. StepChange Debt Charity has:

- a freephone helpline on **0800 138 1111** where you can speak to a Debt Counsellor
- a website where you can get information on how to deal with your debt problems at: www.stepchange.org
- an online **Debt Remedy tool**. This asks you a series of questions about your household, income and expenditure and then provides you with a Debt Remedy tailored to your personal circumstances. Go to www.stepchange.org.

Payplan

Payplan is an independent company offering free debt advice and solutions to clients, such as debt management plans (DMPs). When you contact Payplan, an adviser will look at your financial situation and help you decide the best option to sort out your debts. If a repayment option is appropriate, they can help you approach your creditors with a repayment plan and distribute repayments on your behalf until the debts are repaid.

You can contact Payplan on freephone: 0800 716 239 or at: www.payplan.com.

Other information on Adviceguide which might help

- Help with debt
- Credit
- Bailiffs
- Budget sheet
- Bankruptcy
- Sample debt letters

This fact sheet is produced by [Citizens Advice](#), an operating name of The National Association of Citizens Advice Bureaux. It is intended to provide general information only and should not be taken as a full statement of the law. The information applies to England and Wales only.

This fact sheet was last updated on 4 February 2013 and is reviewed regularly. If it is some time since you obtained this fact sheet, please contact your local Citizens Advice Bureau to check if it is still correct. Or visit our website - www.adviceguide.org.uk - where you can download an up-to-date copy.