

CASTLE & MINSTER CREDIT UNION

If you're in debt and don't know which way to turn,
then this guide will help you.

Act now!

Help yourself by following these 3 steps:

- step 1 : work out your income and outgoings.
- step 2 : list all your debts.
- step 3 : contact your creditors in writing and keep copies.

Terms you will come across in this guide:

Creditors people you owe money to.

Priority debts your most important debts. These will need to be paid first, such as rent, mortgage, council tax and fuel bills.

Credit debts any other debts, such as catalogue payments and loans.

Hire purchase where you pay weekly or monthly and don't own the goods until you make the last payment.

Personal budget the money you have coming in, going out, and any left over.

Non-dependant a person other than a partner who lives in the same house aged 18 years or older.

Remember!

- don't ignore the problem
- don't borrow money to pay off debts
- contact everyone you owe money to
- if the first person you speak to doesn't help, ask to speak to someone more senior.

Step 1 – Work out your income and outgoings

Complete a personal budget. This is important because it helps you:

- see how much money is coming in to your household
- see how much money is going out
- work out offers to courts and creditors which you can afford
- plan your future spending

Income

Fill in the income boxes making sure you list all the income you get, remembering to use weekly or monthly figures. If you are not sure, see Kevin and Tracey's budget on page 4. The notes will help you.

Income	Weekly/monthly	N O t e s t o h e i p y o u	
Wages or salary	£		Wages or salary Your normal take-home pay. Only Include overtime if it's regular.
Partner's wages or salary	£		
Income Support	£		Benefits Include all benefits, except housing benefit and council tax benefit.
Jobseeker's Allowance	£		
Child Benefit	£		
Working Tax Credit	£		Non-dependant contribution Include the amount paid by other people who live in your home such as grown-up children and older relatives. Make sure non-dependant people pay enough towards household expenditure.
Retirement pension	£		
Pension Credit	£		
Works pension	£		
Incapacity or Disability Benefit	£		
Maintenance	£		
Non-dependant contribution	£		
Other	£		
Total income	£		

Outgoings

Work out how much money you have to pay out each week or month. At this stage don't include any debt or arrears or any credit payments. These notes will help you.

Notes on the money you

Rent

You will usually pay weekly.

Council tax

You will usually pay weekly. If you pay monthly, multiply by 10 and divide by 52 for a weekly figure.

Example:

$$£55 \times 10 = £550 / 52 = £10.57$$

Water, Gas and Electricity

All of these will accept monthly or weekly payments.

Housekeeping

Include food, toiletries, cleaning materials, and a small amount for entertainment. A rough guide is:

Single £25-£35 a week

Couple £35-£50 a week

Child £15-£20 a week

Travelling expenses

Should include travelling to work, school and shopping. If you have a car include tax, petrol and repairs etc.

Clothing

Allow at least £3-£5 per person each week.

Outgoings	Weekly/monthly
Rent or mortgage	£
Council Tax	£
Water	£
Gas	£
Electricity	£
Insurance	£
Housekeeping & food	£
School meals	£
TV rental	£
TV licence	£
Telephone	£
Travelling expenses	£
Clothing	£
Health expenses	£
Other	£
Total outgoings	£

Money left over

To find out how much money you can offer your creditors, take away your total outgoings from your total income.

Total income	£
Less total outgoings	£
Money left	£

Example on next page

Example Household

To show how the personal budget can be filled in, we have invented an example household. Remember benefit rates change so this is just an example.

Kevin and Tracey have one child aged 13.

Their income and outgoings are:

Income	Weekly
Wages or salary	£140.00
Partner's wages or salary	
Income Support	
Jobseeker's Allowance	
Child Benefit	£15.00
Working Tax Credit/ Child Tax Credit	£71.62
Retirement pension	
Works pension	
Incapacity or Disability Benefit	
Maintenance	
Non-dependant contribution	
Other	
Total income	£226.62

Outgoings	Weekly
Rent or mortgage	£46.50
Council Tax	£11.50
Water	£6.00
Gas	£9.00
Electricity	£9.00
Insurance	£2.60
Housekeeping & food	£70.00
School meals	£6.00
TV/video rental	£5.47
TV licence	£3.75
Telephone	£6.00
Travelling expenses	£22.00
Clothing	£9.00
Health expenses	
Other	£8.00
Total outgoings	£214.82

By doing a personal budget like this, you know how much money you have left over. Now go to step 2 on page 6. If there is no money left over go to page 10 or contact a Money Advisor.

Total income	£226.62
Less outgoings	£214.82
Money left =	£11.80

Use This Page For Your Own Notes

Step 2 – List all your debts

There are two types of debt – priority debts and credit debts.

Priority Debts

Some debts are more important than others. The law gives different creditors different ways to get their money back.

This list shows priority debts. This is because of the serious action that can be taken against you if you don't pay.

Priority Debts	Action Against you
Rent	Eviction
Council Tax	Imprisonment
Maintenance Arrears	Imprisonment
Magistrates Court Fine	Imprisonment
Electricity, Gas	Supply cut off
Water	County Court Bailiffs
Hire Purchase	Take your goods back

It is important to use your left over money to make agreements to settle these debts first.

This is how to do it

- Write down the amount you are going to pay in the priority debt box on the next page
- Always have your personal budget with you when you speak to creditors – Remember – always act quickly before things get worse!

Priority debts	Amount you owe	Your weekly or monthly payment offer
Rent or mortgage		
Council Tax		
Community Charge		
Water		
Gas		
Electricity		
Fines		
Maintenance		
Hire Purchase		
Other		
Total		

Remember!

- Use your personal budget.
- Start to make the agreed payments straight away.
- Don't agree to pay more than you can afford.
- If you get stuck – contact the Money Advisor.
- If you can, write to your creditors and keep a copy of the letter.

Who to contact

Rent

Your Area Housing Office or Arrears Recovery Officer

Council Tax

Council Tax enquiries

Water

Yorkshire Water. Bills are usually issued in March. You can ask to pay your bill weekly. If you do not pay, Yorkshire Water will send you a County Court summons, see example on page 13. Contact them to discuss your situation. Tel: 0845 1242 426

Gas and Electricity

Your offer must cover the cost of what you are using each week, and an amount off your arrears. You could ask to go on a budget scheme or a token meter.

Fines

Such as driving offences, or not having a TV licence. Contact the Fines and Fees office at the Magistrates Court.

Maintenance

If you have arrears on a maintenance order contact the Child Support Agency or the County Court.

Hire Purchase

Contact the hire purchase company and work out a payment you can afford.

Example

Kevin and Tracey listed their priorities like this:
They owe £300.00 rent, £130.00 electricity.

Rent arrears – they contacted their Area Housing Office. They arranged to pay £36.50 a week rent and £6.00 off the arrears.

Electricity – they agreed to a budget plan to pay £7.00 a week plus £2.80 a week off their arrears.

Priority debts	Amount you owe	Weekly payment
Rent or mortgage	£300.00	£6.00
Council Tax		
Community Charge		
Water		
Gas		
Electricity	£130.00	£2.80
Fines		
Maintenance		
Hire Purchase		
Other		
Total	£430.00	£8.80

John and Sarah filled in their money for credit debts box like this:

Money left	£11.80
Less priority debt payments	£8.80
Money for credit debts	£3.00

Credit Debts

This is the final stage of the personal budget. **Credit debts** are not quite as serious as **priority debts**. There is less that can happen to you if you don't pay your credit debts. Fill in the box to see how much money you have left over to pay your **credit debts**.

Money left	£
Less priority debt payments	£
Money for credit debts	£

Use This Page For Your Own Notes

Step 3 – contact your creditors

If you have no money for credit debts:

- Write to the companies and tell them. Use the example letter on page 12 and remember to keep a copy for yourself.
- Enclose a copy of your personal budget.

If you have some money for your credit debts:

- Divide it fairly between your creditors
- Don't worry if your offers look small. Remember, your creditors would rather you pay a small amount regularly than make promises you can't keep.

If you have several creditors, decide how much you can give each one. You don't have to pay the same amount to each creditor. Vary the amount with the size of the debt. The bigger the debt, the more you pay.

Example Household

Kevin and Tracey worked out how much to pay like this:

Credit debt	Amount owed	Weekly payment
Goodhomes Catalogue	£1,000.00	£1.30
Flexi-card	£550.00	£0.75
Money Express	£450.00	£0.60
Thomas & Son	£200.00	£0.35
Total	£2,200.00	£3.00

What if a creditor refuses my offer?

Don't give up

- Start paying the amount you have offered anyway.
- If a creditor calls for your payment don't let them persuade you to pay more than the amount you offered, otherwise you won't be able to make the repayments on your **priority debts**.
- Contact the Money Advice Unit, Citizen's Advice Bureau or the National Debtline, they can advise you on how to make the next approach to your creditors.

Problems, and types of credit

If you owe money to companies they are legally allowed to ask you to pay. But it is illegal for them to harass you. Harassment can be:

- Phoning you late at night or repeatedly at work
- Contacting your employer

If you are being harassed, contact Trading Standards, telephone 0113 2536111

- If you can't repay they'll turn nasty
- Some will use 'heavies' to threaten you
- Some will try to take your benefit book-this is illegal
- Some will force you to have a second loan to repay the first, then a third to repay the second...and so on until you don't know which way to turn.

If you think that your credit charges are extremely high you can take the matter to court. If high risks are involved for the lender though, the court may feel that the charges are reasonable. The fact that interest is higher than average does not necessarily mean it is extortionate. Before taking action, consult your local Trading Standards department.

If you are having money troubles, you don't want interest adding to the amount you owe. Credit companies will often stop interest if they know you are having money troubles. Write to the company and ask them to freeze it.

Use this example letter to contact your creditors
Remember to keep a copy

Use either paragraph 3 or 4

Company name

Your address

Company address

Date

Dear Sir/Madam

ACCOUNT NUMBER: _____

Owing to financial difficulties, I am unable to afford the normal repayments to you.

I enclose a personal budget which shows my current position.

Paragraph 3

1. I have worked out that I can afford to pay you £_____ a week/month. As you can see from my personal budget, this is all I can afford to pay at the moment. If interest is being added to my account, I request that you freeze this so that my payments reduce my debt to your company.

OR

Paragraph 4

2. I have no money left for creditors. Please accept no payment. This will be reviewed in three months. If interest is being added to my account, I request that you freeze it so that my debt doesn't increase.

I am doing everything I can to clear my debts.

I hope you can understand my situation.

Yours faithfully

Court Action

What if my creditors take court action?

The County Court is not a criminal court and isn't there to punish anyone. The County Court is there to settle disputes about money owed, and how to repay it.

If somebody takes you to court:

- You will receive a 'default summons' telling you how much the creditor says you owe.
- There will be a reply form with the 'default summons' for you to make your offer of repayment. Fill this in and send it to the creditor called the Plaintiff, with a copy of your personal budget. If you don't agree with the amount of debt, say so on the form and send the form back to the court.
- If the creditor accepts your offer, you will receive an order to pay that amount each month
- If the creditor refuses, the court will write and tell you the amount it has decided you should pay each month. If you do not agree with this, you can ask for a hearing to explain the offer to the District Judge. You must do this within 14 days of getting the order. The court will then give you a hearing date. You must go to the hearing.

Remember!

- Always take a copy of your personal budget
- If you get a letter you do not understand, take it to the court or contact the Housing Association Money Advisor / Citizen's Advice Bureau for an explanation.

