

# Debt Advice – Self Help Pack

**Do you find there is not enough money to pay your bills each week/month?**

**Has your credit become debt?**

**Are your outgoings more than your income?**

If any of the above apply to you, this self help guide can help you to reassess your budget and gain control of your money.

To begin to gain control you must understand what the household income is, what are your priority payments and debts (essential outgoings), and what are your non priority payments and debts.

Once you have worked out your income and expenditure, and organised expenditure into priority payments and non priority payments, you will have a better idea of how to manage your finances.

**Maximise income, minimise outgoings.**

To maximise your income you need to make sure you are claiming all the benefits you are entitled to, or if you are working, you are not overpaying tax or other deductions to your salary. You also need to minimise your outgoings by making sure that you are paying the lowest charge for all the services that you receive and cut back on non essential items. You then need to ensure that you are making small but regular payments towards your priority debts and then assess what money you have left over for non priority debts.

**Don't bury your head.**

What ever you do, do not ignore the problem. Speak to the people who you owe money to. Most utility companies and other responsible providers will have things in place to provide support for customers who are getting behind in their payments. Don't bury your head in the sand. The problem won't go away and you will feel so much better once you have a proper plan in place.

## Getting Started

### Completing the personal budget plan.

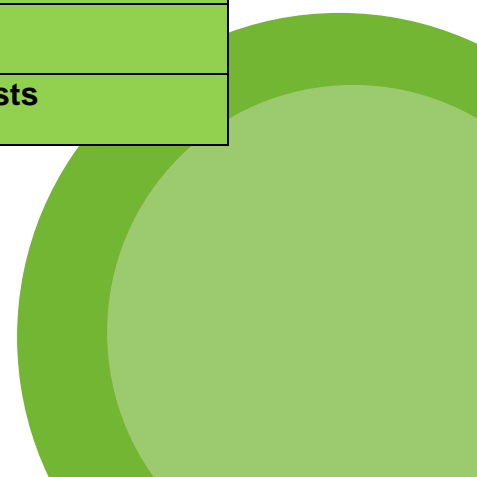
Included in this guide is a budget plan. Start by listing all sources of income including wages and benefits from all occupants. If you have other earners living in your home such as children, they will need to be contributing to the household costs. If you are struggling to make ends meet, you cannot allow your children the luxury of not paying their way. Decide how you are going to organise the payment plan, whether you are going to calculate it weekly, fortnightly, four weekly or calendar monthly. Whatever system you decide on, all figures will need to be added or subtracted to suit the period you have chosen.

### Priority debts.

List all of the payments you make starting with the priority payments as set out below.

If you are not sure which payments are classed as priority payments, the criteria for deciding is generally based on the types of sanction that non payment of these debts can bring. Non payment of some types of services can result in imprisonment, eviction, losing essential goods or services or being disconnected.

Debt	Sanction for non payment
Rent	Repossession/Eviction
Council Tax	Attachment of earnings/Bailiff/Imprisonment
TV License	Court fine of up to £1,000
County Court Judgements	Bailiffs
Magistrates Court Fines	Imprisonment
Income tax	Bailiffs/Imprisonment
VAT	Bailiffs/Imprisonment
Gas	Disconnection
Electricity	Disconnection/Imprisonment
Maintenance payments	Imprisonment
TV License	£1,000 fine plus legal costs



### **Know your figures.**

Try not to round figures up or down or guess amounts. Doing this can give you a very inaccurate result. You need to be sure that your figures are correct or your plan will not work.

Keep all your receipts for a month and check your banks statements to see what you are really paying.

If you do not receive bank statements or you do not have on-line banking, then you need to change that situation. It is essential that you monitor your bank accounts closely. Things can very quickly get out of hand if you don't know your banking details.

### **Get payments in line.**

Once you have completed your budget plan you will be able to see where changes could be made. If you are paying non priority debts ahead of priority debts you need to make changes. Priority debts will incur serious sanctions and you must come to an arrangement with the organisation to repay them. You should tell them about, or show them your payment plan so that they understand that your income is limited and that you need to make affordable payments to them. You will need to be honest and ruthless about non priorities such as gambling, smoking, take away meals and other non essentials. Once you get things back under control you can reintroduce these things, but for now discipline is required.

### **Save the pennies...**

Look at ways of saving money. You can shop around for cheaper deals on utilities, bank loans or credit cards. You can reduce or cancel your TV package and change to Freeview. Make sure that you write a meal plan for the week and a shopping list so that you only buy what you need and use everything that you buy. You can batch cook and freeze meals and buy value labels. Switch off appliances, keep doors shut when the heating is on. Look online for money saving ideas.

### **Organise your month.**

If you receive money at different times during the month, it can be hard to know what to pay and when. If you are not careful, you can end up with small amounts of money left over each week that are not allocated to a specific payment. This can mean that this money gets eaten up by ad hoc purchases and can mean that your overall budget comes up short at the end of the month. It will help if you organise your payments in and payments out onto a chart like this. This is an example only. Your income and expenses will be different.



<b>Payment Plan</b>					
<b>Weekly income</b>		<b>2 Weekly income</b>		<b>4 Weekly income</b>	
Child Tax Cred	£119.00	Income Support	£130.00	Child Ben	£137.00
<b>Weekly outgoing</b>		<b>2 weekly outgoing</b>		<b>4 Weekly outgoing</b>	
Shopping	£85.00	Rent	£30	Petrol	£40.00
Car Insurance	£18.50	Council Tax	£4.50	TV License	£22.40
		Phone	£6.00		
		Gas and Electric	£40		
<b>Totals</b>	<b>£103.50</b>		<b>£80.50</b>		<b>£62.40</b>
Left over pw	£15.50	Left over p/f/n	£49.50	Left over p/4/w	£74.60
Left over weekly	£15.50	weekly	£24.75	weekly	£18.65
Total for week	£58.90				
Still to pay for					
Clothing	£30				
Smoking	£5				
Pet	£2.50				
Total	£37.50				
<b>Left over p/w</b>	<b>£21.40</b>				

This way, all incomes have a specific payment allocated to them and the left overs are recorded and accounted for.



### **Boost your income.**

What ever your situation whether you are working or claiming benefits, you can look to improve your situation. If you have a job, make sure that you are paying the right amount of income tax by calling the HMRC tax office. If you have unemployed family members then they need to get as much help as possible to get work. There is a list of useful contacts at the end of this guide. Make sure that you get help and advice. There are so many training and employment schemes available but you need to speak to the right people to find out about them.

If you are claiming benefits you need to make sure that you are getting everything that you are entitled to. There are a number of on line benefit checkers that you can use. They are included in the useful information section at the back of this guide. You will need to know your previous years earnings if you are checking your entitlement to working tax credit.

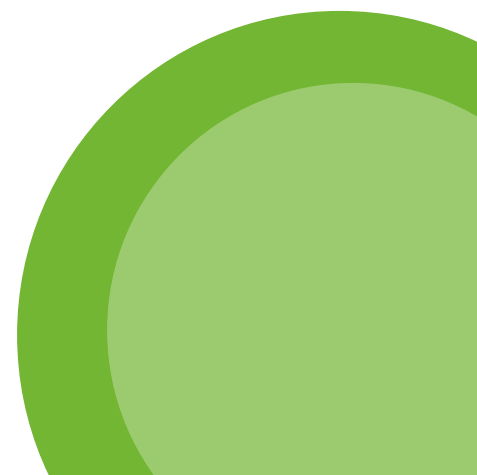
### **Tackle your outstanding debts.**

Once you have sorted out your income and expenses, you will be able to see how much you have left over to offer your non priority creditors. This can include;

- Unsecured loans
- Credit cards
- Store Cards
- Catalogue debts

You can ask your creditors to accept a minimum payment of £1 per month if you can show them that that is all you can afford.

If you really have no money to pay the debt and are not likely to be able to pay it in the future, you can ask them to consider writing off the debt as it will cost more for them to pursue it than they will ever be able to get back in payments.



## **Bankruptcy and debt relief orders.**

**Bankruptcy is one way for individuals to deal with debts they can't pay. It doesn't apply to companies or partnerships.**

- **A bankruptcy order sure your assets are shared among those you owe money to (creditors)**
- **And lets you make a fresh start free from debt (with some restrictions)**

**A bankruptcy order can be made for one of three reasons:**

- **you can't pay what you owe and want to declare yourself bankrupt**
- **your creditors apply to make you bankrupt because you owe them £5000 or more**
- **an insolvency practitioner makes you bankrupt because you've broken the terms of an individual voluntary arrangement (IVA)**

**It costs £680 to apply to become bankrupt.**

**If you owe less than £20,000 and have no assets you may be able to get a Debt Relief Order (DRO).**

**A DRO is a simplified, quicker and cheaper alternative to bankruptcy in the United Kingdom, suitable for debtors who have few or no assets (less than £1000 and not homeowners) and little disposable income (less than £50 per month). It is possible to apply for a DRO without attending court and the fee is £90.**

**You need to make sure that you have a full understanding of the processes and seek the advice of an accredited debt counsellor. Both options can be beneficial in the right circumstances and you should look into them if your debts are within the boundaries as stated above.**



## Credit Unions.

Credit unions aim to help you take control of your money by encouraging you to save what you can, and borrow only what you can afford to repay. In essence, they are savings and loan co-operatives, where the members pool their savings to lend to one another and help to run the credit union. This is done in a 'not-for-profit' way, so the cash is only used to run the services and reward the members, and not to pay outside shareholders, like most other financial institutions. Most Credit Unions offer basic banking and many offer more sophisticated services. They are all slightly different. This can often mean helping those who can't get access to ordinary bank products; a lifeline in less well-off communities for folks grappling with their finances. Plus, they can be a welcome alternative to payday loans or doorstep lending. To find your local credit union type 'find your credit union into your search engine'.

## Loan Sharks and pay day loans and Brighthouse..

Illegal money lenders (loan sharks) should be avoided at all costs. Credit unions are a much better way to borrow money and you only need to be saving a little bit with them to be allowed a loan. The interest charged by loan sharks is usually outrageous and will mean that you will be paying back the loan for years . Payday loans also charge huge amounts of interest and you will end up paying back far more that you borrowed. It may be a quick fix but the repayments will eat into your income for a very long time. Brighthouse are an easy solution when you need household goods, but their interest rate is representative APR 99.9% fixed which means that you will pay nearly twice as much as the basic cost of the item. Ebay, Gumtree, Preloved or local newspapers and supermarket notice boards are much better if you need items for the home.

## Income and expenditure plan.

Completing an accurate income and expenditure list is an essential first step when working towards getting your finances under control. There is an example of one on the next page. Make sure that include all sources of income from everyone who lives in your home including wages, benefits and any other payments. Take your time and make sure that all of your figures are correct and up to date.

## Example letters

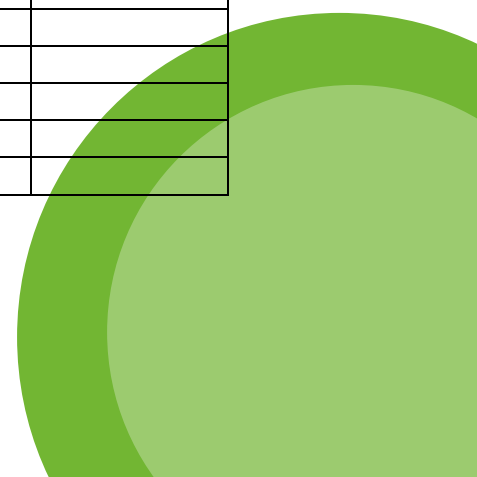
Included in this pack are example letters that you can amend and send to your creditors or your bank asking them to freeze payments, stop interest on loans and accept minimum payments. When you send these letters you should include a copy of your income and expense plan.



## INCOME & EXPENDITURE

<b>Income Per Week</b>	<b>£</b>	<b>Expenses Per Week</b>	<b>£</b>
Wages 1		Rent	
Wages 2		Rent Arrears	
Wages 3		Council Tax	
Wages 4		Council Tax Arrears	
Sick Pay		Gas	
Maternity Pay		Electricity	
JSA		Water	
ESA		TV Licence	
Incapacity Benefit		Household Insurance	
DLA/PIP		Life Insurance	
Income Support		Vehicle Insurance	
Working Tax Credit		Vehicle Tax	
Child Tax Credit		Vehicle MOT	
Child Benefit		Petrol	
State Pension		Maintenance/Child Support	
Private Pension		Prescriptions	
Child Maintenance		Fines	
Student Loan/Grant		Loans	
Savings		Food and Household Items	
Other		Satellite/Cable TV	
Other		Telephone	
Other		Mobile Phones	
Other		School Meals	
		Public Transport	
		Cigarettes	
		Alcohol	
		Vet Bills/Pet Insurance/Pet food	
		Child Care	
		Other	
<b>Total</b>		<b>Total</b>	

<b>Essential Debts</b>		<b>Non-essential Debts</b>	
Rent			
Council Tax			
Court Fines			
Maintenance or Child Support			
Gas			
Electricity			
Water			
Hire Purchase			
Overpaid Benefits			
TV Licence			
Other			





## Sample Letter 1

21 The Road I Live In  
My Town/village  
Bedfordshire  
LU6 1LF

**This letter should be sent to  
your bank to stop further payments  
leaving your account**

21 November 2010

Dear Sirs,

**ACCOUNT/REFERENCE NUMBER:** 111myaccountnumber222

I am writing to advise you that I am experiencing financial difficulties. I am currently writing to all my creditors asking for details of the balance outstanding on my accounts. Once I have this information I will be able to work out how much I can afford to pay each creditor.

As it may take some time for all my creditors to reply, it would be helpful if you could hold any action on my account for two months and agree to freeze interest and any other charges to prevent my debt from increasing.

Thank you for your help and I look forward to hearing from you.

Yours faithfully

M Name

MR MY NAME



## Sample Letter 2

21 The Road I Live In  
My Town/village  
Bedfordshire  
LU6 1LF

**This letter should be sent to  
Creditors – those who you owe  
money to**

21 November 2010

Dear Sirs,

**ACCOUNT/REFERENCE NUMBER:** 111myaccountnumber222

I am writing to advise you that I am experiencing financial difficulties and attach a Financial Statement to outline my position.

Would you therefore please accept a token payment of £1.00 per month in respect of this debt and suspend interest and any other charges whilst these payments are made. This would initially be for three months after which time a review could be made of my circumstances.

Thank you for your help and I look forward to hearing from you.

Yours faithfully

M Name

MR MY NAME



All of these agencies can be accessed by typing their name into Google or another search engine.

### Advice

National debt line <https://www.nationaldebtline.org/> 0808 808 4000

Money advice trust <https://www.moneyadvice.service.org.uk/en> 0800138 7777

Moneysaving expert <http://www.moneysavingexpert.com/>

Citizens advice <https://www.citizensadvice.org.uk/about-us/contact-us/>

Salvation Army. <http://www.salvationarmy.org.uk/budgeting-debt-advice> (020) 7367 4500

Step Change <https://www.stepchange.org/> 0800 138 1111

### Benefits

Direct.gov <https://www.gov.uk/>

### Benefit checkers

Turn to us <https://www.turn2us.org.uk/>

Entitled to <https://www.entitledto.co.uk/>

### Other

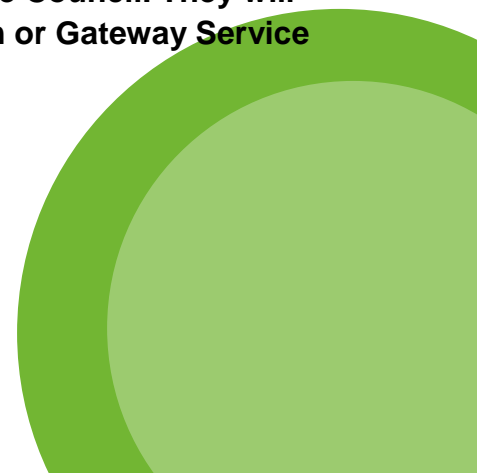
Local credit union <http://www.mmccu.co.uk/> 01582 666877

USwitch <https://www.uswitch.com/>

Work Clubs. [workclubs@action-centralbeds.org.uk](mailto:workclubs@action-centralbeds.org.uk)

- Dunstable Work Club 01525 850559
- Houghton Regis Work Club 01525 850 559
- Leighton Buzzard Work Club 01525 850 559

If you need help with any of aspect of this plan, please contact your Income management officer or another officer within Central Bedfordshire Council. They will either help you directly or refer you to the Tenancy Support Team or Gateway Service who will be able to give you more in-depth support.



## Jargon Buster

### County Court

A Civil Court which may be used to enforce the collection of debt. Debts up to £5000 are dealt with by the Small Claims section of the County Court.

### Bailiff

Someone who is authorised to collect a debt from you on behalf of your creditors. There are three types of Bailiff who work for the Court Service: the County Court Bailiff, the Certified Bailiff, who has provided references to the County Court, and the Private Bailiff.

### Warrant

This is the official written permission given to the Bailiff allowing him to carry out his/her duties to collect a debt. It is given by the court.

### Priority debt

The consequences of not paying a priority debt are serious. These debts include rent arrears, fuel arrears, council tax arrears and outstanding court fines. Failure to pay these debts could result in you being evicted from your home, or in some cases you could be imprisoned.

### Non-priority debt

These include credit card, hire purchase, loans and overdrafts. A collection of these cannot be enforced by imprisonment., but have other consequences.

### County Court Judgment (CCJ)

If your creditors take action in the County Court, they may request that a County Court Judgment be made against you. This means that the County Court has ordered you to pay an amount of money—this will normally be the debt plus costs. Details of the CCJ are entered on to a register which is used by credit companies, banks and building societies when you apply for credit. A CCJ will affect your credit rating.

### Credit Reference Agency

A company that stores computerised records of people's use of credit. When you apply for credit, for example a store card, checks will be made with the agency about your credit history.

## Contact us...

Për Informacion Per Informazione Za Informacije माहवारी लही  
المعلومات للمعلومات کے لئی তথ্যের জন্য Za Informacja  
برای اطلاع

by telephone: 0300 300 8000

by email: [customer.services@centralbedfordshire.gov.uk](mailto:customer.services@centralbedfordshire.gov.uk)

on the web: [www.centralbedfordshire.gov.uk](http://www.centralbedfordshire.gov.uk)

Write to Central Bedfordshire Council.