

# Money Worries?

Many people in Angus are burdened by debt. There are many reasons why people get into debt. You are not alone.

Your circumstances may have changed making it harder for you to make payments anymore or you may have borrowed too much compared to your income.

The worry and anxiety caused by debt can often have a detrimental effect on health, work and relationships. That's why it's important to ACT right away, to stop the situation getting worse.

- A** Acknowledge that you have a problem
- C** Communicate with your creditors
- T** Take control of your debt today. Don't let it get any worse

There are a number of options when dealing with debt; many of them require the help of a Money Adviser. See page 14 and page 15 for when to get specialist advice and what they can do for you. However if you feel able, this booklet will take you through one option to manage your debt, negotiating with your creditors to reach a mutual solution. It's important to agree repayment amounts that are affordable, while still paying rent, heating, food and other priority payments.

This action pack will show you step by step how to deal effectively and directly with your financial problems and reach manageable solutions.

It has been produced as a result of a joint partnership with Angus Citizens Advice Bureau (CAB) and Angus Council's Welfare Rights Service.

## Where to Start?

This pack has been designed to be user friendly.

Work your way through step by step. Don't get disheartened. Remember that if you are having difficulty at any stage pop into your local **CAB** or contact the **Welfare Rights Service**, the contact details are at the back of this booklet.

### Are all the Debts Yours?

Make sure that you owe the money before negotiating with creditors. You are not liable to pay for your partners' debts unless you signed an agreement or stood as a guarantor.

Council tax and water charges are the exception to this so it's important to check liability.

### Should you Seek Specialist Help?

On page 14 there is a list of documents that you may receive from creditors pursuing you for the recovery of a debt. If you have had any of these it may be a good idea to seek help from the **Welfare Rights Service** or local **CAB** before you complete this action pack.

The Money Advice service is free of charge and ensures a formal arrangement with your creditors which may, in the long term, provide more protection from your creditors. A Money Adviser will discuss a number of options with you, including those on page 15. They will advise on the best way forward for you.

### Do it Yourself?

If you are happy to continue with this action pack, gather all the information you have and start at Step 1...

# Step 1 - Money Coming In

Complete the table below to calculate your income, keeping the figures all weekly or all monthly.

Work out how much wages you have coming in after deductions. That is the bottom line on your pay slip.

Remember to include child benefit as benefit income. Disability Living Allowance and Attendance Allowance are treated differently as they are to cover care and/or mobility needs so it's up to you if you include them.

## Can you Increase your Income?

- Can you earn more by taking another job or asking for a pay rise?
- Have you applied for all the benefits and tax credits you're entitled to? Organise a benefits check with your local CAB or the Welfare Rights Service if you're not sure.
- Are the reductions from you're payslip correct i.e. tax code?

Source	Weekly/Monthly	Self £	Partner £
Wages			
Benefits			
Tax Credits			
Pension	State		
	Other		
Maintenance			
Students	Grant, bursary, loans		
Other Income			
Total		£	£
Total household income (Self + Partner)		£	

To convert a weekly figure to monthly multiply it by 52 and divide it by 12.  
To convert a monthly figure to weekly multiply it by 12 and divide it by 52.

## Step 2 - Money Going Out

You now need to work out how much money you need to live on. Be as honest as you can. Remember to include essential expenditure that you pay annually e.g. road tax.

It may be worth keeping a spending diary for the next week to give yourself a better idea of where your money goes. Just jot down what you spent and what you spent it on.

It's important to be realistic. For example electricity and gas expenditure should take into account the winter months.

The Expenditure Sheet on the next page is to help you work out your regular essential expenditure. It may be that you have expenses that are not listed so remember to include them.

**Rent, mortgage, secured loan, electricity, gas, council tax, fines, TV Licence are all priority payments and should be paid before any other debts.**

DO INCLUDE COURT FINES, MAINTENANCE PAYMENTS and any ESSENTIAL HIRE PURCHASE COSTS.

DO NOT INCLUDE PAYMENTS FOR UNSECURED LOANS, CREDIT CARDS, OVERDRAFTS, STORE CARDS or CATALOGUES. These will get a share of any money left after the priority payments have been met.

Now work your way through and remember to include any expenses you have that are not listed. Again work out the amounts as all weekly or all monthly-don't mix them.

Housing	£	TV	£
Rent/Mortgage		TV Licence	
Second Mortgage		TV Rental	
Council Tax		Satellite	
Repairs		<b>Telephone</b>	
<b>Insurance</b>		Home	
Life		Mobile	
Mortgage Protection		<b>Healthcare</b>	
Endowment		Dentist	
Contents		Optician	
Buildings		Prescriptions	
<b>Fuel and Light</b>		<b>Childcare</b>	
Electricity		Childminding	
Gas		Playgroup/Nursery	
Other (Oil, Coal etc)		Pocket Money	
<b>Housekeeping</b>		<b>Car</b>	
Food		Road Tax	
Cleaning Materials		Insurance	
Pets		MOT	
School Meals		Repairs	
Toiletries		Petrol and Oil	
Nappies		<b>Other</b>	
Alcohol/Cigarettes		Newspapers etc	
<b>Clothing and Shoes</b>		Presents	
All Clothing		Holidays	
All Footwear		Hobbies	
Dry Cleaning/Laundry		Hairdressing	
<b>Travel</b>		Maintenance	
To Work		Fines	
To School		Hire Purchase	
Shopping		Other	
		Other	
Total Household Expenditure Weekly/Monthly			£

## Step 3 - What's Left?

This is a quick step. Take the *total household income* amount (Step 1) and take away the *total household expenditure* (Step 2)

The amount that's left is money that is available to offer creditors towards your debts.

Total Household Income (Step 1)	£
Less Total Household Expenditure (Step 2)	£
Total available for debts weekly/monthly	£

Please note: if there is no money available you may have to reassess your spending or seek help from a Money Adviser.

Okay, you've established what money is available every month or week towards the debts you have. Don't make the situation worse by borrowing unnecessarily. It's important at this stage to keep up the regular payments on your priority debts.

Any agreement you make to repay the debts must be sustainable. Don't agree to amounts that you can't possibly maintain. It is better to agree small affordable amounts than agree to amounts you can't afford just to satisfy the creditor in the short term.

## Step 4 - Who do you Owe?

You now need to make two lists of the debts you have. One list is for debts that are a 'priority' (see page 9) and one for those that are 'non priority' (see page 10). We mentioned some priority debts in Step 2, although you may have others. Priority debts are significant because of what may happen if they are not paid. For example you may lose your home if you do not pay your rent/mortgage. Any debts that threaten your basic needs, employment or your freedom are priority ones on page 9. These are listed on the first Debt List. Remember loans or hire purchase may be a priority if they are secured on necessary items. Council Tax is a priority debt as the Council have powers to freeze your bank account or/and arrest your wages.

Do not lose heart while completing the Debt List. This is the beginning of the new financial freedom to come!

Gather all the paperwork you have on your debts. Take your time and, if the paperwork is over a month old, contact the company concerned and get up to date information regarding the amount you still owe. It's a good idea at this stage to contact your creditors to let them know you are dealing with your debts.

Negotiate your priority debts first then divide any remaining money between your non priority debts listed on page 10. Remember to check back to Step 3 and offer an amount that is within your weekly/monthly money available. Offers of payment to the non priority debts should be proportional that is the biggest debt gets the biggest chunk of the money that is available. See page 8 for an example of this process.

Complete the agreed repayments in the last column. An offer can be agreed over the phone but it is advisable to follow this up with a letter. See page 13.

# Example

Step 3 has shown that Mr A has £75 per week available for his debts. His priority debts are as follows:

## Debt List - Priority Debts

Debt	Creditor Name and Address	Account/Ref	Total Owed £	W Offer £
Rent/Mortg. Arrears	Angus Housing Angus	123456	250	10.00
Council Tax Arrears	Angus Council Angus	123456	520	25.00
Electricity Arrears	Electricity Board Angus	123456	100	5.00

## Debt List - Non Priority Debts

In the example above the weekly amount offered to each of the creditors is in proportion to the amount of the arrears. The priority creditors have accepted these offers. The amount left towards the non priority debts is now £35. (£75 less the payments for the priority debts £40)

Creditor	Address	Account/Ref	Total Owed £	W Offer £
Mastercard	123 High St Anytown	123456	1500	15.00
Visa	456 Any Street Anywhere	789123	500	5.00
Clubby	8 Main Street Anytown	456789	1000	10.00

Mr A has divided the £35 between the non priority creditors. He has made sure that the biggest debt gets the biggest chunk of the money available. He now moves onto Step 5 'Making the Offer.'

# Debt List - Priority Debts

Debt	Creditor Name and Address	Account/ Ref	Total Owed £	W/M Offer £
Rent/Mortg. Arrears				
Council Tax Arrears				
Electricity Arrears				
Gas/Fuel Arrears				
Fines				
TV Licence				
Maintenance				
Other Priority				
Other Priority				
Total Priority Debts Weekly/Monthly (the same time frame as Step 3)				£

Take the weekly/monthly available for debts (Step 3)	£
Less the amount agreed weekly/monthly to repay Priority Debts (see above)	£
Amount left weekly/monthly for non priority debts	£

## Debt List - Non Priority Debts

Do not make an offer to these creditors until after you decide an appropriate repayment (*see below*)

Creditor	Address	Account/ Ref	Total Owed £	W/M Offer £

Take the weekly/monthly available for non priority debts (*as per page 9*)

Divide the available amount to each of the non priority creditors above. Try and proportion the money so that the biggest debts get the biggest chunk of what's available.

## Step 5 - Making the Offer

Congratulations you have reached the final step! You now need to make an offer to your non priority creditors. They require proof of your current financial situation. Fortunately you have that information already in this pack. This step is to summarise it in an acceptable format for the creditors. Complete the financial statement on the next page using the information from the previous steps. Once this is complete obtain enough copies for all your creditors. Send it along with an 'Offer Letter' (page 13) Remember you can get help by contacting your local CAB office or Welfare Rights Service.

Delete either weekly or monthly at the top of the financial statement and make sure all figures are for the same time period.



# Financial Statement - Weekly/Monthly

Name		Date	
Address			
Family - No. of adults		No. of children	
Income	£	Expenditure	£
Wages		Housing	
Benefits		Insurances	
Tax Credits		Fuel/Light	
Pension		Housekeeping	
Maintenance		Clothing/Shoes	
Students		Travel	
Other Income		TV	
<b>Total</b>	£	(A) Telephone	
		Healthcare	
		Childcare	
		Car	
		Other	
		<b>Total</b>	£ (B)
<b>Total Available for Debts (A)-(B)</b>		£	(C)
<b>Priority Debts</b>			
<b>Debt</b>	<b>Total Arrears £</b>		<b>Offer</b>
Housing			
Council Tax			
Electricity			
Other Fuel			
Fines			
TV Licence			
Maintenance			
<b>Total Priority Debt Repayment</b>		£	(D)
<b>Amount left for Non Priority Debts (C)-(D)</b>		£	
<b>Non Priority Debts</b>			
<b>Creditor</b>	<b>Total Arrears £</b>		<b>Offer</b>
<b>Total non priority repayments</b>		£	

This is an accurate record of my financial position.  
 Signature: .....

Your Name  
Your Address  
Your Postcode  
Date

Creditor Details

Dear Sir/Madam

Account/Reference Number

I am/We are experiencing some financial difficulties at this time. *(Enter here any relevant details redundancy, illness etc)*

I am/We are unable to make payments to the above account at the current level.

Enclosed is a financial statement of my/our current situation. Based on this I am/we are able to make payments to the above account of £      per week/month. **OR** Based on this I am/we are unable to make payments to the above account at this time.

I/We would ask that all interest and charges stop at this time.

I/We look forward to receiving written acceptance of the above in the near future.

I/We will inform you of any change of circumstances.

Yours faithfully

Names

# Process Complete

Well that's the process complete. Start to make the repayments as soon as you can, whether you've received confirmation from the creditors or not.

Keep any correspondence from the creditors as well as copies of any correspondence you send to them in a safe place. If your circumstances do change, for better or worse, redo this exercise and adjust any offers accordingly.

Check on page 15 on the options available with the help of a specialist Money Adviser.

## When to Seek Specialist Advice

If you have received any of the following documents seek advice from your local **CAB** or **Welfare Rights Service**.

Default Notice

Summary Warrant

Decree

Charge for Payment

Wages Arrestment

Bank Arrestment

Attachment

Exceptional Attachment

## A Money Adviser can advise on the following

	Debt Arrangement Scheme (DAS) Must see an Approved Money Adviser	Protected Trust Deed	Sequestration (Personal Bankruptcy)
Available if...	<ul style="list-style-type: none"> <li>You live in Scotland</li> <li>You have money available after living expenses</li> <li>You have more than one debt</li> </ul>	<ul style="list-style-type: none"> <li>You have money available after living expenses or assets</li> </ul>	<ul style="list-style-type: none"> <li>Your debts are more than £1500</li> <li>You have no disposable income or assets</li> <li>You have a 'charge for payment'</li> </ul>
Advantages	<ul style="list-style-type: none"> <li>Stops court action</li> <li>Your home is not at risk</li> <li>Not all creditors must agree</li> <li>You make one regular payment</li> </ul>	<ul style="list-style-type: none"> <li>You make one regular payment</li> <li>Protects you from creditors correspondence</li> </ul>	<ul style="list-style-type: none"> <li>Creditors can take no further action</li> <li>Debts are usually written off after discharge</li> </ul>
Disadvantages	<ul style="list-style-type: none"> <li>Prohibits some types of credit</li> <li>The debt may not be paid off at the end of the debt payment programme</li> </ul>	<ul style="list-style-type: none"> <li>You may have to dispose of capital assets (i.e. home)</li> </ul>	<ul style="list-style-type: none"> <li>You may lose capital assets (i.e. home)</li> <li>Adverse credit rating for up to 6 years</li> <li>Access to credit limited during sequestration to £250</li> </ul>

A close-up photograph of a woman smiling broadly while talking on a mobile phone. Her face is partially obscured by a white banner that contains text. The background is a solid blue color.

## Useful Websites/Helplines

[www.moneylaidbare.info](http://www.moneylaidbare.info)

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[www.fsa.gov.uk](http://www.fsa.gov.uk)

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[www.moneyadvicetrust.org](http://www.moneyadvicetrust.org)

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[www.moneyadvicescotland.org.uk](http://www.moneyadvicescotland.org.uk)

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National Debtline: 0808 8084000

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Business Debtline: 0800 1976026