

INSIDE
information on

Dealing with

DEBT

A step
by step
guide



This guide has been produced by Southampton City Council's Welfare Rights and Money Advice Service

For more information visit: www.southampton.gov.uk/benefits-welfare/money-advice/



If you are having problems making ends meet or paying your bills...

**ACT NOW
GET ADVICE**



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- Maximising your income
- How much money do you have coming in?
- Where does the money go?
- How much money is left over?

TOP TIPS

When filling in your personal budget decide whether you want to plan your budget on a weekly or monthly basis, but don't mix the two.



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- Rent arrears
- Mortgage arrears
- Gas and electricity
- Council Tax
- Income Tax, National Insurance and VAT arrears
- Magistrates' Court fines
- Child Support arrears
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- Hire purchase
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Step 3: More debts – credit or non-priority debts 20-25

These are debts that have less serious consequences if you don't pay them.

- Options for dealing with non-priority debts
- Paying non-priority creditors
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Step 1

Income and expenditure

How much money do you have coming in?

Working out how much money comes into your household is the first step towards completing a personal budget.

Write down all of the money you have coming in.

Income Check list

- Tax Codes – are you on the right one?
- Benefits – are you receiving all you are entitled to?
- Child Benefit
- Tax Credits
- Contributions from any grown up children that live with you
- Child Support or other maintenance payments received
- Any other income

Do not include Housing Benefit or Council Tax Reduction, this is covered later on page 4

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

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

Note: Some benefits are paid 4 weekly – to get the correct monthly figure for the budget multiply by 13 then divide by 12.

Useful contacts and more information:

If you are struggling financially, check you are not missing out on any benefits or tax credits. See the links below.

Entitled to: www.entitledto.co.uk

Money Advice Service: www.moneyadviceservice.org.uk

Step 1

Where does the money go?

RENT

If you receive Housing Benefit your rent figure should be the amount you actually pay after your benefit is received.

MORTGAGE

If you receive help with your mortgage interest from the Department for Work and Pensions, your mortgage figure should be the actual amount you have to pay. Include all capital and endowment payments as well as the interest.

COUNCIL TAX

If you receive help with Council Tax the amount should be what you actually pay after the reduction has been taken into account. At this stage, count only Council Tax for the current year, we will look at Council Tax arrears later.

UTILITIES (Gas and Electric)

TV LICENCE

It is a legal requirement to have a TV licence.

WATER RATES

Include your current charges only, any arrears should then be dealt with as a non-priority creditor see Step 3.

HOUSEKEEPING

Include food, toiletries, cleaning materials etc. A rough guide to average weekly housekeeping expenditure is:

Single person £30 - £50
Couple £50 - £80
Each child £20 - £30

TRAVELLING EXPENSES

Include travelling to work, school and shopping. If you run a car, include road tax, insurance, repairs, MOT and servicing, as well as petrol. If you take the bus, include all of the family's journeys.

SCHOOL MEALS/MEALS AT WORK

Include any money you give to children to pay for school meals and any money you or your partner spend on meals and snacks at work.

CLOTHING

As a rough guide to average expenditure on clothing, you should allow around £5 - £10 per week, per family member. However, if you are in financial difficulty, you should consider just allowing an amount for children's clothing.

PHONE / INTERNET / TV

ENTERTAINMENT AND CIGARETTES

Spending money on things like cigarettes, alcohol, DVDs, holidays, sporting activities etc. pose special problems if you are having financial difficulties. Most creditors (the people you owe money to) are likely to query expenditure on these items. As a general guide, how much you spend on these things should be looked at in light of your other essential outgoings and what you can afford.

RAINY DAY EXPENDITURE CUSHION

You may want to include something for unexpected expenses for example if your fridge or cooker breaks down and things like birthdays, Christmas and other religious festivals, children's pocket money and school trips.

By putting small amounts aside regularly you will be able to cope with these events without having to miss payments on other things, especially your rent.

It's a good idea to keep your savings in a separate account from the one you use for day-to-day income and outgoings.

Not much left?



Money in £

Money out £

What is left? £

If there is nothing left, or you spend more than you have coming in, take a look at where your money goes.

It is likely that you will have to sacrifice something in order to pay your debts, especially if you have priority creditors (i.e. rent, mortgage, Council Tax, gas, electricity or TV licence arrears).

Although you may have to look at sacrifices, you must still allow enough for basics, such as food.

TOP WAYS TO SAVE MONEY:

- Consider making packed lunches
- Ask your local bus company about concessions
- Shop around for gas, electric, phone, insurance etc. on comparison sites to find the best deal
- Keep a spending diary – you might be surprised how much you spend that could be saved
- Try to cut back on non-essential spending such as takeaways, smoking, alcohol etc.
- Could you walk instead of taking the bus or car?
- Consider a freeview box instead of cable or satellite packages, they have the same channels without the monthly fees.
- Consider taking in a lodger if you have the room.

BEST OFFER

Step 2

IF YOU'RE IN DEBT

Tackle the most important debts first

If you are in debt tackle the most important debts first – priority creditors.

Some debts are more important than others: these are **priority debts**. You must deal with these debts first.

TYPE OF DEBT	POSSIBLE ACTION AGAINST YOU
Mortgage arrears (including second mortgage and secured loans)	Repossession of your home
Rent arrears	Eviction from your home
Gas and electricity	Supply disconnection
Council Tax	Deductions from wages or certain benefits, bailiff action, imprisonment
Income Tax/National Insurance and VAT arrears	Bailiff action, bankruptcy
Magistrates court fines	Bailiff action, imprisonment
Arrears of child support	Deductions from wages and certain benefits, bailiff action, imprisonment
TV licence	Magistrates' fine, bailiff action Imprisonment
Hire purchase	Repossession of the goods



ACTION:
Contact the organisations you owe money to – your 'creditors'

Other debts may be considered a priority depending on your circumstances. For instance, money owed to the Department for Work and Pensions (DWP) for a budget loan or a benefit overpayment will be treated as a priority debt, if you are in receipt of benefits, as deductions can be made at source. Another example is a loan from an employer. This could be because it is deducted at source, or could simply be that not repaying the loan could put your job at risk.

List your priority creditors on your budget sheet with the outstanding balances.

It is never too early or too late to contact your creditors. If you have only missed one payment, or you are in the last stages of court action, you should still contact your creditors

TAKE CONTROL!

- Work out your personal budget
- Contact your creditors
- Explain you are having financial difficulties
- Use your personal budget sheet to explain your financial situation
- Say you wish to come to an arrangement to pay
- If you have other priority creditors let them know
- If you have specific reasons for going into arrears (made redundant, ill or disabled, recently separated) let them know
- If your financial position is likely to get better – let them know
- Don't make offers that you can't afford
- Don't ignore letters
- Attend court hearings
- Don't borrow more money to pay off your bills
- When contacting make a note of:
 - * **Date you called**
 - * **Who you spoke to**
 - * **Action you need to take**
 - * **Actions they need to take**



Step 2

IF YOU'RE IN DEBT

Tackle your priority debts first

RENT ARREARS

If you pay rent to the Council

The Council can and does evict people from their homes for failing to pay their rent. They do, however, have to go to court first. Resolving the situation before you are taken to court will mean avoiding additional court costs and unnecessary worry.

Note: If you hold an introductory tenancy, normal rules do not apply – contact 023 8058 5565 for advice.

Help with paying your rent

If you are on a low income – regardless of whether you are working, you may be entitled to Housing Benefit to help with your rent.

You can make a Housing Benefit claim online www.southampton.gov.uk or obtain a claim form by calling, Benefit Services on: 023 8083 3009.

Any entitlement will be paid directly to your rent account and you will be expected to pay the difference.

Even if you are entitled to full Housing Benefit, this may not cover the entire rent if you have a heating charge, or if you are having an overpayment deducted.

Note: If you are receiving Universal Credit any entitlement to housing costs will be paid direct to you with your Universal Credit payment. It is your responsibility to pay your rent to your landlord.

Repaying your arrears

If you are behind with your rent payments, speak to your Income Officer and show them your personal budget sheet. Offer to repay the rent arrears at an amount you can afford – even if it appears quite a small amount – and start paying immediately. It is very important that you keep paying the full rent plus the amount you agreed to pay off the arrears.



If you pay rent to a Private Landlord or Housing Association

What type of tenancy do you have?

There are several different types of tenancy and each type gives you different rights. The type of tenancy you have depends on who your landlord is and when you started renting your home. It is very important to know about your tenancy agreement, as this affects your rights to stay in your home.

Help with paying your rent

If you are on a low income, you may be able to claim Housing Benefit. If you are in private rented accommodation it is Local Housing Allowance.

Repaying your arrears

You should try to come to an arrangement with your landlord to pay your full rent, plus something towards your arrears.

If your landlord takes you to court

Remember that you cannot be evicted without a court order. Contact housing advice on the number below if your landlord won't accept your offer to repay rent arrears.

If you are an assured shorthold tenant and your landlord starts court action because your tenancy comes to an end seek advice.

If your landlord threatens to throw you out without going to court or harasses you to make you leave he/she may be acting illegally – visit www.southampton.gov.uk or contact 023 8083 2327 for housing advice.

GETTING REHOUSED

Many people believe that the Council must re-house people who are evicted or homeless. This is NOT TRUE! Only in certain circumstances do homeless people have a right to be re-housed.

If you think that you may lose your home by being evicted contact the Homelessness Team on 023 8083 2327. Do this as soon as possible – don't wait until you are actually homeless before seeking advice.

Step 2

IF YOU'RE IN DEBT

Tackle your priority debts first

MORTGAGE ARREARS

What sort of mortgage do you have?

You may have both first and second mortgages. The first mortgage is the loan you took out to buy your home. The second mortgage, also known as a secured loan, second charge or sometimes a consolidation loan, is a separate loan which is secured on your home. Check all your loan agreements to see if they are 'secured' on your home. If they are secured, treat them as a priority debt because your home is at risk if you do not keep up with the payments.

Contact your lender if you have a problem

It is really important that you contact your lender if you are in arrears or are struggling to pay your mortgage.

Help towards paying your mortgage

Mortgage payment protection insurance – check to see if you have been paying any form of mortgage protection. If so, you should make a claim to see if you are eligible for a pay-out. You may be able to get help with the interest on your mortgage payments if you are receiving certain income-related benefits. Interest on mortgage payments is paid at a standard rate. You will generally get no help with your mortgage interest for the first 39 weeks of your claim. **For more information visit www.gov.uk/support-for-mortgage-interest/overview**

Explain your situation

Explain why you can't pay the amount they are asking for, particularly if there are extenuating circumstances, such as illness, relationship break down or unemployment.



Arranging to clear the arrears



If you are able to pay your monthly payment but have arrears you will need to make arrangements to pay something towards clearing them. But if you cannot do this there may be other options you can consider with your lender that are discussed later.

- If you aren't able to pay your full current monthly payment you will then need to offer a gesture payment.
- Paying something, no matter how small it is, is better than ignoring the problem. It demonstrates a willingness to deal with the matter.
- The lender will normally ask for the arrears to be cleared in 12 to 24 months, but longer periods can be agreed in some circumstances.
- If you cannot come to an agreement with the lender, continue to pay the amount that you have offered anyway.
- Lenders are encouraged to follow a set of guidelines called the mortgage pre-action protocol and work with their borrower to resolve their arrears.

It is not acceptable for your lender to ignore your request for help and seek possession.

What if I can't afford my mortgage?



Don't be tempted to take out an extra loan to clear your arrears. These are often very expensive and could put your home at greater risk. Handing back the keys – this may not be a good idea. If you give your home back to your lenders, this does not mean you can stop paying. You have to pay your mortgage until your lender sells your house. This can take several months. If they sell the property for less than your mortgage loan, you will still have to pay back any outstanding balance plus any interest.

If you give up your home and ask your council to re-house you, they might not be able to help, as you may be classed as 'intentionally homeless'.

As a last resort, you may consider selling your home. If you decide to do this, you need to give serious consideration to where you will live, could you:

- 'trade down' to a smaller property
- look at private rented
- consider moving in with family members for the short term.

As with handing back the keys, your local authority is unlikely to re-house you if you sell your home.

What should I do if the property is not worth enough to clear the outstanding mortgage or other secured loans?

If you sell your home, or your lender repossesses and sells it, you may find that the proceeds from the sale are not enough to cover the outstanding mortgage or other secured loans, leaving you an outstanding debt. Unless you are buying another home, this debt should be treated as a credit debt.

Step 2

IF YOU'RE IN DEBT

Tackle your priority debts first

COUNCIL TAX

Should you be paying less Council Tax?

Your Council Tax bill could be reduced if you are entitled to a discount, or reduction.

For more information visit www.southampton.gov.uk

Contacting the Council

You can contact the Council Tax section on 023 8083 3009. You should make contact as soon as you fall into arrears, do not wait until you receive court papers.

Make an offer of payment based on your personal budget sheet to cover the current year's bill, plus something off the arrears.

The Council will not usually agree to an arrangement unless it will clear the balance within the current financial year.

What happens if you don't pay or can't come to an agreement?

If you can't come to a payment agreement or don't stick to an agreement you have made, the Council will seek a 'Liability Order' from the court.

You will know if the Council are seeking a Liability Order because you will receive a Court Summons. This is an official looking letter, telling you:

- when the court will look at your case
- the total amount you owe the Council
- how much this action is going to cost you.

You do not have to attend this hearing. In fact, it is only really advisable to attend this particular type of hearing, if you dispute the fact that you owe the Council Tax in the first place, for example, you have moved house and pay your bill to another authority.

The Council requests more information

Once a Liability Order is obtained, the Council will send you a letter requesting you provide information about your circumstances and an offer of repayment. You are required to respond to this letter within 14 days.

This information is then used to work out the best method of recovering the money you owe. The Council may accept the offer you make, but they could also apply to have deductions made directly from your wages or benefits.

It is a good idea to provide the Council with as much information about your situation as possible. Enclose a copy of your personal budget sheet.



How the Council can make you pay

The Liability Order gives the Council the power to take further steps to make you pay. If you are still not making regular payments to clear your arrears, the Council will probably take one of the following measures;

Attachment of earnings order – if you are employed, the Council can order your employer to take an amount from your wages to pay your Council Tax. The amount deducted is a percentage of your earnings set by law and ranges from 3% to 50% depending on your level of earnings.

Direct deductions – from certain income-related benefits – if you or your partner are receiving any of these benefits the Council can apply for a deduction from your benefit to pay your arrears.

Bailiffs – the Council can ask bailiffs to visit your home and take goods, which may be sold to pay off your debt. (**See Emergency 'Help the bailiffs are coming!'**).

Can you be sent to prison?

If the Council has used one or more of the above recovery methods and your Council Tax has still not been paid in full, or you promised to pay off your arrears by regular instalments and you have broken that agreement, they may apply to the Magistrates Court for a 'Committal Hearing'. The Court could then make an order for you to be sent to prison.

You will know this is happening if you receive a letter which says you are summonsed to appear before the Magistrates and warning that if you fail to appear, a warrant for your arrest could be issued.

The Court should not send you to prison if you can show that you cannot afford to pay the arrears all at once, but have tried and are willing to make regular payments.

In exceptional circumstances, the Court may order your Council Tax arrears to be written off. But usually, they will order you to pay an amount each month until the debt is cleared. If you do not pay this amount regularly, the Court may send you to prison.



Step 2

IF YOU'RE IN DEBT

Tackle your priority debts first

GAS AND ELECTRICITY

- Check liability – Is this your bill to pay?
- Contact your energy supplier
- Avoid disconnection



Gas and electricity companies can disconnect your fuel supply if you don't pay them. No court is involved in this decision. Therefore, it is important that you contact your supplier as soon as you realise you are going to have difficulties paying.

Check liability for the bill

If you are not the person named on the bill – for example if it is in the name of someone that no longer lives at your address – you may not be liable for the arrears up to the date they left. You should argue this with your energy supplier.

Avoiding disconnection

Contact the company and, using your personal budget sheet, offer them an amount to cover the fuel you are currently using, plus something to repay the arrears.

Instalments – you could arrange to pay the gas or electricity bill by weekly or monthly instalments before the next bill arrives.

Budget plans – the fuel company works out how much fuel you use over the whole year and you pay a fixed amount every week, every two weeks or every month. You can spread any unpaid bills over the whole year and include it in the budget plan. You can usually arrange to make payments either by direct debit or with a payment card at a Paypoint.

Prepayment meter – this is a way of paying for your gas and electricity as you use it, plus an amount towards your arrears, through a key or a card. There are drawbacks to having a prepayment meter. Your standing charge may be a little higher, plus if you are unable to get to a Paypoint or cannot afford to charge your key, you will be without gas or electricity.

Direct payments from benefits – if you get certain income-related benefits you may be able to arrange a deduction from your benefit which will be paid direct to your fuel supplier. This is known as Fuel Direct. Acceptance onto this scheme will depend on how much you owe your fuel supplier and what other deductions you are having taken from your benefit.



WATER RATES



There are two ways of being billed for water rates. You will have a meter installed so that you are billed for the actual water that you use or if you are unable to have a meter you can be billed a set amount, based on the rateable value of your property.

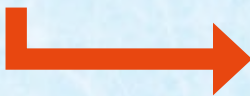
You should include your current water rates in the expenses section of your personal budget. This is because water is an ongoing bill and an essential expense.

You cannot be disconnected if you have arrears of water rates.

Any arrears can be treated as a non-priority debt as a water company cannot disconnect your water supply. You can make an offer of repayment that you can afford using your budget along with your other credit debts in Step 3.

If you are having difficulties paying your water charges there are a range of financial help schemes available from Southern Water. Contact Southern Water: 0800 027 0363 or visit: www.southernwater.co.uk/difficulty-paying-your-bill

INCOME TAX/NATIONAL INSURANCE AND VAT ARREARS



If you are in arrears of Tax, National Insurance or VAT you should contact HM Revenue and Customs at www.hmrc.gov.uk to make an arrangement.

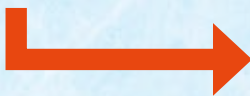
If you don't pay your Income Tax, or don't come to an arrangement with HMRC to pay off the arrears, the consequences could be very serious. If you pay tax under PAYE, in many cases HMRC will try to collect the debt by an adjustment to your tax code.

They also have the power to start bankruptcy proceedings or take action in the County Court or Magistrates Court. If you don't stick to an arrangement set by the Magistrates Court you could be sent to prison.

HMRC may come to your home to take away your belongings and sell them to raise money for the arrears. HMRC officers are not allowed to force their way into your home but if they can't get in without force, they may apply to the magistrates' court for a warrant which will allow them to break in. This is very unusual.



MAGISTRATES' COURT FINES



The Magistrates' Court may order you to pay a fine, for example for a driving offence, for not having a TV licence or for some other offence. You must treat a Magistrates' Court fine as a priority debt, because there could be serious consequences if you do not pay. The Court has the power to:

- issue a distress warrant and instruct private bailiffs
- deduct payment from your wages or benefits
- clamp your vehicle and sell it
- send you to prison.

The Court should take your financial circumstances into account when they decide the instalments for paying your fine. You can be fined if you do not give the Court details of your income and outgoings when ordered to do so.

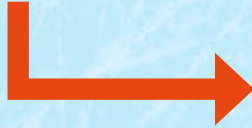
The Court can make deductions from your wages or from certain income-related benefits, either when they set the fine or if you fall behind with payments. You must contact the Court if you cannot afford to pay the amount the Court sets or you cannot pay because your circumstances have changed. They may be able to lower the amount. If you have to go to a court hearing, take a copy of your personal budget sheet with you.



Step 2

Tackle your priority debts first

CHILD SUPPORT ARREARS



You can be ordered to pay maintenance either by the Court, as part of a separation or divorce process, or by the Child Support Agency.

Maintenance through the court



If the Court has ordered you to make regular payments, you can apply to reduce the payments if you cannot afford them.

If you do not pay, the Court can order you to go to a hearing to explain why you have not paid. They can give you more time to pay and in rare circumstances, they can write off arrears.

If the Court decides that you are deliberately not paying, they may try to:

- instruct bailiffs to seize goods
- take payments direct from your wages
- order you to be sent to prison.

Maintenance through the Child Support Agency



The CSA can decide what maintenance you should pay and then collect it. They will decide the amount by using a set formula. If you do not pay, the CSA can collect directly from your wages or benefit payments.

If they cannot collect in this way, they can ask the Magistrates Court to issue a Liability Order. When this happens, they may try to:

- use bailiffs to seize goods
- get a legal charge on your property (if you are a home owner)
- seize money from your bank account
- ask the Court to send you to prison for up to six weeks (but only if the Court thinks you are deliberately not paying)
- ask the Court to take away your driving licence for up to two years.



TV LICENCE

It is a legal requirement to have a TV licence if you watch or record television programmes as they are being shown on TV or live on an online TV service. This is the case whether you use a TV, laptop, computer tablet, mobile phone, PC, digital box, DVD recorder or any other device.

If you only watch catch-up TV you don't need a TV licence. You may need to complete a No Licence Needed Declaration. Contact TV Licensing at www.tvlicensing.co.uk

TV licence arrears are a priority payment because you can be fined in the Magistrates' Court if you do not have a licence. Even if you have to pay a fine you still need to buy a licence as well.

HIRE PURCHASE

If you have purchased an item under a Hire Purchase (HP) agreement and the item is vital, it may be regarded as a priority debt.

First read your credit agreement; if it states it is a HP agreement, consider your options carefully.

- You could try to negotiate reduced instalments, as repossession, although threatened, may prove an unattractive option for the creditor.
- You may try to re-negotiate other debts to find the money to pay the instalments.
- If you are unable to come to an agreement, you may have to allow the item to be repossessed.

BENEFIT OVERPAYMENTS AND SOCIAL FUND LOANS

Benefits paid by Department for Work and Pensions (DWP)

If you owe money to the DWP because, either you have previously taken out a Budgeting Loan from the Social Fund, or you have received an overpayment of benefit, the DWP can make deductions from your benefit to pay this money back.

Social Fund loans are normally, only deducted from income-related benefits however, deductions for an overpayment can be made from a range of DWP benefits.

If deductions are causing you hardship, you should contact the DWP in writing, asking for deductions to be reduced. Always enclose a copy of your personal budget sheet. If you have other priority creditors, it is important to explain this.

If you are no longer in receipt of benefits, then a debt to the DWP is treated as a non-priority (**See Step 3 'More debts - credit or non-priority'**).

Step 2

Tackle your priority debts first

If you're
in debt

BENEFIT OVERPAYMENTS AND SOCIAL FUND LOANS CONTINUED

Housing Benefit overpayment

If you are overpaid Housing Benefit, your Local Authority will usually recover the money you owe them by making deductions from your ongoing benefit. This will mean that even if you are entitled to maximum Housing Benefit, your rent will not be completely covered, due to these deductions. If you do not make up the shortfall caused by the deductions, you will end up with rent arrears.

If the overpayment deductions are causing hardship, you should contact Housing Benefit and ask for the deduction to be reduced. Always enclose a copy of your budget sheet.

If you are no longer in receipt of Housing Benefit, the debt can be treated as a non-priority debt.

Overpayment of Tax Credits

If you have been overpaid Child Tax Credit or Working Tax Credit, you should look at HM Revenue and Customs (HMRC) code of practice leaflet, "What happens if we have paid you too much Tax Credits" at: www.hmrc.gov.uk

HMRC can recover the money owed to them from your ongoing award. If deductions are causing you hardship, you should contact HMRC at: www.hmrc.gov.uk/taxcredits explain your difficulties and enclose a copy of your budget sheet.

Appealing an overpayment decision

If you have been notified about an overpayment of benefit or Tax Credits that you do not agree with, you may be able to appeal the decision.

Now how
much is
left over?

Once you have negotiated with all of your priority creditors, write down the weekly or monthly payments next to the creditors on your budget sheet, then add these payments together and insert the total figure.

To find out how much you have left to offer to non-priority creditors, you need to add the 'total expenses' figure to the 'total priority creditors' figure, then deduct this from 'total income'.

BUDGET SHEET

1. INCOME

Weekly/Monthly

Wages	
Wages - Partner	
Jobseekers Allowance	
Universal Credit	
Employment and Support Allowance	
Income Support	
Working Tax Credit	
Child Tax Credit	
Child Benefit	
Maintenance/Child Support Payments	
Personal Independence Payment	
Disability Living Allowance	
Attendance Allowance	
Carers Allowance	
Pension Credit	
Works Pension	
Non-dependants Contribution	
Other	
Other	
TOTAL INCOME	

2. EXPENSES

Rent/Mortgage	
Council Tax	
Water Rates	
Contents Insurance	
Life Insurance Pension	
Gas	
Electricity	
Housekeeping	
TV Rental/Licence	
Magistrates Court Fines	
Maintenance/Child Support Payment	
Travelling Expenses	
School Meals/Meals at work	
Clothing	
Telephone (landline)	
Mobile Phone	
Sky/Internet	
Cigarettes	
Childcare Costs	
Prescriptions	
Expenditure Cushion	
Other	
TOTAL EXPENSES	

3.

TOTAL INCOME	
take away TOTAL EXPENSES	
FIRST MONEY FOR CREDITORS FIGURE	

4. PRIORITY DEBTS

Balance Owed

Weekly/Monthly offer of repayment

Rent/Mortgage Arrears		
Council Tax Arrears		
Fuel Debts - Gas		
- Electricity		
- Other		
Magistrates' Court Arrears		
Child Support Arrears		
Maintenance Arrears		
DWP Overpayments		
Social Fund Payments		
Secured Loan Arrears		
Other		
Other		
Other		
Other		

TOTAL

FIRST MONEY FOR CREDITORS FIGURE

Take Away

PRIORITY DEBT PAYMENTS

SECOND MONEY FOR CREDITORS FIGURE

5. CREDIT DEBTS

Creditor

Balance Owed

Weekly/Monthly offer of repayment

1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		

TOTAL OWED

TOTAL PAYMENT

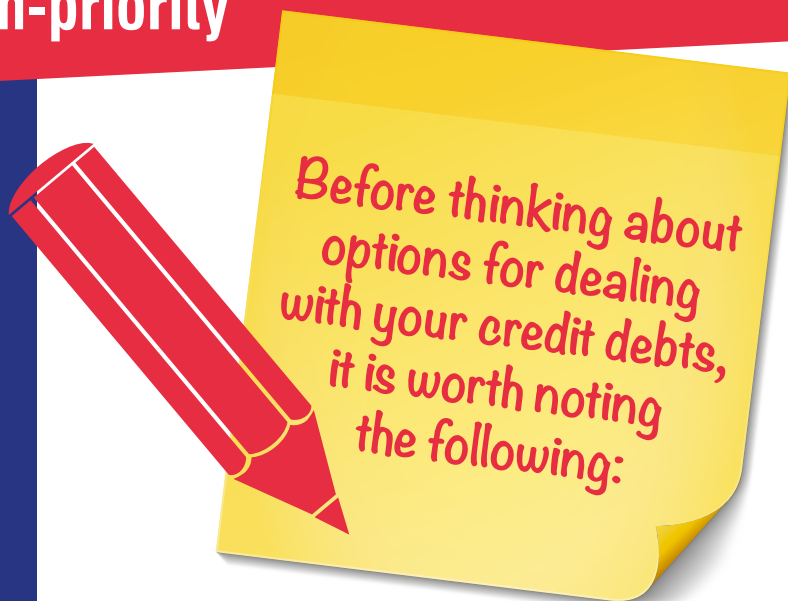
Step 3

More debts – credit or non-priority

You may have debts, other than priority debts. These can range from a few pounds owed to a catalogue company or a family loan, to thousands of pounds for bank overdrafts, payday loans, credit cards, store cards and so on. All these debts grouped together are commonly known as non-priority, secondary, or credit debts.

You need to know exactly how much you owe for each of these debts, so you may have to contact your non-priority creditors. Make sure you have your reference numbers to hand.

At this stage, you should already have completed steps 1 and 2 so you should know how much money you have left over after you have paid all of your essential expenses and your priority creditors.



● Only the person who signs an agreement is responsible for the debt. A husband or wife are not responsible for each other's debts unless they both sign the agreement.

● If you take out an agreement jointly with another person you are each responsible for the whole debt and not just part of it. Make sure the creditor knows that someone else is responsible.

● If one of your creditors is your main bank account, you should consider opening a different account elsewhere and arranging to have your income paid in to this new account, before you contact this creditor.



OPTIONS FOR DEALING WITH NON-PRIORITY DEBTS

There are a number of different options for dealing with non-priority debts. The option you choose will very much depend upon your personal circumstances.

If you do have some money left to pay to non-priority creditors:

Pro-rata payments – this is a way of ensuring all of your creditors get a fair share of the money you have available. It is worked out using a formula. You will need a calculator to do this part.

Money left over \times **each debt** \div **total money owed to all non-priority creditors** = **offer to creditor**

This probably looks more complicated than it is. Here is an example to help:

Mr and Mrs Smith have **£50 per month left** after all their essential expenses and payments to priority creditors.

They owe £3,600 in non-priority debts

£800
to a credit card

£300
to a catalogue

£2,500
loan to their bank

$\text{£50} \times \text{£800} \div \text{£3,600}$
= **£11.11 payment**
to credit card

$\text{£50} \times \text{£300} \div \text{£3,600}$
= **£4.17 payment**
to catalogue

$\text{£50} \times \text{£2500} \div \text{£3,600}$
= **£34.72 payment**
to bank loan

Do this calculation for all your non-priority creditors and write the offer amounts next to the balances on your budget sheet.

Now you need to send a copy of your budget sheet to your creditors with a covering letter, making the pro-rata offer of payments. See our sample letter for help writing to your creditors. Remember to ask for interest and charges to be frozen.

If your creditors refuse to accept an offer of payment, you should continue to make the payments anyway.

Step 3

More debts – credit or non-priority

SAMPLE LETTER(S)

Remember to keep a copy of any letters you send.



Date

Dear Sir or Madam,

Account No.

I/we am/are experiencing financial difficulties and can no longer afford to make the agreed payments on the above account. I/we am/are finding it difficult because
(add a paragraph outlining your circumstances)

insert one of the paragraphs below

I/we enclose details of my/our income and expenditure and as you can see I/we only have £..... per month left with which to make payments to my/our creditors.

1. To request reduced payments

In the circumstances please would you accept a reduced payment of £..... per month towards the account.

2. To make an offer

I/we enclose details of my/our income and expenditure and as you can see I/we only have £..... per month left with which to make payments to my/our creditors. I/we would like to make payments of £..... each based on an equitable distribution of available income. Whilst I/we appreciate that this offer is small, I/we feel it is the only realistic one in the circumstances.

3. To ask to

I/we enclose details of my/our income and expenditure and as you can see, after essential expenses and payments to priority creditors, I/we have no funds with which to repay my/our debt to you. I/we would therefore ask that you withhold action on this account. Whilst I/we realise that this is unsatisfactory, I/we feel it is the most practical course of action at this time.

I/we would also appreciate it if further interest charges could be suspended so that all the payments I/we make will reduce my/our debt to your company.

As soon as my/our circumstances improve, I/we will contact you again.

Thank you for your assistance and I look forward to hearing from you as soon as possible.

Yours faithfully

Your Signature



IF YOU HAVE NO MONEY LEFT OVER TO PAY CREDITORS

No payments or token payments

If you have no money left after your essential expenses and payments to priority debts, you need to let your non-priority creditors know this. Write to them, enclosing a copy of your budget sheet. You can either ask your creditors to hold

action until your circumstances improve (this is sometimes called a moratorium) or you can make an offer of a token payment of £1 per month to each creditor. Ensure you also ask that the creditor freezes any interest or charges.

For help with writing to your creditors, see our sample letter on page 22

Debt management plan

A debt management plan is set up through a debt management company and involves making one payment that is then split between your creditors. Be careful when choosing a debt management company. Most companies that advertise on the internet and in newspapers tend to charge quite high fees. Call us for further information about debt management plans.

The disadvantage with an informal arrangement is that it is not legally binding so some creditors may not freeze interest and charges or could ignore it in the future, requesting full payments and possibly re-instate interest. Other possible future options could include the following:

Full and final settlement – if you are able to raise a lump sum, you can ask creditors to accept a lump sum payment and write off the remainder of the debt.

Administration Order – if your debts are below £5,000 and you have at least one County Court Judgement, you can apply to the court for an Administration Order. This is a way of putting all your debts together and making one payment to the court that is then split amongst your creditors.

You can get an application form from your local court.

Debt Relief Order (DRO) – this may be an option for people with little surplus income and few assets who don't own their own home. To qualify for a DRO your total debts must be below

£20,000, you must have assets of less than £1,000 a car worth no more than £1,000 and have less than £50 a month disposable income (after deduction of normal household expenses). Please call us if you would like further advice on DRO's.

Bankruptcy – it is unlikely that a creditor will make you bankrupt. You can however apply to make yourself bankrupt. The fees involved are high and bankruptcy can have serious consequences, particularly if you own your home.

Bankruptcy can be a solution if you owe a lot of money, have no assets and can see no way of ever paying off your debts.

If you are considering bankruptcy contact us for further advice.

Individual Voluntary Arrangements (IVA) – an alternative to bankruptcy is an IVA. This is a formal arrangement through the County Court to pay an agreed amount off your debts over a shorter period, such as five years. The rest is then written off. IVA's need to be set up by an Insolvency Practitioner whose fees can be quite high.

If you have debts of over £15,000 and at least £200 per month available after your essential expenses and payments to priority creditors, an IVA could possibly be for you.

If you are considering an IVA contact the Welfare Rights and Money Advice Service on 023 8083 2339 for further advice.

Step 3

More debts – credit or non-priority



What can you do if your creditors harass you?

If you do not pay your creditors, you must be prepared for them to continue to contact you regarding the debt. However, they must not do anything illegal. If they threaten or harass you to try to make you pay, they may be committing an offence.

You cannot be prosecuted in the criminal courts because you have not paid your credit debts, but some creditors might try to make you think that you can – this is also unlawful.

What should you do if your creditor takes you to court?

Many people are frightened of courts, especially if they feel guilty because they owe money. The County Court is not there to judge whether anyone is guilty or innocent, but to settle disputes about money owed and how to repay it. The Court is not there to serve the interest of the creditor alone.

If court action is taken against you:

- You will receive a default summons, telling you how much the creditor says you owe.
- There will be a reply form with the summons for you to make your offer of repayment. Send this to the court with a copy of your budget sheet.
- The court will pass on your offer to the creditor. If they accept it, you will receive an order to pay that amount.
- If the creditor does not accept your offer, the court will give you a date for a hearing. Go along to the hearing so that you can explain your circumstances.
- Monthly payments through the court can be reduced if your circumstances change or if you can't afford them.
- Court costs are added to your debt.
- If you do not pay the amount which the court orders, the creditor may take further action and this can include bailiffs calling – for advice about bailiffs see

'Help the bailiffs are coming!'



Illegal Money Lenders / Loan Sharks lend money without the correct permissions. These permissions are granted by the Financial Conduct Authority.

Loan Sharks rarely, if ever, give any paperwork and if payments are missed they often use intimidation and violence to get money from their 'clients'.

If you can answer yes to any of these you may have been bitten by a loan shark

- **Have you been offered a cash loan?**
- **Have you been threatened when you couldn't pay?**
- **Has your bank card been taken from you as a security?**
- **Does what you owe keep growing even though you are making payments?**

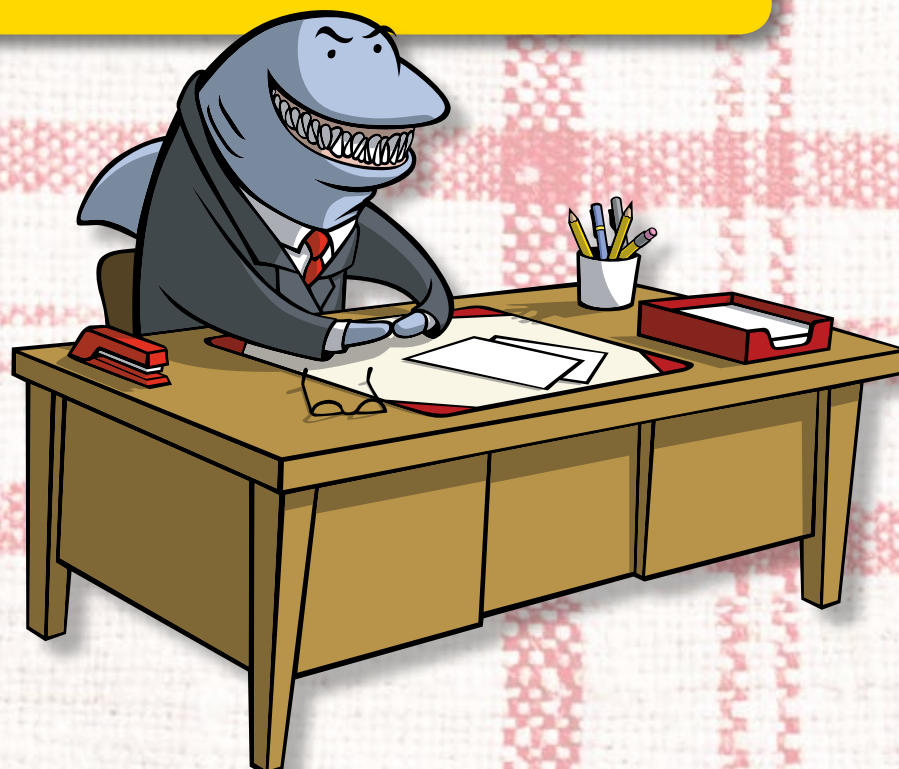
If you, or anyone you know, is experiencing any of the above or has any knowledge of loan shark activities then contact the Illegal Money Lending Team **IN CONFIDENCE**, 24 hours a day, seven days a week on:

Telephone: **0300 555 2222**

email: **reportaloanshark@stoploansharks.gov.uk**

or by text to: **loan(space)shark(space)** + your message to **60003**

You can also find out more about their work by visiting
www.facebook.com/stoploansharksproject



HELP!

The bailiffs are coming!

THE LAW RELATING TO BAILIFFS CHANGED IN APRIL 2014. BAILIFFS ARE NOW KNOWN AS ENFORCEMENT AGENTS.

What is a bailiff/enforcement agent?

A bailiff is someone who is authorised to collect a debt on behalf of a creditor. There are several types of bailiff who act differently according to the type of debt being collected.

Although different bailiff's have differing powers to collect debts, there are certain rules that apply to all bailiffs.

Generally, most bailiffs can't force their way into someone's home or business premises to take control of their goods. There are some exceptions to this, which are:

- **Collecting unpaid fines:** when the bailiff is chasing up an unpaid Magistrates' Court fine – as a last resort they can force entry into someone's home if they have a Magistrate's Court warrant.
- **County Court bailiffs entering a commercial property:** they can only do this if there is no living accommodation attached. They need permission from the court to force entry into commercial property to chase up unpaid County Court Judgements (CCJs) or High Court Judgements.
- **Collecting Income Tax or VAT:** They must also have permission from the court, for example a tax collector with a warrant from a Magistrates Court, and they can only do this if they failed in a previous attempt at peaceful entry.

What powers does the bailiff/enforcement agent have?

Bailiffs must normally give you 7 days' notice of their first visit.

Bailiffs can't:

- enter a home if only children or vulnerable people are present
- enter a home between 9pm and 6am
- take essential household goods such as cooker, fridge, washing machine, furniture and household equipment
- enter a home through anything except the door.

A bailiff cannot force their way into someone's home if they answer the door. If all their doors are securely closed they will not be able to gain peaceful entry to their home unless they let them in.

If a bailiff gains peaceful entry into someone's home they will have the right to return and force entry. If a bailiff gains access into a property, or he/she gets in somehow without using force, they can enter and search any room for goods and once inside, they can force inner doors.

Bailiffs may be able to take cars, motorbikes and other vehicles parked on a drive or near the home if they can identify it belongs to the person who owes the debt, they would need to check this with DVLA. If anyone owns a vehicle they should keep it in a locked garage or park it away from the property on private land. A bailiff can take a vehicle if it is parked on a public highway but they can't take it if it is parked on private land belonging to someone else without a court order.

What will a bailiff/enforcement agent do?

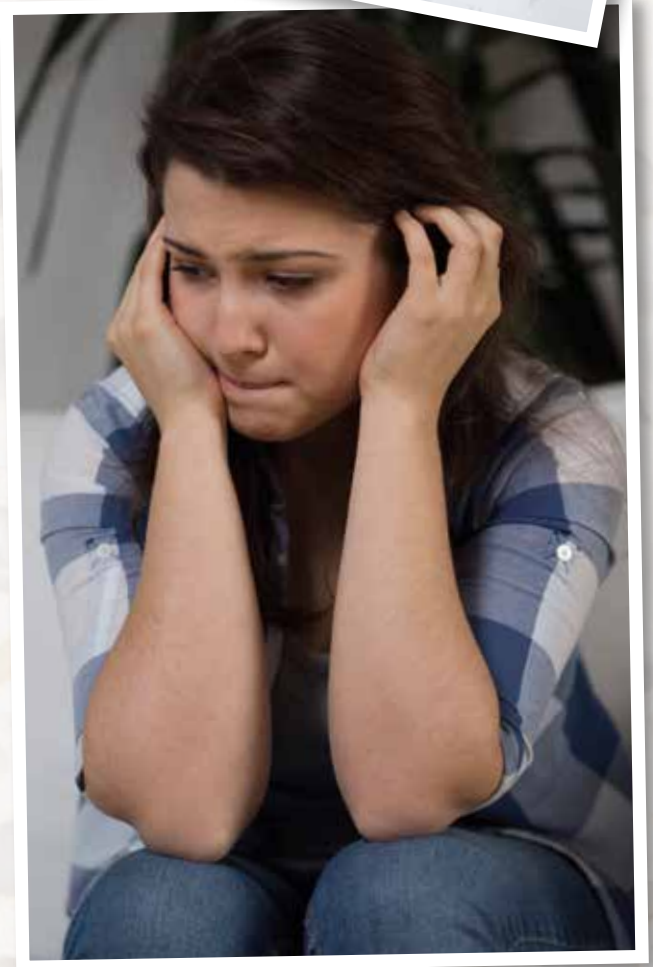
If a bailiff gains entry, he/she will attempt to take goods in order to sell them off at public auction to raise money to pay the debt that is owed.

Once the bailiff has identified the goods to be taken, he/she can then come back at a later stage to take them away and sell them.

In general, a bailiff can only take goods which belong to the person who owes the money, although jointly owned goods may be taken. The bailiff will be particularly interested in saleable goods like cars, audio-visual equipment and computers if these are available.

If the bailiff fails to get into the home or he/she cannot find sufficient goods of value, the creditor is informed and other enforcement action is likely to follow. For example in the case of Council Tax arrears an unsuccessful return from the bailiff is likely to lead to committal proceedings – final court action possibly leading to imprisonment.

Bailiff law is very complex and even if someone thinks what they have done is unfair, they may still be acting within the law.



Useful contacts

Help and information for Southampton residents

Debt/Money Advice in Southampton

Welfare Rights & Money Advice

For Southampton City Council tenants only.

Tel: 023 8083 2339

Email: Welfarerights.advice@southampton.gov.uk

www.southampton.gov.uk/welfarerights

Citizens Advice

Tel: 023 8033 3868/023 8022 1406

Minicom: 023 8023 7623

www.sotoncab.org.uk

Frontline Debt Advice UK

Various locations across the city

Tel: 023 8055 2866

www.frontlinedebtadvice.org.uk/locations/

Christians Against Poverty

Tel: 023 8063 7510 or 0800 328 0006

Email: info@capuk.org

No Limits

Advice and support for young people age 11- 25

Tel: 023 8022 4224

www.nolimits-southampton.org.uk

National Debt/Money Advice

National Debtline

Free independent debt advice

Tel: 0808 808 4000

www.nationaldebtline.co.uk

Stepchange

Free independent debt advice

Tel: 0800 138 1111

www.stepchange.org

Payplan

Free debt advice and Debt Management Plans

Tel: 0800 280 2816

www.payplan.com

Money Advice Service

Tel: 0300 500 5000

www.moneyadviceservice.org.uk

More useful contacts:

Council Tax enquiries:

Tel: 023 8083 3009

Southern Water

Tel: 0330 303 0277

TV Licensing

Cash Easy Payment Plan

Tel: 0300 790 6144

Southampton County Court

Tel: 023 8021 3200

**If you require this information in a different format or language,
please contact us on 023 8083 2339**