

your debt needs
payplan

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Your Guide:
To a Successful Informal Arrangement

The sample letters enclosed herein should be personalised and sent directly to
your creditors.

Please do not send them back to Payplan, as this will delay your negotiations with
your creditors.

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IT IS ESSENTIAL THAT YOU READ THE WHOLE OF THIS GUIDE BEFORE STARTING TO ACT UPON IT

Payplan, in designing this booklet, has had to make simplifications and generalisations as all debt cases are unique, Payplan **cannot** accept responsibility for action taken, or not taken, due to the contents of this booklet.

Introduction - Using this guide

The steps in this guide allow you to put together an informal arrangement yourself.

If you have any questions **after reading** this guide you should do one of the following:

- Visit our website www.payplan.com/members
 - enter the user name: *members*
 - your password is: *advice1789*

This section of the site has a frequently asked questions page that should tell you all you need to know.

- Contact our Special Advice Team on free phone 0800 917 7819.
- Make an appointment at your local Citizens Advice Bureau so you can talk to someone face to face.

It is important to remember that you not take out further credit once you have established that you cannot keep up your repayments to your current creditors.

If you obtain further credit knowing that you will not be able to maintain full contractual payments to all your creditors, you have obtained credit fraudulently and action may be taken by your creditors.

Step 1 - Dealing with your Current Bank Account

If you have a debt with the bank or building society into which you pay your income, you must deal with this debt differently as they can use the Right to Offset. This effectively means they can take monies from your current account (without your permission) to repay your debt. This is perfectly legal and does happen.

The best advice in such cases is to open a Basic Instant Access Cash Card account (see options on page 15 and 16 of this booklet), with a bank/building society not associated with any of your current creditors. Another easy option is to take out one of our JB Maestro® Prepaid Cards and have your salary paid onto that. There are no credit checks, your money will be protected from your creditors and you can use it wherever you see the Maestro® sign. And, because you can only spend what you have credited to your card, it will help you with your budgeting too. See page 14 for further information and options on how to apply.

Whichever option you decide to choose do not offer reduced payments to your old bank/building society until you are sure your income has been diverted successfully to your new account. Once this has been done you should treat any debt linked to your old bank/building society as a normal unsecured liability.

Step 2 - Contacting your Creditors

You may find that a lot of creditors will be willing to help you if they are aware of your situation. Therefore the first thing you must do is contact **ALL** of your unsecured creditors and explain your current situation. You will need to ask them for full details of the amount owing and any arrears or penalty charges etc.

If you are already aware of the outstanding balances for your unsecured debts you **do not** need to send this letter to your creditors.

<i>Your Address</i> <i>Date</i>
<i>Dear Sirs</i> <i>Account/Agreement Number</i>
<p><i>I am currently experiencing financial difficulties due to (INSERT REASON) and am finding it increasingly difficult to meet my contractual payments.</i></p> <p><i>I am trying to resolve my situation and will contact you very shortly to give you my revised financial statement, with the best payment offer I can give you. I would be extremely grateful if you could let me have the following details, in order for me to begin making my offers to my creditors.</i></p> <ul style="list-style-type: none">• <i>Balance owing</i>• <i>Terms of repayment and interest/penalties accruing</i>• <i>Type of agreement</i>• <i>Arrears</i>• <i>Any insurance policies attached to the agreement</i> <p><i>I will write to you again as soon as I have received replies from all of my creditors.</i></p> <p><i>Yours faithfully</i></p>

Step 3 - Your Income & Expenditure

Once you have received all requested details from your creditors, or at least within a month of having requested them, it is essential for you to complete your income and expenditure in order for both you and your creditors to see your **total** income received and your **total** outgoings. This will show your current financial situation. These costs should be calculated on a calendar monthly basis and can be done by taking the total cost per year and dividing by twelve.

When you are filling in your Income & Expenditure it is important you list all priority payments such as Mortgage, Rent, Secured Loans, Utilities, Hire Purchase and Court Fines etc.

You must agree to clear any arrears on secured/priority debts before dealing with your unsecured creditors. Arrange to pay the arrears on a monthly basis in addition to your standard monthly payment.

If one of your priority debts is a County Court Judgment you **must** make the requested payment or further legal action will be taken against you. If you cannot repay the amount set by the court and wish to reduce it you may apply for a suspension of a warrant and/or variation of an order. You can do this on your local county court. If you have any questions regarding this, we advise you to either contact us on the number provided or make an appointment at your local Citizens Advice Bureau.

DETAILS OF INCOME AND EXPENDITURE

Produced on the advice of Payplan - NB: All figures should be per calendar month

INCOME

INCOME SOURCE	SELF	PARTNER
Net basic salary (<i>take-home pay after all deductions</i>)	£	£
Guaranteed overtime	£	£
Maintenance received	£	£
Child benefit	£	£
Child/Working Tax Credit	£	£
Other Benefits e.g. DLA, please specify		
Pension	£	£
Other income e.g. rent from lodger, please specify	£	£
TOTAL	£ A	£ B
TOTAL A + B	£	

No of Children in Household

Ages

EXPENDITURE

Mortgage/rent	£	Priority arrears	£
Payment to arrears on mortgage/rent	£	Court fines e.g. speeding	£
Secured Loan/Charge on property	£	CCJ's	£
Arrears on secured Loan/Charge	£	Housekeeping	£
Private pension	£	Household insurance e.g. Gas Fire	£
Buildings/contents insurance	£	Maintenance/CSA payment	£
Life insurance/endowment policy	£	Pets	£
Council Tax* 10 months	£	Clothes/shoes	£
Water rates* 10 months	£	Medical/dental/glasses/lenses	£
Electricity	£	TV licence	£
Gas/oil/solid fuel	£	Child care/babysitting	£
Telephone (<i>including mobile</i>)	£	Nappies/baby milk	£
HP/rental e.g. car, washing machine	£	School/College/University fees	£
Vehicle tax/MOT	£	Hairdressing	£
Vehicle maintenance	£	Laundry expenses	£
Vehicle insurance	£	Regular subs e.g. union fees	£
Petrol	£	Other, please specify	£
Public transport, trains, school bus	£	Other, please specify	£
Vehicle breakdown cover e.g. AA	£	Other, please specify	£
TOTAL A	£	TOTAL B	£
TOTAL A + B	£	Income – Expenditure =	£

*normally payable on direct debit over ten monthly payments.

When you take the Total Expenditure away from the Total Income this will give you the amount of surplus income you have available to share amongst your unsecured creditors, on a monthly pro rata basis.

Step 4 - Calculating offers for Non Priority Creditors

Now you have your Income & Expenditure you will need to calculate offers for non-priority creditors based on the remaining surplus. The fairest way to share out this amount is to divide the remaining surplus income proportionately between the creditors. This is known as **pro – rata payments**, and can be calculated using the following formula:

$$\textit{Debt to Creditor} \div \textit{Total Debt} \times \textit{Surplus} = \textit{Payment to Creditor}$$

If you have internet access log onto www.payplan.com/members (using the username and password given on page 3 of this booklet), for a pro-rata calculator that will work out the calculations for you.

If your expenditure is more than your income and you are left with a **deficit**, then you will need to make a token offer payment of £1 per month to each of your unsecured creditors. This is normally the minimum token payment you can make to any unsecured debt. You should continue to make this payment to each of the debts even if the creditors reject your payment.

You cannot afford to pay any more if you have nothing left to offer.

Step 5 - Notifying Creditors of your offer of payment

Now that you know the amount you are offering to each creditor, you will need to write to them to notify them of the offer. You must send a copy of your Income and Expenditure and full list of your unsecured creditors.

<i>Your Address</i> <i>Date</i>
<i>Dear Sirs,</i> <i>Account/Agreement Number</i>
<i>You will be aware from my previous letter that I have been experiencing financial difficulties.</i>
<i>I enclose a copy of my current financial statement. I have also enclosed a schedule of all my non-priority debts and the proportionately calculated pro rata offer.</i>
<i>I hope you can accept this offer of £.... Per month, and stop any further interest or charges accruing.</i>
<i>Yours faithfully</i>

Checklist:

- Have you included your copy of the letter above?
- Have you completed and included your income and expenditure (page.7)?
- Have you completed your unsecured creditors list (page.9)?
- Do you have the correct address for your creditors?
(See your most recent statement)

Step 6 - What to do next

Once you have told your creditors about your offers, you should make the payment by standing order or cash, on a regular monthly basis. You must ensure that you do not miss making a payment.

Once you have arranged your payments you should update your unsecured creditors on your situation every 3 or 6 months. This will enable them to see if you are able to make increased offers, if your income situation has improved, or have to reduce payments if income has decreased.

If your situation changes then you must prepare a revised Income and Expenditure showing your new details and the new offer you are making.

If you feel you have an increased positive surplus (over £75 or greater for example) then re-contact Payplan for further advice and support. It may be that we can offer different solutions or may even be able to negotiate with your creditors on your behalf.

Step 7 - Writing off debts

In certain circumstances, it may be possible to ask your unsecured creditors to consider writing off your debts. This is usually something to consider in the case of severe illness where you don't see the situation improving.

The creditors will normally ask to see medical evidence, such as specialist's reports or letters from your GP.

You will also need to let them have a copy of your Income and Expenditure and a list of all unsecured debts.

<i>Your Address</i> <i>Date</i>
<i>Dear Sirs,</i> <i>Account/Agreement Number</i>
<i>You will be aware from my previous letter that I have been experiencing financial difficulties.</i>
<i>I enclose a copy of my current financial statement from which you will see that due to my current situation I am unable to make even a minimal offer.</i>
<i>Would you please consider writing off my existing debt? I look forward to hearing from you.</i>
<i>Yours faithfully</i>

Useful Information

Can I get credit again?

Whenever the full contractual payment isn't made (even if the payment is just a few pounds short) your credit rating is affected as you are not complying with the credit agreement. When you apply for credit, most companies will consult a credit reference agency and you may be refused credit. This information will stay on your records for 6 years, providing the debt is cleared within this time. However, if you are refused credit, you do have a right to ask if the finance company has used a credit reference company and if so which one.

You can find out what information a credit reference agency holds on you by writing to them and enclosing a £2 postal order or cheque. You should receive a reply within 28 days.

If the information is incorrect you do have a right to change it. There are three main credit reference agencies, their addresses are:

Experian Ltd	Equifax Plc	Call Credit
Consumer Help Service Team	Credit File Advice Centre	Consumer Services
PO Box 8000	P.O. Box 1140	P.O. Box 491
Nottingham	Bradford	Leeds
NG80 1WF	BD1 5US	LS3 1WZ
Tel: 0870 241 6212	Tel: 0870 010 0583	Tel: 0870 060 1414
www.experian.co.uk	www.equifax.co.uk	www.callcredit.co.uk

Alternative help & advice sources: JB Card

Our new JB Card can be used to pay for purchases wherever you see the Maestro® sign, and comes with no hidden charges or credit checks. You simply load on your money and keep it topped up. And because you can only spend what you've credited to your card, you can be safe in the knowledge you've got a card in your pocket that'll help you stay completely in control.



It's easy to use your JB Card wherever you are. You can top up at over 35,000 locations and access your balance by phone, text or online at any time. Plus, you can use it to make purchases in any of the 9 million locations where Maestro® is accepted.

Pocket the benefits

- Use the JB Card instead of a bank account to protect your salary from creditors
- No credit check
- Find it easier to stick to a budget and manage your money
- Get £5 free with the first £50 you load onto the card
- Get up to 15% cashback by shopping from the JB Cashback site

Collect cashback on all those little extras

With the JB Card, you also have the chance to collect cashback when you shop online with big retailers including House of Fraser, Tesco, Asda and Carphone Warehouse – just visit www.jbcashback.co.uk. From books and music to car rental, toys and gifts to electricals, using your JB Card offers a worry-free way to pick up all those little extras you might find harder to plan for.

Visit www.jbcashback.co.uk to see the cashback offers available

Know the costs up front

It costs £9.95 to buy a JB Card, with a small regular fee to pay after that. Paying your fee is really easy – you can choose from our JB Plus tariff, monthly tariff, or a Pay As You Go tariff to suit you.

- JB Plus tariff: £12 per month, then free unlimited transactions, including unlimited Standing Orders and Direct Debits* (*£2 one-off set up fee)
- Pay Monthly: £6 per month , then free and unlimited purchase transactions
- 2.95% with a minimum of 50p and a maximum of £1.50 on purchase transactions on a Pay As You Go tariff



There's also a small fee to pay when you take money out using an ATM – 50p per withdrawal if you pay monthly. If you choose to pay as you go, ATM withdrawals will cost you between 99p and £1.50.

To find out more about how the JB Card can help you stay in control of your money, just give one of our team a call on:

0844 8552164 or e-mail jbcard@payplan.com

For full terms and conditions, including a full breakdown of fees for transactions at home and abroad, visit our website at www.jbprepaidcard.co.uk

Other sources of help

Remember, there are alternatives to informal arrangements like Administration Orders, Debt Management Plans, Individual Voluntary Agreements, Re-mortgaging or even Bankruptcy, if you require any information regarding these options or on specific issues you can contact any of the following:

- Payplan - www.payplan.com
- Payplan Special Advice Team – www.payplan.com/members - 0800 917 7819
- Local Citizen’s Advice Bureau - www.citizensadvice.org.uk - telephone number in your local directory.
- National Debtline - www.nationaldebtline.co.uk - 0808 808 4000
- Who’s Lending? Ltd. - www.whoslending.co.uk – whole of market mortgage broker - 0800 587 0652
- Benefits Helpline – 0800 882 200
- Samaritans National Helpline – 0845 790 9090
- Child Support Agency - www.csa.gov.uk - National Enquiry Line - 08457 133 133
- Gamblers Anonymous - www.gamblersanonymous.org.uk - 08700 50 88 80
- National Drugs Helpline - www.talktofrank.com - 0800 776600

Don’t forget that Payplan is here to help you with your debt problems. If you need further advice you can contact us in confidence on free phone 0800 917 7819 or online at www.payplan.com.

Different types of basic bank accounts

This table shows which banks and building societies offer basic bank accounts and what services you can expect to get.

All these accounts accept Automated Credit Transfer (ACT) payments, offer cash withdrawals at the Post Office, and a cash-machine card. None of them offer a cheque book.

If you are opening a new bank account, you should check to make sure it is not linked to your current bank account or any of your unsecured creditors.

Bank name and any special name for the account Symbols denote accounts that are linked	Minimum age to open an account	Minimum amount to open an account	Free buffer zone	Direct debits and standing orders	Charge for unpaid direct debit ¹	Charge for unpaid standing order ¹	Debit card (Connect, Solo, Electron or Maestro)	If any of the following apply to you, your application may be declined	
Abbey: basic account	√	16	None	No	Yes	£5 – 35 check with bank	£5 – 35 check with bank	No	Undischarged bankrupt, record of fraud
Alliance & Leicester: Basic Cash Account	√	16	None	No	Direct debits only	£25	No standing orders	No	Undischarged bankrupt, record of fraud
Bank of Ireland: Basic Cash Account (only available in Northern Ireland)	❖	16	None	No	Yes	£38 ³	£38	No	Undischarged bankrupt, record of fraud
Bank of Scotland: Easycash	X	16	None	£10	Yes	£15	£15	Yes	Undischarged bankrupt, record of fraud
Barclays: Cash Card Account	◆	18 ²	None	No	Yes	£8	£8	Yes	Record of fraud
Clydesdale: Readycash	●	16	None	No	Yes	£35	£35	Yes	Undischarged bankrupt, record of fraud
Co-operative Bank: Cashminder	Y	16	None	No	Yes	£19.50 ³	£19.50	Yes	Record of fraud
First Trust Bank: Basic Bank Account	⌘	16	None	£10	Direct debits only	£35	No standing orders	No	Undischarged bankrupt, record of fraud, record of bad debts
Halifax: EasyCash	X	16	None	£10	Yes	£15	£15	Yes	Undischarged bankrupt, record of fraud
HSBC: Basic Bank Account	○	18	None	£10	Yes	No ³	No	No	Undischarged bankrupt, record of fraud
Lloyds TSB: Cash Account	□	18 ²	None	£10	Yes	£20 (max 3 per day)	£20 (max 3 per day)	Yes	Undischarged bankrupt, record of fraud
Nationwide Building Society: Flex Cash Card	⊠	16	None	No	Yes	£30	£30	No	Undischarged bankrupt, record of fraud
Natwest: Step Account	#	16	None	No	Yes	£38 ⁴	£38 ⁴	Yes	Undischarged bankrupt, record of fraud
Northern Rock: Northern Personal Access	●	14	None	No	Yes	No	No	Yes	Undischarged bankrupt, record of fraud, record of bad debts
The Royal Bank of Scotland: Key Account	#	16	None	No	Yes	£38 ⁴	£38 ⁴	Yes	Undischarged bankrupt, record of fraud
Ulster Bank: Step Account	#	16	None	No	Yes	£30	£30	Yes	Undischarged bankrupt, record of fraud
Yorkshire Bank: Readycash	●	16	None	No	Yes	£35	£35	Yes	Undischarged bankrupt, record of fraud

Source: British Bankers' Association, April 2009

This information is correct at time of print, but is subject to change. Please check with your chosen bank or building society.

Explanatory notes

¹ Correct at time of publication but always check with the bank or building society

² 16 and 17 year-olds can open a similar account

³ The account may be closed if a direct debit is refused three times

⁴ Bank may cancel SOs/DDs if you don't have enough money in your account to pay them on more than one occasion