

# Things you need to know about redundancy and debt

## I'm in debt and I've been made redundant - what should I do?

If you're in debt and worried about the risk of redundancy, or have been made redundant, don't panic.

As soon as you realise you can't make your repayments, contact your creditors to let them know your situation and they may be able to help.

Based on how much money you have leftover each month and whether you think your circumstances are likely to change, you can go through your income and expenditure form and work with your creditors to find the right solution.

## What happens if my circumstances change in the future?

If you enter a debt solution and your situation changes due to unforeseen circumstances, your plan can be reviewed to ensure it's still the best option for you.

As with all solutions, you should only be paying the amount that you can realistically afford. Different types of debt management solutions have different pros and cons, so it's important to review all of your options before making a decision.

## I don't have any income right now, what options do I have?

If you've completed your income and expenditure form, you may find that you have more money going out than you have coming in. This is known as a negative budget (or deficit), which means you won't have any money to pay towards your creditors.

If this is the case, then you could look at setting up a temporary repayment arrangement to help you in the short-term.

However, if you do have some money left over each month to pay towards your debts, or your circumstances change, there could be other debt solutions available to you.

If you're struggling with debt and need time to sort it out, you could benefit from [Breathing Space](#) – a 60-day period where your creditors will stop contacting you.

## What are my redundancy rights and employment options?

Firstly, always check your individual employment contract and look at both the [ACAS](#) and [gov.uk](#) websites for employment advice.

If redundancies have been announced at your work, you may be entitled to the following:

- Redundancy pay
- Notice period
- Consultation with your employer
- The option to move to a different role
- Time off to find a new job

## What will happen if I have a consultation with my employer?

Depending on the size of redundancies, this may involve your employer explaining the reasons for your selection for redundancy and giving you the opportunity to raise any questions about any other alternatives for you.

## How are redundancies chosen?

There are several reasons that you could be made redundant, including experience, competence and skills.

However, it can't be based on any discriminatory reasons like age, gender, race or religion, so if you think this has happened, contact ACAS.

## What notice period will I serve under redundancy?

This may depend on your employment contract so be sure to check it.

Statutory redundancy notice periods are:

- A minimum of one week's notice if you have been employed for between one month and two years
- One week's notice each year of employment if you have been employed for between two and 12 years
- 12 weeks' notice if you have been employed for 12 years or more

## Am I eligible for redundancy pay and how much will I get?

You should qualify for statutory redundancy pay if you've worked for your employer continuously for at least two years, or if you've been on a fixed term contract for two years or more which isn't renewed because of redundancy.

Some redundancy payments could affect your [entitlement to benefits](#) and how much will depend on how much you get and how it's paid.

You won't be entitled to statutory redundancy pay if:

- You've unreasonably refused a suitable offer of alternative work from your employer
- You've been dismissed on the grounds of misconduct

You may also not be entitled to redundancy payment if you leave your job to start a new one or go on strike before the end of your notice period.

### How much redundancy pay will I get?

When receiving redundancy pay, up to £30,000 is tax free. However, the amount you'll get will depend on your individual employment contract as it may be different to the guidelines. Statutory redundancy pay is based on factors such as age, weekly pay and number of years in the job. Only complete years are considered when calculating your entitlement and this goes up to a maximum of 20 years.

You can work out your statutory redundancy pay using the government redundancy calculator or follow ACAS' guidelines below:

- If you're aged 41 or over, your employer must pay **one and a half week's pay** for each full year you worked after the age of 41.
- **One week's pay** for each full year you worked when you were between 22 and 41.
- **Half a week's pay** for each full year you worked before age 22.

Your employer must also give you a written statement to show your redundancy pay, how they've worked it out and the date your employment will end.

### When will I get paid?

You should be paid on, or soon after, the date of your last day of employment and your employer should give you your Income Tax form P45.

### What happens if my employer doesn't pay?

If your employer has been declared insolvent and can't pay any redundancy pay, then you may be able to claim from the appointed insolvency practitioner. If that isn't possible, then you can apply for a direct payment from the National Insurance Fund by calling 0845 145 0004.

### Employment opportunities after redundancy

If you've been made redundant during an economic downturn, you may find that your whole sector is in trouble and that you need to broaden your job search.

To do this, find out which sectors are hiring and what key skills are required in those fields. Then, go through your experience and apply your relevant skills to gear your CV up for that sector.

Think about successes you've had at work – whether that's with your team, with customers or in certain projects. It's often much easier to focus on areas that you're confident with.

### Key points:

- Get your CV ready – [The National Careers Service](#) has a useful section on how to write a CV and goes through layouts, what to include, references and top tips.
- Connect with old colleagues and friends to let them know that you're available for work and looking for your next opportunity.
- Try to remain positive! It's a difficult time, but redundancy isn't the end of your career. Try to view it as an opportunity for a fresh start.

### Where to go for training and job search

If you've worked at the same place for a long time, you may feel like the market has moved on since you last looked for a job.

But there are several options out there, such as:

- [Britain's largest database of job vacancies](#),
- Your local Jobcentre Plus,
- Employment and recruitment agencies,
- Social media, specifically LinkedIn.

## Additional support

It's important that you look at your finances and try to get them back on track as soon as possible. If you've fallen into arrears, you may want to take these five steps during your redundancy period or once you've found a new job.

### STEP 1 – Review your finances

The first step to becoming in control of your finances is to understand what money you have coming in and what you need to pay for by creating an income and expenditure form. This will show you the money you have leftover to pay towards your debts once you've paid for all of your regular outgoings.

### STEP 2 – Maximise your income

Check you're getting all the benefits that you're entitled to by using our online [benefits checker](#). Go through your current bills and expenses, and make sure you're getting the best deals and cancel anything that you no longer need.

### STEP 3 – Try and clear your arrears

If your income has stopped completely, it may be that you're advised to pay temporary token payments to some of your creditors, with the aim of moving to a more suitable debt solution once your circumstances change.

### STEP 4 – Plan for the future – start saving and consider insurance

If you can, try and get into the habit of saving.

Start small and keep the money in a separate account to your daily spending. That way, you're less likely to dip into your savings or leave yourself short for your priority spending.

Once you start working again, you may even want to think about taking out mortgage payment protection or income protection insurance. As always, make sure that you take advice and are clear on what your policy will and will not cover before you agree to take out any form of insurance.

### STEP 5 – Get support from expert organisations:

- **ACAS** – helps with all employment rights issues
- **Citizen's Advice** – offers free and impartial advice. Find your local office on their website or call 0808 223 1133
- **Gov.uk** – provides general advice about redundancy, consultation and notice periods
- **Trade Unions** – if you're a member of a union, then speak to your workplace rep, shop steward or contact your union directly
- **Pension Wise** – offers free and impartial guidance to people with workplace and personal pensions, call 0800 011 3797
- **Samaritans** – there to support you, no matter what you're going through. They're available 24 hours a day, 365 days a year. Call or text 116 123.

**Remember, if you're unable to keep up with repayments, our team are here and ready to help.**