



debt advice

# Helping you manage your debts

A three-step guide



you're on  
the right path  
to reducing  
your debt

review

prepare

offer

# Start today

This guide will take you through the steps you need to follow to review your income, contact your creditors and arrange payments.

We've kept it as simple as possible so that you can focus on working your way through each step and making progress with clearing your debts. If you come across any terms or phrases that you don't understand, please check the **Glossary** and **Frequently Asked Questions** within this pack.

## Step 1

**Review your income**

## Step 2

**Prepare your financial statement**

## Step 3

**Write to your creditors**

Look out for these icons as you go through each step...



you'll need to write a letter



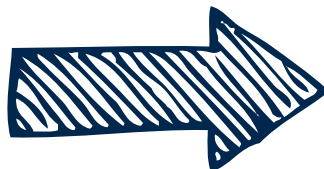
you'll need to work out some figures



this may take some time

## Good habits should be for life

Once you've had a close look at your financial situation, worked out what you can afford to pay and successfully set up repayments to your creditors, sticking to a budget will help you keep up a positive approach to your money in the future. It's amazing how satisfying being in control feels!



**the very best of luck...**

# Step 1

## Review your income



When you're dealing with your debts, the first thing to do is to make sure you have as much money coming in as you possibly can.

Sometimes debt problems coincide with life events. If your circumstances have changed, it's particularly important to check whether you are eligible to receive state benefits.

### Council Tax Benefit

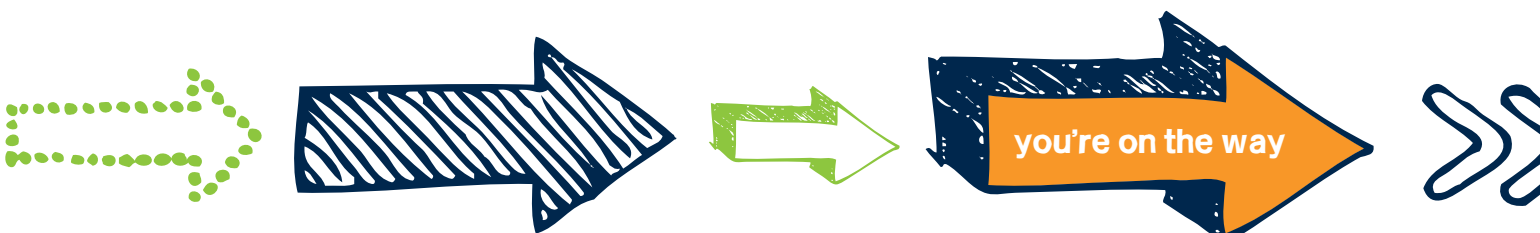
You may be able to get **Council Tax Benefit** if you pay Council Tax and your income and capital are below a certain level. You can apply whether you rent or own your home or live rent-free. You could qualify if you are out of work, or in work and earning a wage. If you think you may be entitled to this benefit, contact your local council.

### Tax Credits

**Tax Credits** are payments from the government and 9 out of 10 families qualify. It is often possible to get both types of **Tax Credits** as explained below.

If you're responsible for at least one child or young person, you may qualify for **Child Tax Credit**.

If you work, but are on a low income, you may qualify for **Working Tax Credit**.





## Safe bank accounts

When you're in debt, it's very important to have a **safe bank account** which **isn't linked** to any of your credit card or loan creditors – there's more about this under **Right to Offset** in the Glossary. Having a safe bank account avoids a situation where your creditor can withdraw money from your account to bring your debt up to date.

Check whether your bank account is linked on the enclosed **Bank Account Information sheet**. If you do need to change your account, remember that this may take some time so you should do this before you set up any payments to creditors.

## Income Support

This is extra money to help people on a low income. It's for people who don't have to sign on as unemployed. Whether you qualify or not and how much you get depends on your circumstances.

## Jobseeker's Allowance

This is the main benefit for people of working age who are out of work or work less than 16 hours a week on average. If you're eligible, it is paid while you're looking for work at the end of every fortnight.

There may be more benefits to which you are entitled. Check online at [www.turn2us.org.uk](http://www.turn2us.org.uk) or by calling the free and confidential helpline on **0808 802 2000**.

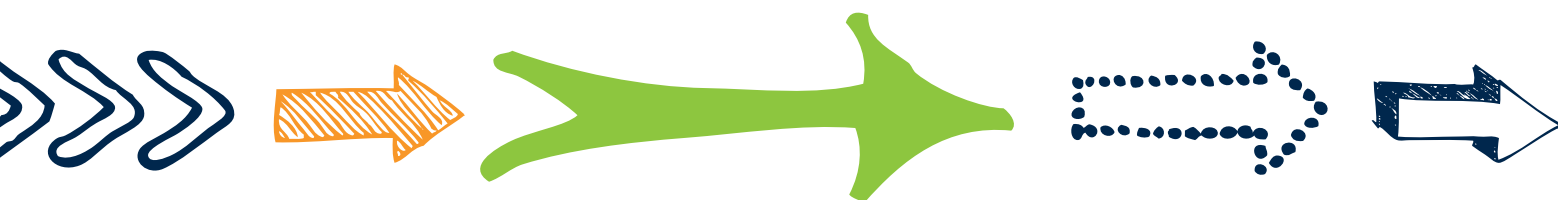
As well as checking benefits, think about finding ways of boosting your income – perhaps you can increase your hours or take on extra shifts at work. The more money you can bring in, the easier it will be to maximise your income and set up manageable payments to your creditors.

## Boost your income

If you have a spare room, consider taking in a lodger. Under the government's **'Rent a room'** scheme, you can let out a furnished room in your home without paying tax on the first **£4,250** you make each year. If you're letting jointly, this figure changes to **£2,125**. These figures are correct to the time of producing this booklet, however they may fluctuate.

If your children are still living at home, over 18 years old and working, then they should be able to pay something towards household costs.

Make sure you're adequately protected with the right insurance – see the enclosed factsheets if you're interested in saving money on energy bills, mortgage, motor and home insurances.





Making the most of the money that you have is very important. You can often save money on everyday costs. You might be surprised by how much money you spend on small items that you could easily live without – things like coffee on the go.

### Save money in the home...

**Plan your meals in advance** and bulk cook at weekend: freeze leftovers. Packing your own lunch rather than buying sandwiches could result in substantial savings over a year.

You can get a free energy check from the **Energy Saving Trust**. It will show you how you could save money every year on your household bills as well as explaining any discounts and grants for which you might be eligible. Consider switching energy supplier: **Energy Helpline** compares all major suppliers to help you save money, telephone **0800 074 0745** or visit their website at **www.energyhelpline.com**.

Have a clear out and **sell your unwanted items** on an online auction site, such as eBay. Use sites like Freecycle to find homes for items you no longer need or source items you could find a use for, instead of buying them new. Car boot sales can also be an effective way to declutter your home and make some money!

### In the shops...

The golden rule is **never to go food shopping when you're hungry!** If you can, shop later in the day at supermarkets when they often reduce their goods or sell perishable items more cheaply. The same goes for markets when stall holders often discount goods at the end of the day.

Look out for **vouchers** in supermarkets, either from your local paper or in booklets of discount coupons.

Always **plan your shopping list**. Switching to own brand goods can make a considerable difference and the difference in taste and quality can be minimal. Lidl and Aldi are often thought to be cheaper than other supermarkets.

Make the most of **loyalty cards** and redeem your points to help you save money on a wide range of goods and activities.

### Once you've completed Step 1, you will have...



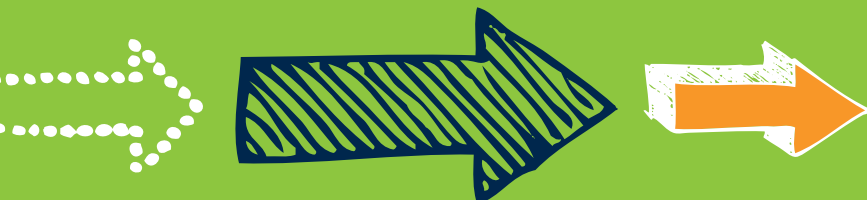
**Reviewed your income**



**Checked your entitlement to benefits**



**Moved to a safe bank account if required**



# Step 2

## Prepare your financial statement

these are your priority debts...see the next page for your non-priority debts

Now it's time to look at what you owe to each of your creditors and prepare a financial statement.

To begin with, let's identify your **priority debts** – these are the most urgent debts to pay in order to avoid serious repercussions so we're going to deal with them first. If you don't pay these debts, there's a chance you could lose your home or face disconnection from essential services.

this is the lowest payment creditors have said they will accept each month\*

Priority debt & arrears	Creditor name	A/C number	Total debt owed	Minimum monthly payment
Mortgage/rent arrears			£	£
Utility/energy arrears			£	£
Council tax arrears			£	£
Hire Purchase arrears			£	£
Maintenance/CSA arrears			£	£
Court fines (e.g. speeding)			£	£
County Court Judgment (CCJ)			£	£
Secured loan/charge on property			£	£
TV licence arrears			£	£
Other priority arrears			£	£
<b>Totals</b>			£	£

\*For some debts and arrears the amount will be set and there won't be a minimum option.

this is your priority debt and arrears monthly total

Next we need to look at your **non-priority creditors**.

These are debts which don't have such serious repercussions. You're less likely to lose your home or be disconnected from services through non-payment.

Use the table below to list your **non-priority creditors**. It's not unusual to overlook a creditor so make sure you keep the list up to date!

- Non-priority debts include:**
- Benefit overpayments
  - Overdrafts
  - Store cards, catalogues/ mail order accounts
  - Credit cards
  - Unsecured loans
  - Payday loans
  - Student loans
  - Money borrowed from friends and family (this **isn't** a **priority** even though you may feel like paying money you owe back to them first)

this is the total outstanding debt, not your monthly payment

Non-priority debt & arrears	Creditor name	A/C number	Total debt owed
			£
			£
			£
			£
			£
			£
			£
			£
			£
			£
			£
			£
			£
			£
			£
			£
			£
			£
			£
remember to list all your non-priority debts – use another piece of paper if necessary			Total £





## Find out what you owe.

If you're in **any doubt about the amount you owe**, telephone your creditors to check this.

If you need more information from them, **send them a letter** like this one.



[YOUR ADDRESS]

[DATE]

Dear [NAME OF CREDITOR]

<Account/Agreement Number>

I am writing to let you know that I am experiencing financial difficulties due to [INSERT A REASON]. I am trying to resolve this situation and will send you a financial statement very soon with a proposed payment offer.

In order to make an offer, I need the following information about my debt:

- \* Balance owing
- \* Terms of repayment and interest/penalties accruing
- \* Type of agreement
- \* Arrears
- \* Any insurance policy attached to the agreement

I will write to you again shortly. Thank you for your patience.

Yours sincerely

[YOUR NAME]



# Preparing your financial statement



A financial statement is an essential tool when dealing with debt problems. It gives a clear picture of your income, identifies expenditure and shows your available disposable income.

Pick a time when you won't be disturbed and write down the money you have coming in (**income**) and money going out (**expenditure**) on the **Income & Expenditure form** opposite. It's a good idea to do this in pencil as there may be some adjusting to do as you work through it. Follow the steps at the top to work out how much money you have left over once you've accounted for your living costs – this will be your **Surplus Payment**. You'll be able to use this money to start repaying your debts.

Below you'll find a table of guidelines on what creditors consider acceptable for specific areas of reducible expenditure – this will be useful when you prepare your financial statement. It is based on a budgeting tool used by advice agencies and other third party organisations to make debt repayment offers to creditors on behalf of clients.



It's important to carry out a review of your financial statement every three months – your circumstances may change and your creditors will expect to be kept up to date. The more money you can allocate to paying off what you owe, the quicker you can be debt free.

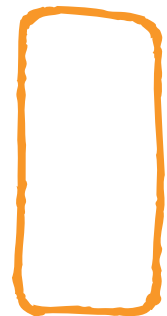
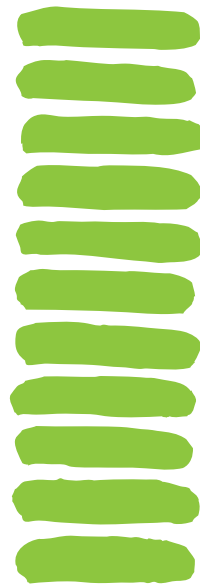
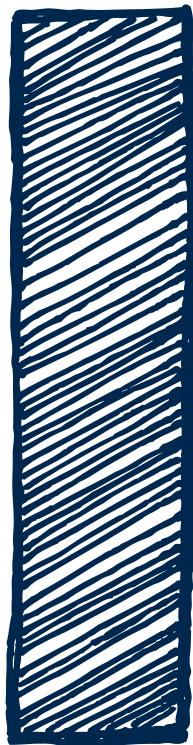
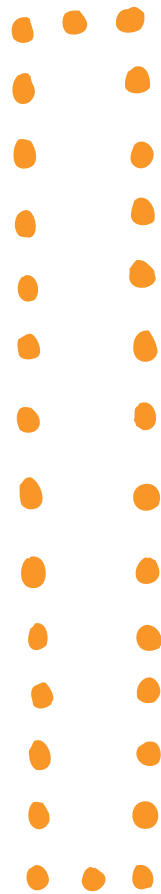


## Have your circumstances changed?

If your surplus increases (£50 or greater), **get back in touch with Payplan**. There may be other solutions available – we may even be able to negotiate with your creditors on your behalf.

TV licence	Annual TV licence is £145.50
Telephone (mobile and landline)	For an individual, up to £35/month For a couple, up to £51/month If you pay for your child's mobile phone, up to £9/month
Vehicle maintenance/MOT	Up to £30 per vehicle/month
Housekeeping including food and toiletries	Up to £210/month first adult Up to £130/month second adult Up to £95/month child 14+ yrs Up to £57/month child under 14 yrs
Clothes and shoes	Up to £40/month per adult Up to £20/month per child
Internet	Up to £30/month
Hairstressing	£8 - £12 per person per month
Medical/dental/spectacles	Average £20/month per adult (over 16 yrs) if need all 3
House maintenance	£10/month per household
Pocket money/school trips	Up to £10/month for children 4-13 Up to £15 for children 14+

your completed financial statement will give you an accurate idea of what you can realistically afford to pay your creditors



fold out your budget planner

# Plan your budget

Fill in this simple Income & Expenditure form to work out your Surplus Payment. You'll be able to use this amount to work out how much you can repay to your creditors.

If you pay for anything in **weekly amounts** you'll need to use the calculation below to convert it to a **monthly amount**.



$$\text{Weekly amount} \times 52 = \text{Yearly amount}$$

$$\text{Yearly amount} \div 12 = \text{Monthly amount}$$

For Example:

$$£10 \times 52 = £520$$

$$£520 \div 12 = \underline{£43.33} \text{ your monthly amount}$$

be as honest and accurate as possible

## 1

### Your Income

This includes your salary or pension, maintenance received and any benefits claimed.

	monthly amount
Basic salary (take-home pay after all deductions)	<input type="text"/>
Overtime (guaranteed overtime only)	<input type="text"/>
Partner's basic salary	<input type="text"/>
Partner's overtime	<input type="text"/>
Pension	<input type="text"/>
Child maintenance received	<input type="text"/>
Child Benefit	<input type="text"/>
Child/Working Tax Credit	<input type="text"/>
Other benefits (please state)	<input type="text"/>
(please state)	<input type="text"/>
(please state)	<input type="text"/>
Other income (e.g. rent from lodger)	<input type="text"/>
<b>Total Income</b>	<input type="text"/>

## 2

### Your Essential Expenditure

This includes your mortgage/rent, household bills, food, clothing and transport.

	monthly amount
Mortgage/rent	<input type="text"/>
Household insurance e.g. gas fire	<input type="text"/>
Life insurance	<input type="text"/>
Electricity/gas/oil/solid fuel	<input type="text"/>
Council Tax 10 months	<input type="text"/>
Water rates 10 months	<input type="text"/>
HP/rental (e.g. car, washing machine)	<input type="text"/>
TV licence	<input type="text"/>
Medical/dental/glasses/lenses	<input type="text"/>
Vehicle insurance	<input type="text"/>
Vehicle tax/MOT	<input type="text"/>
<b>Total Essential Expenditure</b>	<input type="text"/>

## 3

### Your Reducible Expenditure

This includes your monthly living costs which you may be able to make savings on.

this is where cut backs can be made! think carefully...do you really need it, could you spend less, is it cheaper elsewhere?

	monthly amount
Housekeeping (inc. food, toiletries, pet food, nappies)	<input type="text"/>
Clothes/shoes	<input type="text"/>
Telephone (including mobile)	<input type="text"/>
Laundry expenses	<input type="text"/>
Hairdressing	<input type="text"/>
Meals at work/school	<input type="text"/>
Child care/babysitting	<input type="text"/>
School/College/University fees	<input type="text"/>
Pocket money and school trips	<input type="text"/>
Hobbies, leisure and sport	<input type="text"/>
Newspapers and magazines	<input type="text"/>
Public transport (e.g. trains, school bus)	<input type="text"/>
Petrol	<input type="text"/>
Vehicle maintenance	<input type="text"/>
Vehicle breakdown cover (e.g. AA)	<input type="text"/>
Internet/satellite	<input type="text"/>
Regular subs (e.g. union fees)	<input type="text"/>
Other expenditure (please state)	<input type="text"/>
(please state)	<input type="text"/>
<b>Total Reducible Expenditure</b>	<input type="text"/>

### Your Surplus Payment

Total Essential Expenditure	<input type="text"/>
Total Reducible Expenditure	<input type="text"/>
<b>Total Expenditure</b>	<input type="text"/>
Total Income	<input type="text"/>
<b>Total Expenditure</b>	<input type="text"/>
<b>Surplus Payment</b>	<input type="text"/>
Priority Debt and Arrears Monthly Total	<input type="text"/>

If your **Surplus Payment** is **equal-to or more-than** your **Priority Debt and Arrears Monthly Total** then you can make your monthly minimum payments to your creditors.

If it's not, don't worry. **Step 3** will help you out!

Once you've completed Step 2, you will have...

- Reviewed priority and non-priority debts
- Completed a list of creditors
- Filled in your Income & Expenditure form

you can use this space for any calculations



# Step 3

## Write to creditors

Now that you have a clear idea of your income and expenditure and have completed your financial statement, it's time to make contact with your creditors.

The order in which you should manage your debts is as follows:

- 1 Priority payments
- 2 Priority arrears
- 3 Non-priority payments

### Dealing with priority creditors

Check back to your **Income and Expenditure form** on pages 12 & 13. Make sure you have included your **Priority Debt and Arrears Monthly Total** from page 7. If this amount is **more than** your **Surplus Payment**, this means you cannot make the full monthly repayments to your priority creditors

Your priority creditors will expect you to make realistic payments towards your debt based on your income and expenditure and the best way to do this is to talk to your priority creditors. Together you will be able to come up with a repayment plan.

Start by ringing your priority creditors to let them know:

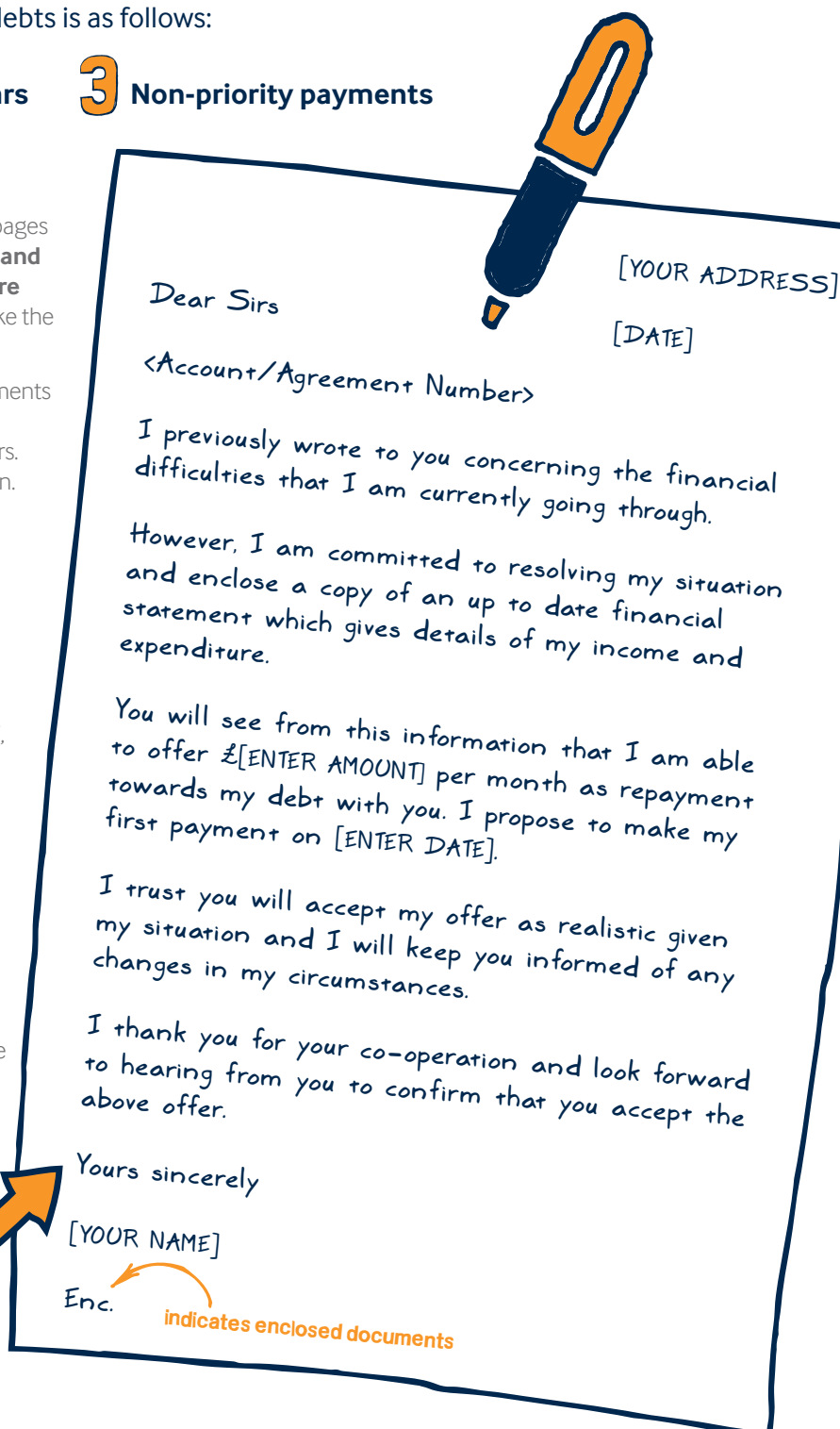
- How much you can afford on a monthly basis
- How you intend to pay it (for example postal order or standing order)
- When they can expect their first payment

If you have more than one priority creditor listed on page 7, remember that all your priority creditors need to receive some of your Surplus Payment. It is really important you **do not offer more than you can afford** (more than your Surplus Payment) when coming to an agreement with your priority creditors.

Once you've come to an agreement with each of your priority creditors, you can back this up with a letter, confirming the details. Remember to make copies of each letter you send so that you can keep track of all your correspondence. To give your priority creditors a full picture of your financial situation include a copy of your priority creditor list from page 7 as well as a copy of your Income and Expenditure from pages 12 & 13.

Here's an example of how to phrase this letter:

**each time you finish repaying a priority creditor, distribute this money amongst your other priority creditors**



## Dealing with non-priority creditors

Once you've made arrangements to pay your priority creditors, you'll be in one of three positions, according to the figures on your income and expenditure form:

### 1. "I have money left over to repay my non-priority creditors"

If this is the case, **work out what you can afford to pay each creditor** (known as a pro-rata offer of payment). You can do this by:

- Writing down what you owe each non-priority creditor.
- Adding all of your debts up to give you a total amount.
- Dividing each individual debt by the total amount of debts.
- Multiplying this figure by the amount of available income you have.

### 2. "I am struggling to repay my non-priority creditors"

Try adjusting the **reducible expenditure** on your **Income and Expenditure form**. If you can release a few pounds, this may be enough for you to offer a token payment to your non-priority creditors.

Token payments are small payments which, depending on your situation, could be as little as **£1 a month**. Even though this is a minimal amount, it will reassure your creditors that **you are serious** about repaying your debts.

**Write to your non-priority creditors using this letter as a guide:**

You may not hear back from your creditors but it's important that you continue to make your token payments anyway.



Example:	
Total debts are	£10,000
Owing to each creditor	
Creditor 1 =	$£1,500 \div 10,000 = 0.15$
Creditor 2 =	$£5,000 \div 10,000 = 0.50$
Creditor 3 =	$£3,500 \div 10,000 = 0.35$
Available income =	£50
Creditor 1 =	$0.15 \times £50 = £7.50$
Creditor 2 =	$0.50 \times £50 = £25$
Creditor 3 =	$0.35 \times £50 = £17.50$

[YOUR ADDRESS]

[DATE]

Dear Sirs

<Account/Reference Number>

I previously wrote to you concerning the financial difficulties that I am currently going through.

However, I am committed to resolving my situation and enclose a copy of an up to date financial statement which gives details of my income and expenditure as well as a list of my debts.

As you will see, there is very little money left to make you an offer of payment. In view of my circumstances, please accept a token offer of £[ENTER AMOUNT] per month which I will review in six months' time.

I would also request that you agree to freeze any further interest and charges so that my debt does not increase. I will keep you informed of any changes in my circumstances.

I thank you for your co-operation and look forward to hearing from you to confirm that you accept the above offer.

Yours sincerely

[YOUR NAME]

Enc.

indicates enclosed documents

### 3. "I have a negative surplus"

If you find yourself with a **negative surplus** and are unable to make any adjustments to your Income and Expenditure form and cannot afford £1 token payments to each of your non-priority creditors, ring **Citizens Advice Bureau** on **08444 111 444** for England or **08444 77 20 20** for Wales. They can advise you on what the best course of action will be for your circumstances.



## Ready to set up payments?

### Payment method

The best way to make payments to your creditors is by **standing order**, which you should arrange directly with your bank using your **safe bank account** (see page 5 for more details on safe bank accounts). A standing order mandate is a secure and convenient way to ensure that your creditor receives payment on a regular basis. Other options, such as payment by **postal order** may be available.

### Keep a record



Make copies of **every letter** you send so that you can easily keep track of all your correspondence. **Remember to include your list of creditors** - this will demonstrate that all creditors are being treated fairly – as well as your financial statement (you can photocopy this since you may be sending out several copies).

### Try to be patient...



Depending on the level of your debt and the number of creditors you have, this may not be a swift process. **Stay positive** – you are making a real effort to get out of debt and to change the way you manage your money.

Not all creditors will respond to your letters, and those who do won't necessarily get back to you quickly. However, **do keep making payments** (even just token payments) this way, creditors can see that you're still willing to pay, even if the amount seems small. You are showing your commitment to dealing with your debts. If you stop payments, creditors are more likely to consider Court Action.

### Once you've completed Step 3, you will have...



**Written to priority creditors with an offer of payment**



**Written to non-priority creditors with token payment**



**Kept copies of all your correspondence**

# What happens next...

It may have taken a while, but you've done the hard bit. Now that you've reviewed your income, worked out what you can afford and have sent offers of repayment to your creditors, you're on the right path.

Even if you don't hear from your creditors, do keep making payments. Sometimes a creditor might request an increase, but it's important that you continue to make payments at the amount you know you can afford.

It's a good idea to update your creditors every few months: staying in touch shows that you're serious about dealing with your debts. If your circumstances change or improve, it's possible that the amount you are able to pay can be adjusted. Our **Frequently Asked Questions** section is there to help you if you need further assistance.

## Good luck

we wish you all the best for the future!







# We're just a call away...

If you need help or support at any stage, call the **Special Advice Team** on **0800 917 7819**.

