

# DIY DEBT PLAN

Your step-by-step guide to taking charge of your finances

**TACKLING  
DEBT**

BUDGETING

LIFESTYLE

MONEY  
ADVICE

**PayPlan**<sup>®</sup>  
*live again*

# START **LIVING AGAIN**

At PayPlan we fully understand the effects that debt can have on your life, and we've been successfully helping people deal with their debts for over 20 years. By following this guide, you'll have the tools you need to organise your finances, advice on how to deal with your creditors and a clear direction of how to take charge of your debts.

In this guide we'll help you to:

- **Make more of your money**
- **Plan your budget**
- **Manage what you owe**
- **Contact your creditors**

# MAKE MORE OF YOUR MONEY

Can you increase your income or reduce your monthly bills? Here are some ideas for you to look into:

Some ideas from [gov.uk](https://www.gov.uk) that might help you boost your income:

## TAX CREDIT

There are two types of tax credit – **Child Tax Credit** and **Working Tax Credit**. Find out if you're entitled to either by calling the **Tax Credit Helpline** on **0345 300 3900**.

## INCOME SUPPORT

Call the **Income Support Helpline** on **0843 506 9853** to find out if you're entitled to Income Support.

## JOB SEEKERS ALLOWANCE

Find out if you're eligible for Job Seekers Allowance by contacting your local **Job Centre Plus**.

## OTHER BENEFITS

Find out if you're entitled to any other benefits, contact **Turn 2 Us** on **0808 802 2000** or visit [turn2us.org.uk](https://turn2us.org.uk)

## TAKE IN A LODGER

The **Rent a Room Scheme** allows you to let out a furnished room in your home without paying tax on the first £4,250 you earn each year.

Or it might be worth considering the following, to see if you can reduce your outgoings:

## CUT DOWN YOUR BILLS

Contact **Energy Helpline** on **0800 074 0745** or visit [energyhelpline.com](https://energyhelpline.com) to see if you can save money on your utilities.

Find out if you can get a better deal on your TV, telephone or broadband services by contacting **Simplify Digital** on **0800 542 4704** or visit [simplifydigital.co.uk](https://simplifydigital.co.uk)

You could also look to save money by visiting [moneysavingexpert.com](https://moneysavingexpert.com) or [moneysupermarket.com](https://moneysupermarket.com)

## COUNCIL TAX REDUCTION

You may be able to apply for council tax reduction, contact your **local council** to find out if you might be eligible.

## SAVE WHERE YOU CAN

Visit [payplan.com/livingroom](https://payplan.com/livingroom) for regular articles offering inspiration on ways to get more from your money.

## PROTECT YOUR BANK ACCOUNT

If you have a credit card, overdraft or loan with the same bank or building society that you have a current or savings account with, they can take funds out of your account to pay towards your debt without your consent.

This is called the **'Right to Offset'** and is legal in the UK. We recommend that you switch your account – to a bank or building society that isn't in the same group as your credit card, overdraft or loan creditors – before you start making reduced payments on these debts.

To find out which banks or building societies are linked to each other and therefore able to use the 'Right to Offset' within their group, check with your bank or visit [payplan.com/self-help/safe-bank](https://payplan.com/self-help/safe-bank)

Changing bank accounts is a straightforward process. For more information about basic bank accounts visit [moneyadvice.service.org.uk](https://moneyadvice.service.org.uk) or call the **Money Advice Service** on **0300 500 5000**.

# PLAN YOUR BUDGET

Gather all the facts about your finances to complete steps 1 to 5 on the following pages – be honest with your figures and if you're not sure, find out!

## STEP 1 | YOUR MONTHLY INCOME

Once you've checked that you are getting everything you are entitled to, fill in this section – but only include incomes that you receive regularly

## STEP 2 | THE COST OF LIVING

Once you've checked if you can reduce any of your bills, work out what you spend on essential bills and living costs – don't include any debts on these yet

## STEP 3 | BEHIND ON YOUR BILLS?

If you're in arrears on any of your **essential bills** enter them here. Speak to your creditors to **find out how behind you are** and **how much extra you need to pay each month** to cover the arrears

## STEP 4 | ALL OTHER DEBTS

**Find out exactly what you owe** on your **unsecured debts** and fill in here – such as credit cards, overdrafts, store cards etc

## STEP 5 | FINANCIAL SUMMARY

Use the totals you worked out in steps 1 to 4 to fill out step 5 – you can use this to send out to your creditors to inform them of your financial situation

If by doing this you realise that your finances are worse than you thought, don't worry. It's only once you fully understand your finances that you can start to tackle your debts

# STEP 1 | YOUR MONTHLY INCOME

Fill out what's relevant to you on this form to work out your monthly income –

SALARY AND WAGES:	MONTHLY AMOUNT:	BENEFITS OR TAX CREDITS:	MONTHLY AMOUNT:
Your salary or wages <small>(Only include what you take home after all deductions have come out)</small>	£	Jobseeker's Allowance	£
Your partner's salary or wages	£	Income Support	£
Other salary or wages <small>(Only include overtime, bonuses or other income if it is a regular income)</small>	£	Child Benefit	£
		Child Tax Credit	£
		Working Tax Credit	£
		Housing Benefit	£
		Personal Independence Payment	£
		Employment and Support Allowance	£
		Universal Credit	£
		Disability Living Allowance	£
		Other benefits <small>Please state _____</small>	£
		Other benefits <small>Please state _____</small>	£
<b>TOTAL MONTHLY INCOME:</b>			£

If you receive any income or benefit on a non-monthly basis, such as weekly or every 4 weeks, calculate how much this works out monthly – for example, **if you get paid every week, multiply the amount by 52 and divide it by 12** to get your monthly amount

# STEP 2 | THE COST OF LIVING

Fill out what's relevant to you on this form to work out your monthly essential bills and living costs. Use the guides, where included, as indicators for what is considered an acceptable amount to spend –

ESSENTIAL BILLS:	MONTHLY AMOUNT:	HOUSEKEEPING:	MONTHLY AMOUNT:
Mortgage / rent	£	Food and toiletries Between £200 – £250 for one adult, £100 – £150 per additional adult, up to £90 per child over 14 years, up to £60 per child under 14 years	£
Ground rent and service charges	£	Nappies and baby items	£
Second mortgage or secured loan	£	Clothes / shoes Between £30 – £50 per adult, between £15 – 25 per child	£
Endowment policy / PPI	£	School meals / meals at work	£
Household insurance	£	Pet food	£
Pension / life insurance	£	Other Please state _____	£
Council tax	£	OTHER SPENDING:	MONTHLY AMOUNT:
Electricity	£	Medical / dental / glasses Average £30 per adult (over 16 years) if need all 3	£
Gas or other fuel	£	Hairdressing Up to £15 per adult, up to £8 per child	£
Water charges	£	Phone costs (including mobile) No more than £30 per person	£
TV licence	£	Internet / satellite Up to £30 per household	£
Hire purchase e.g car	£	Pocket money / school trips	£
Maintenance or child support	£	Hobbies / sport / gym	£
Childcare costs	£	Vet bills / pet insurance	£
Other Please state _____	£	Other Please state _____	£
TRAVEL:	MONTHLY AMOUNT:	Other Please state _____	£
Travel expenses (petrol / public transport)	£	Other Please state _____	£
Car tax and insurance	£		
MOT and car maintenance (include breakdown cover) Between £20 – £30 per vehicle	£		
Other Please state _____	£		
<b>TOTAL MONTHLY ESSENTIAL BILLS AND LIVING COSTS:</b>			£

Now do this calculation to work out what you have left to put towards repaying your debts:

<b>TOTAL MONTHLY INCOME:</b>	£
	MINUS
<b>TOTAL MONTHLY ESSENTIAL BILLS AND LIVING COSTS:</b>	£
	=
<b>TOTAL SURPLUS:</b>	£

# STEP 3 | BEHIND ON YOUR BILLS?

If you have fallen behind on an essential bill, you need to pay back these arrears as a priority – on top of continuing to pay your monthly bill – because if you don't pay back the arrears, there may be serious repercussions, such as losing your home or being disconnected from essential services. These are called 'Priority Debts'.

**Speak to the creditors of your priority debts to find out what the minimum monthly repayment amount is that they will accept to pay back the arrears on these bills.**

If you have no priority debts move on to step 4, otherwise fill out what's relevant to you on this form –

PRIORITY DEBT:	TOTAL AMOUNT IN ARREARS:	PRIORITY DEBT MINIMUM MONTHLY REPAYMENT AMOUNT: (to cover your arrears only)
Mortgage / rent arrears	£	£
Second mortgage or secured-loan arrears	£	£
Council tax arrears	£	£
Electricity arrears	£	£
Gas or other fuel arrears	£	£
Water charge arrears	£	£
TV licence arrears	£	£
Hire-purchase e.g. car arrears	£	£
Maintenance or child-support arrears	£	£
Magistrates' or sheriff court fine arrears	£	£
Other priority arrears Please state _____	£	£
Other priority arrears Please state _____	£	£
Other priority arrears Please state _____	£	£
<b>TOTAL PRIORITY DEBT:</b>	£	
<b>TOTAL PRIORITY DEBT MINIMUM MONTHLY REPAYMENT AMOUNT:</b>		£

Now do this calculation to work out what you have left to put towards repaying your non-priority debts:

<b>TOTAL SURPLUS:</b>	£
	MINUS
<b>TOTAL PRIORITY DEBT MINIMUM MONTHLY REPAYMENT AMOUNT:</b>	£
	=
<b>AMOUNT LEFT FOR NON-PRIORITY DEBTS:</b>	£

# STEP 4 | ALL OTHER DEBTS

Fill out what's relevant to you on this form to work out your total unsecured debts. These are called 'Non-priority Debts' –

NON-PRIORITY DEBT:	CREDITOR NAME:	TOTAL DEBT AMOUNT:
Credit card		£
Overdraft		£
Store card, catalogue / mail order account		£
Unsecured loan		£
Payday loan		£
Benefit overpayment (for benefits no longer received)		£
Money borrowed from friends and family		£
Other non-priority debt Please state _____		£
Other non-priority debt Please state _____		£
Other non-priority debt Please state _____		£
Other non-priority debt Please state _____		£
Other non-priority debt Please state _____		£
Other non-priority debt Please state _____		£
Other non-priority debt Please state _____		£
Other non-priority debt Please state _____		£
Other non-priority debt Please state _____		£
Other non-priority debt Please state _____		£
Other non-priority debt Please state _____		£
Other non-priority debt Please state _____		£
<b>TOTAL NON-PRIORITY DEBT:</b>		£

It's important to review your income, essential bills and living costs, priority debts and non-priority debts at least every 3 months. Your circumstances may change and your creditors will expect to be kept up-to-date.

# STEP 5 | FINANCIAL SUMMARY

Using the information you've gathered in steps 1 to 4, fill in the totals again here to clearly see your financial situation (you can use this to inform your creditors) –

PERSONAL DETAILS:			
Name		Number of adults in household	
Postcode		Dependant Children under 14 years	
Date		Dependant Children aged 14 +	
		Number of Non Dependants	
		Number of vehicles in the household	
INCOME AND EXPENDITURE:			NOTES:
<b>TOTAL MONTHLY INCOME:</b>		£	
<b>TOTAL MONTHLY ESSENTIAL BILLS AND LIVING COSTS:</b>		£	
<b>TOTAL SURPLUS:</b>		£	
DEBTS:			NOTES:
<b>TOTAL PRIORITY DEBT MINIMUM MONTHLY REPAYMENT AMOUNT:</b>		£	
<b>AMOUNT LEFT FOR NON-PRIORITY DEBTS:</b>		£	

Make a copy of this and send it to each of your creditors with a letter explaining your financial situation

# CONTACT YOUR CREDITORS

Depending on your financial situation, you should be in one of these positions:

- 1** You can meet all of your Priority Debt Minimum Monthly Repayments (or have no Priority Debts), and have a surplus to pay towards your non-priority debts
- 2** You can meet all of your Priority Debt Minimum Monthly Repayments (or have no Priority Debts), but have no money left over to pay towards your non-priority debts
- 3** You don't have enough money left to meet all of you Priority Debt Minimum Monthly Repayments
- 4** Your monthly expenditure is greater than your monthly income

Read the advice relevant to you on this page or the next:

- 1** You can meet all of your Priority Debt Minimum Monthly Repayments (or have no Priority Debts), and have a surplus to pay towards your non-priority debts

Pay each of your non-priority creditors a share of the surplus you have available every month. This is called a 'pro-rata offer of payment'. To work out how much to pay each creditor, use the form you filled out in step 4 and the following calculation:

Divide each individual **non-priority debt amount** by your **total non-priority debt**, then multiply this figure by the **amount left for non-priority debts**, for example;

Your **total non-priority debt** is **£10,000**

Owing to each creditor:

Non-priority debt 1:  $£1,500 \div £10,000 = 0.15$

Non-priority debt 2:  $£5,000 \div £10,000 = 0.50$

Non-priority debt 3:  $£3,500 \div £10,000 = 0.35$

**Amount left for non-priority debts = £50**

Non-priority debt 1:  $0.15 \times £50 = £7.50$

Non-priority debt 2:  $0.50 \times £50 = £25.00$

Non-priority debt 3:  $0.35 \times £50 = £17.50$

Send each of your non-priority creditors a copy of **steps 4 and 5** with a letter stating:

- You have spoken to PayPlan for free debt advice and due to your financial situation, you can only make a pro-rata offer of payment to the amount of (insert amount)
- You are committed to repaying your debt and request that they freeze any further interest and charges so that your debt does not increase
- You will keep them informed of any changes to your circumstances
- Request confirmation of the above

If your surplus increases to £50 or more, get back in touch with PayPlan as we may be able to offer you another solution

# CONTACT YOUR CREDITORS

## 2 You can meet all of your Priority Debt Minimum Monthly Repayments (or have no Priority Debts), but have no money left over to cover your non-priority debts

If you can, find the funds to pay each of your **non-priority creditors** a token payment – which could be as little as £1 a month – and write to them to inform them of your situation.

Send a copy of **steps 4 and 5** to each of your **non-priority creditors** with a letter stating:

- You have spoken to PayPlan for free debt advice and due to your financial situation, you can only make a token payment to the amount of (insert amount)
- You are committed to repaying your debt and request that they freeze any further interest and charges so that your debt does not increase
- You will keep them informed of any changes to your circumstances
- Request confirmation of the above

## 3 You don't have enough money left to meet all of your Priority Debt Minimum Monthly Repayments

Each of your priority debt creditors expect you to make a realistic offer of payment to repay your arrears but if you are unable to pay them all the amounts they have requested, speak to your creditors and negotiate an amount you can afford.

Prioritise your mortgage/rent or a secured loan on your property, then any council tax, gas, electricity, or any debt which is pending court action.

Send each of your priority debt creditors a copy of **steps 3, 4 and 5** with a letter explaining your financial situation.

## 4 Your monthly expenditure is greater than your monthly income

Contact **Citizens Advice Bureau** on **08444 111 444** for England, **08444 77 20 20** for Wales or **0808 800 9060** for Scotland. If you're in Northern Ireland, contact **Debt Action Northern Ireland** on **0800 917 4607**.

They will advise you on the best course of action to take depending on your individual circumstances.

## TIPS TO STAYING ON TOP OF YOUR MONEY

- 1 Keep a record of all the letters you write to your creditors, any attachments you send and anything they send to you.
- 2 Even if you don't hear back from your creditors, continue to make the token payments to them.
- 3 Review your finances at least every 3 months. Adjust and redistribute any extra money you have once you have paid off any of your debts.

LET'S **TALK**

Call our Special Advice Team for free on **0800 716 239**

(0800 numbers are now free from landlines and mobiles)

We're open 8am – 9pm weekdays and 9am – 3pm Saturdays

Email our advisers, **special.advice@payplan.com**

**payplan.com**

Please contact us if you'd like this leaflet in Braille, large print or other languages.

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