

DEFAULT NOTICE

WHAT IS A DEFAULT NOTICE?

A Default Notice is a formal letter sent to you by a lender or creditor when you're in arrears with your repayments to them. They are legally obliged to let you know in writing when you have missed payments.

If you're in a credit agreement that's regulated by the Consumer Credit Act 1974 (CCA 1974) and you default on your payments, your creditor must first issue a default notice before they can start legal action against you to recover the debt. To find out whether your credit agreement is regulated by CCA 1974, you can check the agreement itself, or contact your creditor to ask them.

A DEFAULT NOTICE SHOULD SHOW THE FOLLOWING INFORMATION:

- Your name and address (as the borrower) and the name and address of the creditor who is issuing the default notice
- The type of agreement, and details of how the agreement was broken
- The action you need to take to pay the arrears in full by a certain date
- The action the creditor intends to take if you are unable to comply with the Default Notice – eg, refer the account to debt collectors or to start court action

WHAT DO I NEED TO DO?

The default notice must give you at least 14 days to comply with the action required. If you pay the amount stated in the default notice in full within the specified period, your creditor can't take any legal action against you.

If you can't afford to pay the full amount within the specified period, you should seek debt advice urgently. It is also worth contacting your creditor to try to set up a mutually acceptable repayment agreement that you can afford.

WHAT HAPPENS IF I DON'T PAY?

If you have not repaid the arrears or set up a repayment agreement with your creditor within the 14 days the credit agreement can be terminated and the Default will be registered on your credit file for 6 years. The creditor will then be legally entitled to demand early repayment of the whole outstanding balance. They can begin the legal process that could result in you being taken to Court for a County Court Judgment (CCJ) which orders you to pay the whole outstanding debt in full immediately or by instalments. The County Court Judgment (CCJ) would also be registered on your credit file.

If you owe your creditor more than £5,000 they can also consider petitioning to the court for your bankruptcy. Some creditors may use bankruptcy as a threat, without intending to go through with it, but if you owe a significant amount of money and have substantial assets (e.g. house, other property, car, etc.) a bankruptcy petition could be a real possibility. Threats of bankruptcy petition from HMRC over unpaid tax or VAT should always be taken very seriously.

For further information about Default Notices, please contact your local **Citizens Advice Bureau** or search for 'default notice' on the Money Advice Service website.

If you'd like further help, please contact our Advice Team on 0800 917 7819.

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