

Debt and You

Your guide to managing your finances

-  Have you got a debt problem? 
-  First steps to recovery 
-  Money-saving tips 
-  Working out your budget 
-  Expert debt help 



www.debtandyou.co.uk

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This free guide explains how to recognise if you have a debt problem and what steps you can take to deal with it, including useful tips on how to save money and where to get independent advice.

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Think Money is one of the UK's largest and longest-established financial solutions companies; dedicated to providing clients with practical solutions and expert advice on every aspect of managing their finances. Since our foundation in 1993 we've helped hundreds of thousands of people with their finances.

Whilst we make every effort to ensure that all information contained in this guide is accurate, Think Money does not accept liability as a result of error or omission. This guide is for general reference only. Please seek professional advice if you require information specifically tailored to your situation.

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Debt doesn't need to be daunting

In today's world, borrowing money is a normal part of people's lives. Once it was common to save for the things we needed: increased availability of credit cards, loans and overdrafts means that we can now pay off the debt over a period of time.

When debt becomes a problem

Having debts is not a problem in itself as long as you can manage the repayments and pay them off in a reasonable time. The problems start when you get behind on your repayments or you're barely covering the interest on what you owe each month.

Understanding your debts

If you think that your finances are getting out of control, the worst thing you can do is ignore the problem. Take a long hard look at your finances as soon as possible and you may find that you only need to cut down on a few things - instead of having to resort to more extreme solutions.

The simplest way to understand your situation is by working out what you owe and whether you can manage within your budget. This booklet contains practical advice to help you assess your situation and, if necessary, take action to deal with your debts.



Top Tips

- You're not alone. Find someone you can discuss your problems with.
- Keep on top of your finances: regular budgeting can alert you to any problems before they get worse.



How much debt is too much?

The amount of debt that you can comfortably manage depends on your financial circumstances, so what's unaffordable for one person can be manageable for another. Most people run into difficulties with their finances at some point in their lives, either because they've overestimated what they can reasonably afford or because a change in circumstances has affected their ability to manage their repayments.

Changes in your financial situation

Taking on debt commitments relies on you being able to continue making payments - whatever life throws at you. Events beyond your control can stretch your budget and make what seemed like a reasonable amount of debt become unmanageable.

Do something about it

If you think that you may be at risk, it's important to take action quickly. What's more, when you make a list of your income and expenditure commitments, you'll see exactly where your money goes and feel more in control.

The next part of this guide explains how to set out a realistic Budget Plan based on what you are actually spending now. Once you've got this information you can start to make some decisions about your situation, and what you need to do about it.



Top Tips

Your debts may become a problem if:

- You're using credit for things you used to pay cash for.
- You're paying one credit card off with another.
- You're waiting for a final demand before paying.
- You're falling behind with your repayments.



Taking stock of your situation

By drawing up a budget you'll be able to see what you are paying out and what you have coming in. This will help you decide whether you need to take action or if a few economies will be enough.

Drawing up a Budget Plan

You can download a sample form on www.debtandyou.co.uk or follow these simple steps to help you draw up a Budget Plan.

1. Write down your net income (salary and wages after tax and National Insurance), plus any benefits, pensions, contributions and other forms of income you receive. As your lenders generally work on a monthly rather than weekly basis it's best to adjust your figures to monthly amounts - even if you're paid weekly, as this will avoid confusion when writing to them.
2. Now write down all your day-to-day expenses and priority bills. If you are unsure which your priority bills are, the next section on 'prioritising your debts' will help. Don't include any of your unsecured lender repayments at this point. If you share the bills with other members of your household, their contribution or earnings should also be included.
3. Add up your total income then add up your total expenditure. Subtract your spending from your income and what's left is the money available to put towards your unsecured debts.
4. Write down all your unsecured debts and the monthly repayments to each. Does the amount left over after subtracting your expenditure from your income cover the monthly repayments? If not, you will need to review your finances.

If your budget plan indicates that you have a problem it's important to inform your lenders as soon as possible, explaining your situation. Your lenders should be sympathetic to your position and it will demonstrate that you're taking your debts seriously. The section on 'dealing with your lenders' explains what to do in more detail and you can download sample letters at www.debtandyou.co.uk



Top Tips

- Be accurate about your spending: your budget will form the basis of any decision you make.
- Whatever you decide to do has to be maintainable over the longer term.
- Check your bank statements to make sure you haven't missed anything.



Prioritising your debts

If you're unable to meet your repayments, you'll need to know which debts to address first as some are more important than others and have different consequences if you fall into arrears.

Priority debts

Priority debts must come top of your list, as non-payment can have serious implications. These can include disconnection of your utilities, repossession of your home, bankruptcy and even imprisonment. However, lenders prefer not to take legal action against you, and will try to agree other solutions if they are aware of your circumstances. Priority debts are:

- **Your mortgage or any loan that is secured against your home**
- **Council Tax**
- **National Insurance, tax and VAT**
- **Utilities (gas, water, electricity) and telephone – your current suppliers only**
- **Child maintenance**
- **Court fines**
- **Hire Purchase agreements, such as your car**
- **TV licence**
- **County Court Judgments (CCJs)**

Before deciding what action to take, check first whether you are missing out on any benefits or paying too much for things like your utilities, insurance, satellite or mobile phone packages. The next section on 'Money saving tips' provides advice on how to do this.



Top Tips

- Always prioritise the debts that keep a roof over your head and your utilities supplied.
- If your budget looks achievable with a few economies, get a plan in place today.
- If in doubt seek independent advice.



Could you be claiming benefits?

Millions of people aren't claiming the benefits they are entitled to, even though they could make a big difference to their income. Check your eligibility for benefits and entitlements on the following websites:

www.directgov.co.uk (benefits) www.hmrc.gov.uk (tax credits) or call 0845 300 3900 www.entitledto.com

Childcare

You may be eligible for childcare tax credits, state-assisted nursery places or your employer may have a childcare voucher scheme. Ask your employer or visit www.hmrc.gov.uk/taxcredits/children

Housing and Council Tax benefits

Contact your local Council to find out if you are eligible for any discount. You may be, if you:

- Live alone you may be entitled to a 25% discount.
- Are a student living in a student house you are exempt.
- Earn under £16,000 (or £9,600 if you have no children) you may be eligible for a reduction.
- Are disabled and have made modifications to your home you may be entitled to a band decrease.

Prescriptions

You are exempt from paying prescription charges if you:

- Are under 16, aged 16-18 in full-time education or over 60.
- Are pregnant or have had a baby in the last 12 months. Ask for a maternity exemption certificate from your doctor or midwife.
- Have certain medical conditions entitling you to a medical exemption certificate. Ask your surgery.
- Are on Income Support or Jobseekers Allowance.

Visit www.nhsbsa.nhs.uk to get a prepayment certificate entitling you to unlimited prescriptions for £27.85 for three months or £102.50 for 12 months.



Top Tips

- Find out what you're entitled to: it could help your financial situation.
- A change in your circumstances may mean you become eligible.



Reducing the cost of the basics

Simply by visiting various comparison websites you could find cheaper alternatives to your existing suppliers and cut the cost of some of your essentials.

Gas and electric

Use the internet search engines to compare gas and electric suppliers to find the best deal, even if you are on a prepayment meter. Paying by direct debit can reduce your bill and using one supplier for both gas and electric can often work out cheaper.

Water

Having a water meter fitted, particularly if there are only a few people in your household, could save you money. Talk to your water provider.

Insurance policies

You may be able to reduce the cost of your cover when it is due for renewal or by switching provider. Visit any of the comparison sites.

Satellite, internet, phone and mobiles

Look at the bills from your existing supplier to see how you use each service; it may be that there is a package that better suits you and is cheaper.

Travel

Save money on public transport by investigating bus passes or season ticket savings or, if you travel by car, you can check online to find the cheapest petrol supplier in your area.



Top Tips

- Costly satellite or mobile packages are no substitute for peace of mind.
- Could you car share or walk more to save on travelling costs?
- You can often save money by buying items on the internet rather than the high street.



Dealing with priority debts

Your priority debts must come first, before any payments to your unsecured lenders, as the consequences for non-payment can be severe. However, your lenders will usually allow you some flexibility before taking action to recover any outstanding repayments, particularly if you have let them know about your situation and sent any information requested.

Mortgage and rent arrears

Your mortgage provider or landlord has the right to take possession of your home if you fall behind on the repayments, but most will only do this as a last course of action. You may be able to agree an acceptable repayment plan so talk to your lender or landlord. If you feel that your financial problems are likely to last for a while or you have any concerns, get expert independent advice as soon as possible.

What you can do

Ideally you should be looking at ways to reduce your arrears. If this isn't practical because of your situation you may be able to do one or more of the following:

- Talk to your lender about whether you can reduce what you pay or delay paying your arrears temporarily.
- Check whether you are entitled to any benefits or qualify for government mortgage rescue schemes by visiting www.directgov.co.uk
- You may be able to switch to an interest-only mortgage for a time or take a 'payment holiday' - but take advice from your lender or an independent expert so you understand the consequences.
- If you are a tenant, talk to your landlord in order to try to negotiate an acceptable repayment. Alternatively, get expert advice on the terms of your tenancy agreement.



Top Tips

- Ensure you understand the longer-term costs and consequences of delaying payments or switching your type of mortgage.
- If in doubt seek independent advice.



Hire Purchase agreements

HP agreements are usually associated with car purchases and differ from standard credit agreements in that you do not own the item until you've paid off the final instalment. If you fall behind on your repayments, your lender could repossess the goods, in some cases without a court order.

What you can do

- Talk to your lender. They may accept a temporary payment reduction or agree to the full payment of your arrears over a number of months. Alternatively, you can opt to surrender the goods - but be aware that there may be further costs to pay.
- Check your agreement for details of how much you need to have paid to prevent your lender repossessing the goods without a court order. Typically, if you have paid a third of the total, they become 'Protected Goods' and your lender cannot repossess them without a court order.

Council Tax, National Insurance, income tax, child maintenance and court fines

It's vital that you continue paying all of the above as the penalties for non-payment are severe and, in some cases, can be imposed on you without a court order. Ignoring demands can result in bailiffs removing goods from your home, automatic deduction from your wages or benefits, imprisonment or bankruptcy.

What you can do

You should always be notified well in advance of any action being taken, giving you time to explain your situation and make agreements to repay these debts. Consult an independent debt adviser, some of which are detailed in our Useful Contacts section.



Top Tips

- Don't panic as you may still be able to come to an arrangement.
- Never ignore demands for payment.



Dealing with priority debts

County Court Judgments

If you don't make payments to reduce your debts, fail to keep to your repayment arrangement or your lender refuses to accept the amount offered, your lender may apply to court to get a County Court Judgment against you.

What you can do

You will be sent a Claim Form that details the amount your lender claims you owe and gives you an opportunity to reply. Check the details thoroughly, ensuring that you agree with the amount that your lender is claiming and make sure that you know how much time you have to respond.

If you can afford to pay the debt in full at this point, make the payment and no further action will be taken. Otherwise, use the 'Admissions Form' (N9A) if you accept the amount your lender claims you owe and want to repay the debt in agreed instalments. Fill in the 'Defence and Counter Claim' Form (N9B) if you are going to dispute either part or the entire amount claimed and/or if you don't agree with any additional costs that may have been applied.

Demonstrate that your repayments are realistic by using your Budget Plan. If your lender still turns down your proposal, the court will determine the repayment amount. If necessary, you can re-apply to the court for a reduction if your payments are set at a level you can't afford.

Enforcement options

If you don't keep up repayments after a Judgment from the court, your lender can ask the court to grant a number of enforcement options, which are listed in more detail in the 'Your questions answered' section of this brochure. You may still be able to reach an agreement with your lender even now, but it is advisable that you seek independent advice as soon as possible.



Top Tips

- You can re-apply to the court if your repayments are set at a level you can't afford.



Working out your budget

After drawing up your Budget Plan and subtracting your expenditure from your income you'll be able to decide what action to take to deal with your debts.

This could simply mean finding ways to stick within your budget. Alternatively, if you don't have enough left over to meet your minimum repayments on unsecured debts, you will need to write to your lender explaining your situation. They may accept a reduced payment plan based on what you can afford, so you can pay your debts off in manageable amounts. You should always aim to pay all your unsecured lenders something, as even a token payment will demonstrate your commitment to repay your debt.

If you do need to reduce your repayments, it can affect your ability to get credit in the future. See the section on 'Understanding your credit file' for more information.

Be realistic

Before you write to your lenders with a Repayment Proposal, it's important to ensure that your information is accurate and a true reflection of your circumstances. The more credible your Budget Plan is, the more likely your lenders are to accept your offer, but ensure that what you are proposing to pay is going to be manageable.

Your lenders will already have guidelines for average spending on food, clothing, utilities, etc. and will be comparing your Budget Plan with these figures. Although your proposal needs to be realistic for your lenders to accept your offer, it is important to include a certain amount for unexpected costs.

Reducing or waiving interest and charges

Your lenders may also agree to reduce or waive interest and charges to help you reduce your debt. However, they aren't obliged to do this and, if you can't or don't keep up the reduced payments, they could re-apply these charges to your account.



Top Tips

- It's important that you don't agree to a repayment you can't maintain.
- Ask your lender to reduce or freeze interest and charges to help you repay your debt.



How to calculate your repayments

The simplest way to calculate your repayments to each lender is to:

1. Take the amount you owe to a lender
2. Multiply by the total amount available to pay all your lenders
3. Divide this by the amount owed to all your lenders in order that each receives a fair share of what is available; known as pro-rata payments

So, for example:

Lender 1 is owed £1,000

Lender 2 is owed £800

Lender 3 is owed £250

Total amount owing to all lenders £2,050

Total available to pay all lenders is £30 per month

To calculate the pro rata payment for each lender:

Lender 1 = $£1,000 \times 30 \div £2,050 = £14.63$ per month

Lender 2 = $£800 \times 30 \div £2,050 = £11.71$ per month

Lender 3 = $£250 \times 30 \div £2,050 = £3.66$ per month

Total repayment to lenders = £30.00 per month

Once you have worked out how much you can afford to pay each of your lenders you can write to them, enclosing your Budget Plan and offering your reduced repayment.

You'll find a letter template to help you on www.debtandyou.co.uk

Next steps

Start your reduced payments to your lenders even if they haven't replied or they have turned down your offer. If your lender takes you to court, this will show that you're committed to repaying your debts, which will help your case.

If you have a loan or overdraft with the bank or building society that provides your current account, they could continue to take the full payment. This may affect your ability to make reduced payments to your other lenders, so it is advisable to move your current account to a bank or building society where you have no outstanding debt.



Top Tips

- Continue paying your reduced payments, even if you haven't received a response from your lender or if they've rejected your offer.
- Always tell your lenders when another has accepted your reduced payment offer as this may persuade them to accept as well.



Dealing with your lenders

If you cannot meet your minimum monthly payments, it's vital that you contact your lenders as soon as possible. Your lenders should be sympathetic to your problem, providing you make them aware of your situation and demonstrate that you're committed to making every effort to repay what you owe.

Lenders typically accept an arrangement for a short period (such as six months) after which they will want to review your circumstances.

Writing a letter to your lenders

Your first letter should advise your lenders of your situation and ask for up-to-date information on your current position, including how much you owe, your arrears and any charges you have incurred. Ask them to suspend taking any action and stop any interest and charges whilst you compile your Budget Plan and your Repayment Proposal, explaining that you will be submitting these in the next letter as soon as you receive all the relevant information.

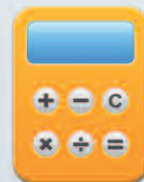
When writing to them you should keep a copy of everything you send. You should also ask them to put everything in writing, just in case you need to refer back to any correspondence. Your lender should be happy to provide copies of any information you need. If you do run into difficulties, you have the legal right as a 'data subject' to make a request to their data controller, for copies of any personal information they are processing that relates to you. Your lender is entitled to charge a fee of up to £10 for providing this information.

You can download the letter forms from www.debtandyou.co.uk to help you.



Top Tips

- Never ignore contact from your lenders.
- The sooner you inform them of your situation, the sooner you can reach an agreement.
- Keep copies of all correspondence, including your own.
- Keep a note of all telephone calls that are made and received, on what dates and who you spoke to.



Regaining control of your finances

If you feel that your situation is likely to be long term or you don't feel that you can deal with your lenders yourself, there are many different debt solutions available, dependant on your circumstances. The list below provides a brief explanation of the options available but it's important to make sure that you understand exactly what you're getting, and at what cost.

Debt Management

If you have multiple debts you may benefit from expert help that's administered by a professional debt adviser. Debt management can alleviate much of the stress and administration necessary to set up and maintain repayment agreements with your lenders. There are both free and fee-charging organisations that will help you compile your Budget Plan and organise your repayment programme.

They'll typically conduct all negotiations, liaise with your lenders on an ongoing basis and distribute funds on your behalf. They may also be able to negotiate a freeze in interest and charges, and will provide ongoing help and support throughout your time on the Debt Management Programme. It's important that you understand what service you are getting before committing to any Debt Management Programme.



Top Tips

- If you are unsure about anything, get independent advice.
- Deciding which route to take could have a big impact on your financial security now and in the future.



Individual Voluntary Arrangement (IVA)

If you have a substantial amount of debt that would take an unreasonable amount of time to pay off, you may be more suitable for an Individual Voluntary Arrangement. An IVA is a formal, legally binding agreement between you and your lenders, where you usually pay a fixed amount over a fixed period – typically five years – and can only be administered by an Insolvency Practitioner. Once agreed, your lenders are bound by the agreement and are unable to apply any further interest and charges or take further action, providing you comply with your obligations.

Upon successful completion of your IVA any remaining debt is 'written off'. However, you may have to contribute some of any additional income you receive, such as overtime and bonuses - and if you're a homeowner you may have to make some of the equity in your home available.

Remortgages

If you're struggling to pay off lots of individual accounts, a 'consolidation' mortgage that's big enough to pay off your original mortgage and other debts could be an option. You'll owe more to your mortgage provider but may be able to clear all your other debts, and you may be able to lower your monthly repayments. It's important to remember that making lower payments over a longer period could mean paying back more in the long term. **Think carefully before securing any debts against your home. Your home may be repossessed if you do not keep up repayments on a mortgage or any other debt secured on it.**

Secured loans

As with a remortgage, a secured loan is tied to your home and can be a good way to access cash tied up in your property. However, think carefully about your ability to meet future repayments as you could be forced to sell your home if you are unable to keep up repayments.



Top Tips

- If your circumstances change, talk to your lenders or your solutions provider immediately: a different solution may become more appropriate.



Regaining control of your finances

County Court Administration Order

Depending on your situation, you may qualify for an Administration Order; this is similar to a Debt Management Programme but is a legally binding agreement administered by the County Court. Once the Order has been granted, your lenders cannot apply further interest and cannot take further action. Monthly payments are made directly to the court and the Order runs for a maximum period of five years. Speak to your local County Court directly, visit www.hmcourts-service.gov.uk for more information or talk to an independent adviser to see whether this is an appropriate solution for you.

Bankruptcy

Bankruptcy can be another way of dealing with your debts, but may only be suitable in certain circumstances. It can enable you to write off your debts and make a fresh start in as little as a year. However bankruptcy should be considered very carefully and it is important to get advice before proceeding with this option.

- When you are declared bankrupt most of your assets, including your home, could be sold to pay towards your debts.
- Although the debt you can't afford to repay will typically be written off after one year, your credit rating will be affected for six years and the overall impact could be longer. Details of your bankruptcy will be held on the Insolvency Register and may be advertised. You may also be required to make a monthly contribution from your income for up to three years.
- Bankruptcy can affect your employment; you cannot hold certain public offices and are usually unable to work in the Armed Services, Police or practice as an accountant, solicitor or act as a director of a company.

Debt Relief Order

A Debt Relief Order is suitable for those with little or no income and few assets. In order to qualify for a Debt Relief Order, the total amount you have left to pay your unsecured lenders after normal household expenses must not exceed £50 per month. As with Bankruptcy, it is necessary to seek expert debt advice.



Top Tips

- Before you proceed with bankruptcy, talk to an expert first. They may be able to recommend a more suitable solution.



Understanding your credit file

Your credit file is a history of your credit agreements, held by the Credit Reference Agencies, which should be updated regularly by your lenders. If you have got into arrears on any borrowing it will be noted on your credit file. When you apply for further credit, the lender will use your credit file as part of their process to assess whether they will lend to you. If you have failed to make normal payments or have any County Court Judgments against you, this will show up on your file and could affect your ability to get further credit.

How to obtain a copy of your credit file

The contact section at the back of this booklet contains details of three of the main Credit Reference Agencies, which will provide a copy of your record for a small fee. Check the details thoroughly as, if you have evidence that your file is incorrect, they have an obligation to amend your details.

Information is held on your file for six years but once you have fully repaid all money owed you can apply to have the details updated and the debt registered as 'satisfied'. However, if you are declared bankrupt, the effect on your ability to get credit - such as a mortgage - could be more long term.



Top Tips

- As lenders use credit reference agencies to help them decide whether to approve your application, ensure your file is correct and up to date.



Your questions answered

What happens if my Repayment Proposal is rejected?

If your lender rejects your repayment proposal, you should initially contact them to ask them why your offer is unacceptable, as they have an obligation to consider any reasonable offer. You should also review your Budget Plan to see whether all of your expenditure allowances are reasonable or whether any items could be reduced to enable you to increase your Repayment Proposal. You can use the letter template on www.debtandyou.co.uk. It's important that your Repayment Proposals are sustainable, but you will also be expected to cut back on non-essential spending.

Even if your repayment proposal has been rejected, still make the payment as this will show that you are committed to repaying your debts. This will help your case should one of your lenders take you to court.

The interest and/or charges exceed my monthly payment. What should I do?

If interest or charges are bigger than your monthly repayment, you need to speak to your lender and ask them to consider reducing or freezing their charges, as continuing with these could prevent you from repaying your debt. **Try using the letter template on www.debtandyou.co.uk**

If I decide to get professional help, how can I be sure I'm dealing with a reputable company?

There are many debt solutions companies offering different services, so it's important that you understand the service each provide and what the cost will be. You can check on their literature or website to see if they belong to any trade associations, such as DEMSA (The Debt Managers Standards Association). DEMSA are the first trade body within the finance industry to successfully secure approval for its code of practice under the Office of Fair Trading's Consumer Codes Approval Scheme (CCAS).



Top Tips

- Your lender would rather have regular, small amounts than tie you to unmanageable repayments.
- If a lender rejects your offer, ask them why it's not acceptable.



Why would a debt collection agency become involved?

If you have consistently missed payments or ignored any lender communications, your debt may be passed on to an external agency. Even if you have written to your lenders, enclosing your Budget Plan and commenced the reduced payments, your lenders may still pass your account on. If this is the case, it is important that you supply the debt collection agency with a copy of your Budget Plan, Repayment Proposal and start making repayments to them.

How do I deal with bailiffs?

It is vital to treat any communications from a bailiff as you would a priority debt and respond immediately as they have extensive powers of enforcement. You may be able to reach an agreement with them direct, through the court or via your lender/utility provider. You should also consider taking immediate independent advice, particularly if you are unable to come to an affordable repayment arrangement.

Bailiffs are not normally allowed to use force to gain entry to your home, but it is perfectly legal for them to enter through an open window or unlocked door. Once you have allowed the bailiff in or they've used peaceful means to enter your home and levied your possessions, they are entitled to return and use force, if necessary, to seize these possessions. The exception to this is when the debt is owed to HMRC or from an unpaid magistrates' court fine: in this case it is legal for a bailiff to use force to break into your home, providing they have a magistrates court warrant.



Top Tips

- Remember, it's never too late to reach an agreement. Even if legal action has commenced, you might still be able to come to an arrangement with your lender.



Your questions answered

Glossary of terms

I've been sent details of a County Court Hearing. Do I have to attend?

It's always advisable to attend the hearing as it gives you an opportunity to represent yourself. If you don't attend, a decision will be made in your absence that may not be right for you. Make sure you have completed all the forms required and you have an accurate account of your income, expenditure, unsecured debts and repayment proposals.

Don't panic; your hearing will not be in front of a jury. The County Court process is designed to reach an agreement between you and your lenders and can actually help your situation by bringing about a conclusion.


I can't get a bank account. What can I do?

You may have been turned down because you're applying for accounts that offer credit facilities (such as overdrafts). You should be able to get a basic bank account that provides all the essential facilities. For details of the basic bank accounts available and the services you can expect to receive visit www.moneymadeclear.fsa.gov.uk

I have fallen behind on payments to a County Court Judgment (CCJ) - what can I do?


First contact your lender or the appointed debt collection agency directly to see if they will be flexible with your repayments, or if they will agree to a payment towards the arrears. If your lender doesn't agree or you have received documents from the court, you should contact the court or an independent adviser immediately for help.

Once in arrears, a CCJ can be enforced in a number of ways: through a Warrant of Execution (sending a court bailiff), an Attachment of Earnings (deduction from your wage), a Third Party Debt Order (freezing money held in a bank account) or through a Charging Order (secured against an asset, typically your home).



Top Tips

- Remember, you can get free, confidential advice to help you.
- Do not ignore any threats of enforcement action by the courts.



Annual Percentage Rate (APR)

This represents the total charge for credit for each year of credit. It incorporates all interest and any additional charges or fees and represents the true cost of the borrowing.

Arrears

Overdue payments.

Assets

Any property, cash or valuable belongings.

Administration Order

A legally binding agreement whereby you pay an agreed amount to the court who will then distribute it to your lenders.

Attachment of Earnings Order

An Order instructing your employer to deduct an amount from your wages.

Bailiff

A bailiff can either be from a private organisation or an officer employed by the court. They can be authorised to enter property to take goods which can be sold to repay debts.

Bankruptcy

When you are declared bankrupt you are found to be legally insolvent. There is more information about bankruptcy in the 'Regaining control of your finances' section.

Certificate of Satisfaction

You can apply (for a small fee) to be issued with a Certificate of Satisfaction upon successful settlement of a County Court Judgment which can then be provided to the Credit Reference Agencies to demonstrate that your account has been repaid.

Charging Orders

An Order made by the court allowing a charge on your property, which typically allows for settlement in the event of your house sale. However, non-payment could also result in your lender applying for an Order for Sale.

County Court Judgment (CCJ)

Lenders may take court action to recover a debt. This will usually result in additional costs being added to your debt. After considering your circumstances the court should usually set a monthly amount that you can afford to repay and should stop further interest being charged. A CCJ will be recorded on your credit record for a period of six years.

Glossary of terms

Credit Reference Agency

There are three main credit reference agencies operating in the UK. Each reference agency will provide the record it holds about you for a small sum but you need to supply your name (plus any previous names) and all addresses where you have lived in the past six years. The three main agencies are listed in the 'Useful contacts' section.

Creditor/Lender

A creditor or lender is a person or company that is owed money.

Debt Collectors

This usually refers to an organisation that has been appointed to collect money owed to another company. In some cases they will actually "buy" your debt and replace the firm that you originally owed money to.

Disposable Income

The money you have left over after paying your day-to-day living expenses and household bills.

Equity

Equity is the value of the property minus the balance owing on any mortgage or loans secured on it.

Insolvency Practitioner

A person qualified to handle formal insolvency cases such as bankruptcy and IVAs.

Interest Rate

The interest rate is the charge made on the money you borrow from your lender.

Payment Holiday

An agreed break in repayments for a temporary period.

Priority Debts

The debts you must always pay first; those that keep a roof over your head, your utilities supplied and any Court, Council Tax, Maintenance, HP (where they are essential goods) or child support obligations.

Pro Rata Payments

Payments that are proportionate to the balance outstanding.

Protected Goods

Typically, when you take out a Hire Purchase agreement, if you have paid a third of the total owing, your lender cannot repossess the goods without a court order and they become 'Protected'.

Secured Loan

A loan secured against an asset – typically your home.

Time Order

A Time Order is a way of asking the court to give you more time to pay a loan agreement (regulated by the Consumer Credit Act) if you have fallen behind with the payments. It can change the repayment amount, the repayment term or possibly the rate at which interest is charged.

Useful contacts

Advice UK

Network of advice-providing organisations.
020 7407 4070
www.adviceuk.org.uk

Bankruptcy Advisory Centre

Part of the Think Money Group.
Bankruptcy advice and help.
0845 056 6794
www.bankruptcyadvisorycentre.com

Business Debtline

Debt advice for the self-employed and small businesses.
0800 197 6026
www.bdl.org.uk

Call Credit

Credit reference agency.
0870 060 1414
www.callcredit.co.uk

Citizens Advice Bureaux

Independent advice on legal, money, family and other issues.
www.citizensadvice.org.uk
Visit website for details of your local office.

Consumer Credit Counselling Service

Debt advice and debt management services.
0800 138 1111
www.cccs.co.uk

Community Legal Advice

Confidential and independent legal advice.
0845 345 4 345
www.communitylegaladvice.org.uk

Consumer Direct

Government-funded advice service.
www.consumerdirect.gov.uk
0845 404 0506

DEMOSA

Office of Fair Trading accredited trade association for the debt management industry.
0113 277 7610
www.demsa.co.uk

Equifax

Credit reference agency.
0800 783 9421
www.equifax.co.uk

Experian

Credit reference agency.
0844 481 8000
www.experian.co.uk

Financial Ombudsman Service

An independent service for settling disputes.
0845 080 1800
www.financial-ombudsman.org.uk

Financial Services Authority

Financial services regulator. Also provides practical, downloadable guides on managing your money.
0300 500 5000
www.moneymadeclear.fsa.gov.uk

Freeman Jones Limited

Part of the Think Money Group. Insolvency experts specialising in IVAs.
0800 970 7725
www.freemanjones.co.uk

Gregory Pennington Limited

Part of the Think Money Group. Debt advice and debt management services.
0800 161 3516
www.gregorypennington.com

Law Centres Federation

Free independent legal advice and representation.
0845 345 4 345
www.lawcentres.org.uk

Legal Services Commission

Legal aid in England and Wales. Provides information, advice and legal representation.
0845 345 4 345
www.legalservices.gov.uk

National Debtline

Telephone debt advice with downloadable fact sheets, budget forms and letters.
0808 808 4000
www.nationaldebtline.co.uk

Office of Fair Trading (OFT)

The UK consumer and competition authority.
0845 404 0506
www.oft.gov.uk

Payplan

Debt advice and debt management services.
0800 917 7823
www.payplan.com

R3: Association of Business Recovery Professionals

Insolvency Practitioners' Trade Association.
0207 831 6563
www.r3.org.uk

Tax Credits

Information on tax credits.
0845 300 3900
www.hmrc.gov.uk/taxcredits

Thinkbanking Limited

Part of the Think Money Group. Managed bank account and budgeting service.
0845 056 6715
www.thinkbanking.com

Think Money Limited

Part of the Think Money Group. Advice on a complete range of financial solutions.
0800 074 4222
www.thinkmoney.com