



*the independent
advice network*



Dealing with Debt

As debt problems reach an unprecedented high, more and more people on low incomes are struggling to manage escalating debt. According to the Northern Ireland Anti-Poverty Network, the government says that the annual net income for a family of four living on the poverty line is £15,912 pa which is almost £2000 pa less than is needed to provide for essential living costs such as housing, travel, utilities and household needs such as food and clothing. The reasons for people getting into unmanageable debt range from lifestyle choices to relationship breakdown, bereavement, illness or injury and other life changing events. Living on a low income is one of the major causes of debt in Northern Ireland, so if you are reading this guide because you are struggling with mounting debt, be assured you are not alone.

Understanding how to manage money is key to resolving debt issues and this guide is designed to give you basic advice and information on how to deal with your debts and where to go for further help. On the back page is a list of organisations that will be able to help you deal with your creditors and provide advice, assistance and support to enable you to manage your finances. There is also a list of internet sites which you may find useful to visit.

A Note of Caution about TV and Newspaper Advertisements

Access to credit for people with mental health problems can be hard to come by and you should be wary of TV and newspaper advertisements offering credit to people who have a poor credit history or are on a low income. These credit providers will charge high interest rates and will be an extremely expensive way of borrowing money in the long term.

You may also have seen various companies advertising on the television or in newspapers, offering to clear your debts or to make a case in court that you do not owe the money. You may be interested in using these services, but should be aware that these companies charge fees for their services and cannot guarantee that your debts will be written off.

Realistic Budgeting

The key to dealing with debt is to identify a realistic budget which includes planning for unexpected expenditure like repairs to appliances or special occasions and stick to it. This can be quite a disheartening process when money is tight and there never seems to be enough to cover all your needs. You can get help with this either by using a self help pack or by contacting one of the organisations you will find on the back page of this guide.

Sometimes just writing down everything that you spend your money on and comparing that to the income that you receive, will help you to see why you are getting into debt – it can also be a bit scary!!

Once you can see clearly where your money is going, you may be able to identify ways to reduce your expenditure on some items and prioritise your spending. You may find cheaper alternatives, for example buying items from charity shops or you may find a group in your area (e.g. freecycle) that offers unwanted items free if you collect them. If you have access to the Internet there are lots of sites that offer discounted prices on a variety of items. There is a list of useful Internet sites on the back of this leaflet.

Unmanageable debt and the stress it causes has been linked to mental health problems and relationship breakdown but there are plenty of organisations who can help you deal with your debts and negotiate on your behalf with creditors. The first step is to seek help and identify priority spending.

Understanding what can happen if you don't pay for essential items for example your rent or mortgage or your utility bills will help you to decide your priorities.

What can happen to me if I don't pay my creditors?

Different creditors have different sanctions open to them if you don't pay your debts.

Mortgage and Rent

It is important to pay bills like your mortgage or rent because your home is at risk if you don't. Non payment of rent or mortgage allows a landlord or mortgage lender to repossess your home so these will always be a priority to repay.

Rates

Most occupiers are liable to pay rates although if you rent in the private sector, this may be the responsibility of your landlord. If you are not sure whether you are responsible then check your tenancy agreement. If you get into arrears with your rates and do not

make an offer to repay then you will lose your right to pay in instalments and ultimately court proceedings will be commenced to recover monies owed. If a court order (a decree) is granted and you do not make arrangements to repay the debt this may lead to enforcement which could include bankruptcy.

Utility Bills

If you don't pay your utility bills for example your gas, electricity or telephone bills you could be disconnected (although this is rare). You cannot be disconnected without a court order.

Credit Debts

Payment of credit debts, for example credit cards or loans will usually only be a priority if you own

your property because the worst a creditor can do is to take you to court and seek a County Court judgment requiring you to pay. Although this is to be avoided if possible, the court will almost always allow you time to repay.

Homeowners however, should be aware that if no proposal to repay the debt is agreed with the creditor or the court, then the creditor may seek to secure the debt on your property.

Summary

So, the following expenditure should always be considered a priority: Rent or mortgage payments, rates, utility bills and taxes.

Are you getting all the benefits, tax credits and maintenance you are entitled to?

If you are unable to work, looking for work or have a low income you may be entitled to help from welfare benefits. Below are some of the key benefits you may be entitled to.

Income Support

Income Support is extra money to help people on a low income. Whether or not you qualify and how much you get depends on your circumstances.

You may be eligible if you aren't available for work e.g. if you are looking after young children or you are working less than 16 hours a week. You may also get Income Support if you're a disabled worker who earns less than someone in the same job without the same disability. You must be over 16 years old and usually not studying full time.

Tax Credits

Tax credits are payments from the government. If you're responsible for at least one child or young person who normally lives with

you, you may qualify for Child Tax Credit. If you work, but earn low wages, you may qualify for Working Tax Credit.

Employment and Support Allowance

You may be able to get Employment and Support Allowance (ESA) if you have an illness or disability that affects your ability to work. ESA offers you personalised support and financial help, so that you can work if you are able to.

Help with housing costs

If you rent your property you may be entitled to housing benefit which may pay all or part of your rent. How much you receive will depend on your income. If you pay rates you may also be entitled to rate relief.

If you are buying your home with a mortgage you may be entitled to help with the interest payments through the income support mortgage interest relief scheme (ISMI).

You may also be eligible for a grant to help pay for adaptations for a disabled person or to insulate your property.

Paying your utility bills

If you are having difficulties paying for your gas, electricity or telephone bills, you should contact your supplier and explain your situation. Most utility companies will allow you to pay off arrears in instalments and for gas and electricity you may be offered a pre-payment meter. With a pre-payment meter, you use a smart card, key or token (or, sometimes,

coins) to pay for your gas or electricity as you use it. You recharge your card or key at PayPoint outlets like newsagents and Post Offices. The meter will be set so that each time you insert your prepaid card or token, some of the arrears will be repaid.

You may be able to agree that money is taken directly out of your benefits to repay your arrears.

You may be able to get energy efficiency grants and offers to help you make energy saving improvements to your home. These grants and offers come from government, your local council or your energy supplier.

If you are in arrears with your telephone bills you may be able to arrange to repay the arrears in instalments.

It's worth checking whether your energy provider has a hardship fund for people in arrears.

Social Fund

The social fund is money provided by the government to help people on low incomes. If you don't have enough money to meet your (or your family's) immediate short term needs in an emergency, or as the result of a disaster you can apply for a crisis loan. This is an interest free loan and there is no fixed amount as to how much you can borrow. How much you can

borrow will depend on your individual circumstances.

Help with childcare and/or education

If you work, and pay for childcare, you may be able to get tax credits to help with the costs. You usually have to work for at least 16 hours a week to qualify. You can get help with up to 80 per cent of your childcare costs.

Help with health costs

Most Health Service (HS) treatment is free, although there can be charges for some things. Depending on your circumstances, you might get help with the cost of some treatment, services and items.

What options are there for dealing with my debts?

The most important thing to do if you get into debt is not to panic and to seek advice and assistance as soon as possible. Although it is tempting to bury your head in the sand and hope the problems will go away, letting creditors know that you are having difficulties is the first step towards taking control of your finances.

For people living on low incomes, it is particularly difficult to budget effectively when there is never enough money to pay for all the things you need. Your local advice agency will be able to tell you if there are any grant giving organisations that may help you with higher cost items such as fridges or washing machines or help you repay arrears on your priority debts.

Prioritising your expenditure becomes even more important when living on a tight budget and it may be that even if your spending is restricted to absolute essentials there will be little or nothing left for the creditors.

Below is a short summary of different options that might be available to you, for more details on any of these options, please contact your nearest advice centre.

Debt Management Plans (DMPs)

There are two different types of debt management plans. A formal DMP is where an agency will work out your disposable income and then share that between your creditors. You make one payment to the agency, usually monthly and they distribute that sum on a pro-rata basis to your creditors. The advantage of this option is that the agency deals with the creditors on your behalf and you only have to make one payment to one agency instead of paying all the different creditors separately. Some DMP companies however, will only accept you on a plan if you have at least £100 disposable income per month.

Negotiating with Creditors

Most creditors are open to negotiation when people find themselves in financial difficulty. You may be able to arrange no payments or smaller repayments for a short period in cases of temporary difficulty. Occasionally, if you have no spare money available to repay your debt, it may be possible to ask the creditor to write your debt off or if you have a lump sum available that is not enough to repay the whole debt you may be able to negotiate a full and final settlement offer. Negotiating with creditors can be tricky but there are plenty of experienced money advisers that can help you with this.

Help from the Courts

If your total amount of debt is less than £5000, you may be able to ask the court to make an Administration Order. You must have at least one county court judgment and at least two debts to be eligible. If the order is made, the court will order you to pay a sum that you can afford to the court each month and that sum will be distributed to your creditors. An administration order prevents your creditors from taking any further action against you.

Bankruptcy

If you have many debts and your situation is unlikely to improve in the foreseeable future, declaring yourself bankrupt might be a suitable option for you. This involves going to court and asking for a bankruptcy order. Once the order is made, you will have very limited access to credit and if you have disposable income this may be used to pay your creditors. Usually you will be discharged from bankruptcy within a year. However, this is not an option that should be taken lightly. If you are a homeowner you are likely to lose your home. If this is an option you would like to consider you should get advice from an experienced money adviser.

These are just a few of the options that may be available to you. The best thing is to seek help and assistance from an experienced money adviser who will be able to explain all of your options in detail and prepare a full financial statement for you to show your creditors.

Understanding Money Matters

Managing your Finances

For some people, managing their finances is an uphill struggle. Problems with reading, writing or numbers can make tasks like writing cheques or understanding a bank statement extremely difficult. People who have these difficulties are excluded from making informed choices about how to spend or save their money.

Bank Accounts

Nowadays we all need to have a bank account into which wages and or benefits can be paid, but there are many different types of account and some work better than others depending on your financial situation. Some people find it difficult to open a bank account because of a poor credit history. A money adviser can help you with this and explain the advantages and disadvantages of different types of bank account.

Credit

Do you rely on access to credit for birthdays or Christmas or when you need to replace essential items? Some forms of credit are extremely expensive whilst others provide an easy low cost way to spread the cost.

Many people get into financial difficulties through relying on credit to subsidise low incomes. However, most of us use credit at some time in our lives to pay for expensive items or when faced with unexpected expenditure. Providing you can afford to repay your credit and the interest rate is not too high, there is nothing wrong with buying goods or services on credit. Catalogues offer a variety of goods allowing you to pay for items in instalments usually over 20-38 weeks or longer for high-priced items. However the cost of the item is likely to be much higher than from discount stores on the high street or via the Internet.

Credit Unions

Credit unions offer low-cost loans to their members. A credit union is a profit-sharing co-operative run by its members. The three main aims of a Credit Union are to encourage its members to save regularly; to provide loans to members at very low rates of interest and to provide members with help and support on managing their financial affairs if required.

If you would like to know more about joining a credit union, contact one of the advice agencies listed overleaf or the Companies Registry.



Organisations you can contact for further help:

Energy Saving Trust Advice Centre

1-11 May Street
Belfast BT1 4NA
T: (028) 6634 0780
Email: ni.advice@est-ni.org.uk
FREE PHONE ADVICE LINE 0800 512 012

Advice NI

1 Rushfield Avenue,
Belfast BT7 3FP
T: 028 9064 5919

Housing Rights

4th Floor Middleton Buildings
10 - 12 High Street
Belfast BT1 2BA
T: 028 9024 5640

The Companies Registry (for Credit Unions)

Department of Enterprise, Trade and Investment
1st Floor, Waterfront Plaza
8 Laganbank Road
Belfast BT1 3BS
T: 0845 604 8888

Useful links and resources:

www.nidirect.gov.uk

www.dsdni.gov.uk

www.adviceni.net

www.housingrights.org.uk/

www.adviceguide.org.uk/nireland

www.cccs.co.uk

www.hmrc.gov.uk

www.creditunion.ie

