



Dealing with Debt

Older people and pensioners are among the worst hit during hard times and retired people are finding it harder to manage as savings are eroded and everyday essentials increase in cost. Traditionally, older people were significantly less likely to get into debt than younger people but increasing pressures to support grown up children and grandchildren, rising bills and reduced income mean that more and more older people are struggling to manage their finances and live within their means.

A recent survey found that one fifth of 55 to 64-year-olds in the UK still owe more than £75,000 on their mortgage which they will not be able to afford to pay once they have retired. In Northern Ireland 28% of pensioners are surviving below the poverty line and one older person in every seven lives in severe poverty.

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

You will no doubt have seen advertisements in the newspapers or on television offering easy credit. You should be very wary of taking out loans with these companies because the interest charged will be high and it will be an extremely expensive way of borrowing money in the long term, if you are a homeowner they may try and persuade you to secure the debt on your home. It is always a good idea to seek independent financial advice before borrowing.

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 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. Make sure that you are getting all the income and grants you are entitled to. 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.

Many older people feel ashamed of being in debt and hide their problems from their families and friends but nowadays many people of all ages have debt problems and seeking help is the best way to take control of your finances and reduce the stress that the debts are causing you.

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 retired or still working but 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. Your local advice agency or any of the organisations listed on the back page of this guide can give you more details and help you make an application.

State Retirement Pension

You may be entitled to a state retirement pension if you are not working, aged over 65 (male) or 60 (female) if you have worked for long enough. The rules are quite complex and the minimum age is changing over the next few years so if you are not sure whether you can claim this do get advice and assistance from your local advice centre.

Pension Credit

If you are of pensionable age, living on a low income you may be entitled to the guaranteed element of pension credit. If you are aged 65 or over you may be entitled to the savings element of pension credit which gives you additional monies. You might get

more Pension Credit if you have caring responsibilities, have severe disabilities or have certain housing costs. Your local advice agency or any of the organisations listed on the back page of this guide can provide you with more details of pension credit.

Attendance Allowance

If you are aged over 65, Attendance Allowance is a benefit that can be paid if you need help with looking after yourself. If you receive Attendance Allowance you may be entitled to an extra amount of other benefits for example pension credit and housing benefit. It is not means tested.

To apply, you need to fill in a form which you can either fill in online or get one posted to you by phoning

the Benefit Enquiry Line. You can get help with this from any advice agency. If you are under 65 years of age you may be able to claim Disability Living Allowance which is a similar benefit for younger people.

Extra help for Older People

If you are receiving certain benefits and/or you are aged over 60 years you may be entitled to extra financial help in certain situations. Help available includes Cold Weather Payments and a Winter Fuel Payment of £250 - £400 to help pay fuel bills.

Residents of Northern Ireland aged 60 and over are eligible for free travel on Translink buses and trains.

People aged 75 years or older are entitled to a free TV Licence. An application can be made by telephone on 0844 8006790.

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

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

Help with health costs

Everyone aged over 60 can get a free sight test. If you receive Pension Credit or have a low income then you could also get help with the cost of a dental check-up or treatment, your glasses, or even fares to and from hospital for treatment.

Help with housing costs

If you rent your property, and receive pension credit or have a low income, you may be eligible

for housing benefit to help pay all or some of your rent. You may also be entitled to help with your rates.

If you are aged 70 or above, live alone and still pay rates, you could be entitled to a 20% reduction on your rates bill.

If you receive Pension Credit you can get extra housing benefit.

If you are buying your property with a mortgage, you may be able to get help with the interest you pay if you are in receipt of Pension credit. You can only claim for help towards the interest, not the repayment of the capital.

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.

People in debt are often intimidated by threatening letters and phone calls and you may be tempted to borrow more money to keep aggressive creditors happy. This will just cause more problems in the long term. Most creditors will accept an offer to repay debts in instalments according to what you can afford. A money adviser will be able to help you create a financial income and expenditure sheet to identify what (if anything) you can afford to offer. They will be able to negotiate on your behalf and agree a plan with you for dealing with your 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:

Ageni

3, Lower Crescent,
Belfast BT7 1NR
T: 028 9024 5729

Advice & Advocacy Freephone 08088087575

Department for Social Development

Benefit Enquiry Line
Freephone: 0800 220674

Translink (for free travel passes)

T: 0289 0666630
Email: callcentre@translink.co.uk

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.cccs.co.uk

www.creditunion.ie

moneyadvice@lcdi.co.uk

www.olderpeoplesadvocateni.org

www.ageni.org

www.belfastcentralmission.org

www.citizensadvice.co.uk

