

## DEBT MANAGEMENT PLANS

### FACTSHEET 11 (2019)

#### What is a Debt Management Plan?

- A debt management plan (DMP) is an affordable repayment programme which Business Debt Service will help set up for you. It is managed by a free independent debt management company.
- Business Debt Service will help you work out what you can afford to pay each month.
- You pay this amount to the debt management company.
- The debt management company pays your money to all your creditors for you.
- Any debt management company we work with will not charge you a fee.

#### Am I able to apply for a DMP?

The usual criteria for a DMP are:

- Is your total debt £3,000 or more?
- Do you have at least two or more debts with different creditors?
- Do you have approximately £50 or more available income per month – after you have paid all your normal household bills?

However this criteria is a guide only and you may still be applicable to apply for a DMP even if you do fall outside these criteria. To check if a DMP may still be suitable **contact us for advice**.

#### How does a DMP work?

First you need to put together a household budget sheet to see whether you have enough available income. Business Debt Service can provide a budget template for you and help you complete it.

**Contact us for advice.**

A budget sheet is an overview of your household income and expenditure. Therefore, to complete this you must add up all your household income. You must then add up all your essential expenses, for example rent, mortgage, household utility bills, food, travel & childcare.

If your available income is approximately £50-100 or more, a DMP might be a good option for you.

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You then subtract the total expenses figure from your total income figure, and what you have left over is your available income to pay your credit debts budget.

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## Is a DMP the best option for me?

A DMP is a good option for people who can afford to make regular payments to their creditors and want an easy, hassle-free way to pay. At Advice NI's Business Debt Service we look at your overall financial situation and make you aware of which options are suitable for your financial circumstances so that you can then make the best choice.

We have a factsheets on **Bankruptcy** and **IVA's**, which may be of assistance to you.

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We can give you further information about DMPs, as well as advising you on bankruptcy, individual voluntary arrangements (IVA's), debt relief orders (DRO's) and self-help options for dealing with your debts.

Under the rules in the Consumer Credit Act 1974, your creditors will usually have to keep sending you annual statements, as well as arrears and default notices in a set format. This will happen even when you are in a DMP. Don't worry, this does not mean that there is a problem with your debt management plan. If you receive other letters from your creditors demanding payment and you are in a DMP, contact us for advice.

Creditors do not have to freeze interest while you are in a DMP. The debt management company will have to persuade each creditor that it makes sense for them to freeze interest and charges to avoid the debt increasing to help your financial situation.

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## Will I be charged for a DMP?

You may come across companies who offer to arrange a DMP for you if you pay a fee. These companies will also charge you a monthly fee for as long as you have a DMP with them. Be very careful about agreeing to use these companies to assist you as there is no need for you to pay for a DMP.

If you ask Business Debt Service to help you to refer to someone to set up a DMP we will not charge you for this help and neither will the DMP providers that we will refer you to.

The DMP provider we will advise you to use will make available all of the payments you make to reduce your debt.

## What do I do next?

If you are interested in more information on a DMP, **contact us for advice**.

You can then speak to an adviser who can give you more information about DMPs and also advise you on any other options that may be suitable for dealing with your debts.

## Your credit reference file

If you miss payments on a credit debt, this will be recorded on your credit reference file by your creditor whether or not you then set up a DMP. This will usually make it harder for you to get credit. Some creditors may also ask for a note to be put on your credit reference file to say you are on a DMP.

If you need further information on how to obtain a copy of your credit reference report, **contact us for advice**.

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