



Dealing with Debt

Debt is one of the major causes of stress for lone parents. According to surveys carried out in Northern Ireland, three quarters of single parents are using credit to manage their finances and approximately 40% of lone parents said they were "always in debt", compared with only 28% of couples.

Lone parents are twice as likely as couples to have arrears on household or consumer credit bills and many lone parents are forced to borrow from doorstep lenders and catalogues.

Coping on a low income and meeting the needs of your children can be a pretty daunting task at the best of times and when you have no one to share the burden with, it is easy to feel isolated and desperate.

The good news is that there are many organisations that can help you in various ways. This guide is designed to inform you of the options available to deal with your debt problems and provide you with information on where to get further help. Your local advice centre will be able to offer you free advice and assistance in dealing with your debts.

A Note of Caution about TV and Newspaper Advertisements

Access to credit for lone parents and people on low incomes 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.

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.

Lone parents have a particularly tough time prioritising their spending as there are so many things your children want or need and it is easy to get into debt when birthdays or Christmas come around. 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?

A key way to maximise your income is to ensure that you are receiving all the extra income you might be entitled to by way of benefits, tax credits and maintenance. Your local advice agency will be able to do a 'benefits check' for you which will identify any benefits that you might be entitled to but are not currently claiming. If you are not working but would like to return to work an adviser will also be able to do a 'better off calculation' which will identify if you would be better off financially by returning to work. This calculation is particularly important as surveys show that for a significant number of people, it is a return to work and all the expense associated with that e.g. child care and travel costs coupled with the loss or reduction of benefit entitlement, that leads to escalating debt. However, for many people getting back to work is the first step towards becoming debt free.

Below is a brief summary of the key financial help you may be entitled to as a lone parent. Your local advice centre will be able to provide you with more details of what benefits you may be entitled to and how to claim them.

Income Support

If you aren't available for full-time work for example you are caring for a child under 10 yrs old (under 7 yrs from October 2010) and you don't have enough money to live on, you may be able to get Income Support. Whether or not you qualify and how much you get depends on your circumstances.

Jobseeker's Allowance

If you are able to look for full-time or part-time paid work you may be able to get Jobseeker's Allowance. Whether or not you qualify and how much you get depends on your circumstances.

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.

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.

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 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 or have deductions taken from your benefits. For gas and electricity arrears, you may be offered a pre-payment meter. The meter will be set so that each time you insert your prepaid card or token, some of the arrears will be repaid.

For arrears on your telephone bill, you may be able to arrange to repay the arrears in instalments.

Social Fund

The social fund is money provided by the government to help people on low incomes. For unexpected expenses, you may be able to take out a budgeting or crisis loan which is repaid directly from your benefits.

If you are dependant on benefits, you may be able to apply for a Community Care grant if you are moving home to more suitable accommodation or are under exceptional pressure for example illness or relationship breakdown. Community Care grants can pay for furniture, household appliances and other essential

items other than daily living expenses, travel costs or clothing.

You can also get other help from the social fund e.g. help with funeral payments.

Maintenance

As a lone parent, bringing up a child on your own, you have a right to receive regular maintenance payments from your child's other parent. This can be a private arrangement or can be arranged through the Child Support Agency (CSA). How much you receive will depend on the income of the non-resident parent.

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.

You may also get extra help with childcare costs if you join the Steps to Work programme. This programme is designed to help you back to work by providing a personal adviser to support and advise you and some opportunities for training. More information on this opportunity is available from your local Jobs and Benefits Office.

Free pre school education is available for most children in the year before they enter primary education.

Getting back to work

Job Grant is a one-off tax free payment of £250 for lone parents which you may get when you start working for at least 16 hours a week and stop getting benefits.

You may be entitled to Job Grant if you start work for at least 16 hours a week and you expect your work to last for at least five weeks. You must also have been claiming certain benefits for at least 26 weeks before starting your new job.

Job Grant is tax-free and doesn't reduce other benefits or tax credits you may be entitled to once you start work.

If you qualify for the Job Grant you'll also be eligible for Extended Housing Benefit.

Child Trust Fund

The Child Trust Fund (CTF) is a long-term tax-free savings and investment account for children born on or after 1 September 2002. The government gives every eligible child a voucher for £250 to start the fund and family and friends can add to the savings in the account to a maximum of £1200 a year.

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, seeking help from an experienced money adviser is the first step towards taking control of your finances. 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.

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. Catalogues offering a variety of goods allow 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 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.



Organisations you can contact for further help:

Gingerbread

Freephone Advice Helpline

0808 808 8090

Email: advice@gingerbreadni.org

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.gingerbreadni.org

www.onespace.org.uk

www.something.net

www.creditunion.ie

www.companiesregistry-ni.gov.uk

