

What options are available?

Ways to deal with debt.



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There are a range of options available to help you to deal with your debt. Before deciding on any of the options please speak to a Debt Action NI Adviser.

The Limitations Order sets out time limits that creditors/debt collection agencies have to collect the money that you owe them. In certain circumstances you may be outside the time-limits and may no longer have to pay your debt.

Please contact a Debt Action NI Adviser for further information BEFORE you contact any creditor.



Debt management plan (DMP)

A Debt Management Plan (DMP) is an informal plan that helps people who are unable to maintain their contractual payments to creditors repay their debts at an affordable rate. This can sometimes take a number of years.

A DMP may not be suitable for you if you have little disposable income. You can arrange a DMP yourself or use a third party. Be careful as some Debt Management Companies charge a fee for doing this so always ask before entering into an agreement.

Consumer Credit Counselling Service (CCCS) provides DMPs free of charge. Call 0800 0274990 or visit www.cccs.co.uk

Bankruptcy

Bankruptcy can help you rid yourself of debt which would otherwise take many years to repay. It should not be taken lightly as you could lose your home and other assets.

Bankruptcy can be expensive. It normally lasts for one year and you must declare any change of circumstances to the Official Receiver during this period.

For further information see the leaflet on Bankruptcy at www.debtaction-ni.net

Individual voluntary arrangement (IVA)

An IVA is a legally binding arrangement between you and your creditors, where a fixed affordable monthly payment is agreed over a fixed term (usually five years). Your creditors will not chase you for payment if you keep to the agreement. They will not add anymore interest to your balance unless you are able to pay the debts in full during the term of the IVA. You cannot arrange an IVA without an Insolvency Practitioner (IP).

Your IP will act on your behalf to agree the payment proposal and support you throughout the arrangement. An IP will charge for their services. It is important to check how much they will charge and how they will want to be paid.

Settlement offers

If you have recently received a lump sum of money, you could use this to offer your creditors a one off payment to clear your debt. This is known as a 'full and final settlement'. The offer may be less than the outstanding balance but, if accepted by the creditor, it can be classed as full payment.

When considering a settlement you must always get written acceptance of your full and final offer before you send any money to your creditors. Some or even all your creditors may not accept your offer, but a Debt Action NI Adviser will be able to help you negotiate with them.

Moratorium

A moratorium is when your creditor agrees to a temporary break in payments and / or actions for a short period of time, usually 3 to 6 months. This could be due to changes in circumstances, such as selling your home or returning to work etc. or because you want some time to assess your situation before deciding on which options is best for you.

Please note that your original debt may increase due to interest payments.

Charitable payments towards debts

After calculating your budget, if there is little to no income left over, to pay towards your debts you may be able to get help with your priority debts from a charity or benevolent society.

Writing Off the debt

You can ask creditors to write off your debt though they are only likely to consider this if you can persuade them that it is not cost effective for them to collect the debt. Creditors usually only write debt off in exceptional circumstances, such as, where you have a serious illness, you have lost your job or you are experiencing severe financial hardship and this is unlikely to improve in the future.

Remortgaging

Remortgaging is when you take out another mortgage on your property or increase your current mortgage to release some of the equity (money). Remortgaging can, if the right mortgage is found, help you release the money that is in your property into a lump sum to repay your debts.

You should seek professional legal and financial advice before making the decision to remortgage.

Equity release

Equity release allows you to release equity (money) in your property and continue to live there. You can then use this money to help pay off your debts.

Each equity release plan will differ, including the amount of money you can release. Many have a minimum age requirement and you must be a homeowner.

It is important to remember that the money will have to be paid back either monthly, when the home is sold or when you die. Providers will charge for administrating the plan and you should always ask how much these charges are before entering into a plan.

You should only consider equity release once all other options have been explored. You should seek professional legal and financial advice before choosing this option.

Debt consolidation

Debt consolidation is where you take out one large loan to pay off your other smaller debts. This means you only pay one payment per month rather than a number of payments at different times throughout the month.

There are a number of things to consider when consolidating debt and you should seek professional legal and financial advice before making the decision.

Debt Relief Order (DRO)

Debt Relief Orders (DRO) are due to be introduced in Northern Ireland in 2011. It is expected that DRO's will provide an alternative option for people with less than £15,000 worth of debt.

*For further help and advice including
information on Debt Advisors in your area
contact:*

Debt Action Northern Ireland
www.debtaction-ni.net



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