



Citizens Advice Bureau

Citizens Advice Bureaux give free, confidential, impartial and independent advice to help you solve problems. To find your nearest CAB go to www.citizensadvice.co.uk or find us in the phonebook.

Other factsheets in this series

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Dealing with people you owe money to:

If you're in debt, it's important to keep in contact with the people you owe money to (your creditors). If you're very worried about your debts, you may be afraid to contact them, but you can get help to do this.

If your creditors don't know you're having financial difficulties, they'll assume you don't want to pay and start taking action against you. It's almost never too late to start talking to your creditors and most will appreciate it if you contact them.

dealing with | debt
in Northern Ireland



Dealing with people you owe money to



Dealing with people you owe money to

Having debt that you find difficult to pay can happen for a number of reasons, sickness, family breakdown or loss of employment. If you find yourself in this situation it is extremely important not to ignore it. If you are afraid to contact creditors, or not sure how to go about it, help is available.

Contacting Creditors

When you contact your creditors, explain why you're in debt. If the first person you speak to is unhelpful, ask to speak to someone more senior. Explain that you're trying to deal with your debts and you will contact them again shortly when you're in a position to know how much you can afford to pay. Ask them if you can stop paying interest on your debts in the meantime. This is called freezing the interest.

If you have to carry on paying interest, your debt will just keep on growing. Don't ignore creditors' letters or phone calls.

Keep copies of all the letters you write and make a note of all telephone calls or meetings. This should include the name of the person you spoke to and what you agreed.



Draw up a budget for your creditors

Make a list of all the people you owe money to and how much you owe them. Then work out how much you can afford to pay. To do this, you'll need to draw up a **budget**, listing all the income and outgoings of your household. Use the **Budget Sheet** to work out how much you've got left over after paying your outgoings, you'll be in a position to go back to your creditors and explain how you can pay off the arrears.

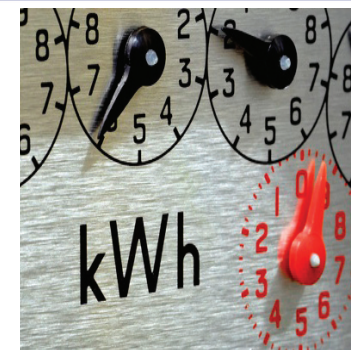
Deal with the most important debts first

It's important to deal with certain debts first. These are called **priority debts** because the consequences of not dealing with them can be very serious. Priority debts are things like **rent**, **mortgage** and **rates**. When you contact your priority creditors, give them your budget sheet so they know your financial situation. You may be able to pay an extra bit each month until the arrears are cleared. Or you may not have any extra money at the moment but know you'll have a lump sum in three months' time which will clear the debt completely. If you can't afford to pay anything to your priority creditors and your situation isn't likely to get better, the outcome may be very serious. **Get advice straight away.**

Dealing with people you owe money to

How to deal with the less important debts

How you deal with the less important debts will depend on whether you have any money left over after dealing with your priority debts and paying for essential household expenses like housing costs and food. You should divide your money fairly amongst all the people you owe less important debts to. These are called **non-priority** creditors. Your payments should be based on how much money you have to spare and how much money you owe to each non-priority creditor. Give each creditor your budget sheet so they know your financial situation.



Don't be talked into making payments you can't afford. You won't be able to keep them up and you'll just get into more debt.

Once your creditors have accepted your offer to pay, start making payments straight away. Even if a creditor doesn't accept your offer immediately, you could still **start making payments**. This will show them you are acting in good faith and may help with negotiations later on.

If you can't offer any money to your non-priority creditors, explain why. Ask them if they'll let you stop making payments for three to six months. Say you'll contact them as soon as your situation changes and you're able to start payments again. Or you could try making a token offer of £1.00 a month to all your creditors.

If you can't reach an agreement with one of your creditors, contact an experienced adviser. Don't be persuaded to increase an offer to one creditor. This would mean you had less money to pay to the others. If creditors don't think you're treating them all fairly, they can refuse your offer to pay altogether and start court action against you. Some creditors may suggest you take out a further loan with them to consolidate your debts. Don't take out a loan until you've had financial advice. If you're unsure what to do, get **expert debt advice.**



Dealing with people you owe money to

If your circumstances change

If your circumstances change, draw up a new budget and make new offers to pay based on how much you can now afford. Write to all your creditors explaining the reasons for the new offer and send them a copy of your new budget.

Most non-priority creditors will only accept payments for a limited amount of time. This will usually be three or six months. Provided you have made regular payments, they will contact you again at the end of the period to find out whether your circumstances have changed. You may have to send them an updated budget.

How to deal with debt collectors



A creditor may have transferred your case to a debt-collecting agency and won't deal with you personally after that. Don't let debt collectors pressure you into making arrangements you can't keep up. There are guidelines that debt collectors have to follow.

For example, they are not allowed to intimidate you, harass you or pretend to have more legal powers than they really have. They are not allowed to **discriminate** against you because of your **race, sex, disability, sexuality, or religion**. A debt collector must be very careful when dealing with someone who has a physical or mental illness. For example, a debt collector should not continue with a home visit if it is obvious that someone is suffering from a mental illness.

If debt collectors don't follow these guidelines, action can be taken against them. If you're being harassed by debt collectors, get further advice from an experienced adviser.

How to deal with court action

A creditor may threaten to take you to court. However, they usually have to send you a written notice first, warning you that they will start court action if you don't settle your debt.

If court action has started, make sure you always reply to letters from the court within the time limit. Get advice if you don't know how to fill in these forms.

Dealing with people you owe money to

If you agree that you owe the amount claimed, fill in the admission form, which you'll get with the other court documents. You'll have to give details of your financial situation. If you've already worked out a budget, you can use this to help you fill out the form. If you've already worked out how much you can afford to pay your creditors, you can offer to make payments for the same amounts. If your offer is refused or you don't accept that you owe the money, you should get advice from an experienced debt adviser.

What happens if you are taken to court?

If the claim against you is for less than £2,000, the court will almost certainly decide it's a small claim. The information that follows applies to small claims. If you owe more than £2,000, you should get experienced advice immediately. When a claim is made against you, you'll receive a number of documents from the court. The first document will be the **claim form**. There will be a claim number on it, which should be quoted on any letter or document you send to the court. The claim form must be stamped by the court. If yours isn't, the person you owe money to might be trying to harass you by pretending to send you court papers. You might want to report this to the police.

On the claim form, there will be brief details of the claim and how much the other person is claiming you owe them. There might be fuller details of the claim, either on the claim form itself or in a separate document attached. You will also receive other papers in what is called a response pack. These forms are:

- a form to use if you are saying you don't owe the money (a defence form)
- a form to use if you accept you do owe the money (an admission form)
- a form to use to confirm that you got the documents (an acknowledgment of service).

You'll always need to fill in the acknowledgment of service, as well as one of the two other forms, depending on your case.

It's very important that you deal with the papers that the court sends you by the deadline given. If you don't deal with the papers, a court order can be made against you. If this happens, you'll have to pay back all the money claimed, even if you don't owe it. You may also have to pay interest and extra costs on top of this.



Dealing with people you owe money to

When you get the papers, you may need help to decide what to do. A solicitor can give legal advice, but you'll have to pay and you won't get this money back even if you win the case (*some solicitors offer a free 30 minute consultation*). You could consult an experienced debt adviser. You may have other debts as well as this one, so it might be best to get advice about all of your debts in one go.

What to do when you get the court documents?

When you get the claim form, you may want to talk to the person who brought the claim and try and reach an agreement without going to court. Or, you may want to reply to the claim immediately. You will have **14 days to reply** to the court. You could get the other person to extend this deadline. Make sure you get any agreement to extend the deadline in writing and let the court know. It's very important not to miss the deadline.



What happens if you disagree with the claim?

You must have good legal reasons for disagreeing with (**defending**) the claim. Sometimes it's easy to show **good reasons**, for example, if you don't owe the amount claimed.

Sometimes the situation is less clear-cut and you should get legal advice. If you have got good legal reasons for disagreeing with the claim, you should fill in the **defence form** and send it back to court with the **acknowledgement of service**. In some cases you can do this online. The court will let you know if this is possible and give you a password for secure access. The case then becomes a defended case. You will be sent further court papers, which tell you what happens next.

The court will ultimately decide if you are liable for the debt but not the amount to be awarded. The **Enforcement of Judgments Office** will pursue the amount claimed by enforcing any decree that has been granted against you (See leaflet Enforcement of Judgments)

What happens if you accept you owe the money?

If you accept that you do owe the money, fill in the admission form. You will have to give details of your financial circumstances.

Dealing with people you owe money to

If you accept you owe all the money claimed, send the form back to the person you owe money to. You can ask to pay off the debt in instalments. If they accept your offer, it will be recorded by the court. If they don't accept your offer, a court official will usually decide what's fair. If you don't make any offer at all, the person you owe money to will decide how much and when you should pay.

If you accept you owe all the money, you'll have a CCJ made against you. But if you pay the money within one month of the date of the CCJ, the order won't appear on your credit file.

What happens if you accept you owe the money but not all of it?

You may accept that you owe money to the other person but disagree with how much. For example, you may disagree with the way that interest on the money claimed has been calculated. If you don't agree you owe all the money, fill in both the admission form with details of what you do accept, and the defence form with details of what you don't accept. Send these forms, along with the acknowledgement of service, to the court. The court will tell you what steps you must take about the part of the claim that you don't agree with.

You will need to make arrangements for paying the part of the debt that you do agree with. You can ask to pay in instalments. If the person you owe money to accepts your offer, it will be recorded by the court. If they don't accept your offer, a court official will usually decide what's fair. If in doubt about what to do contact an experienced money/debt adviser.

