



## 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](http://www.citizensadvice.co.uk) or find us in the phonebook.

### Other factsheets in this series

- Individual Voluntary Agreement (IVA)
- Enforcing a Debt
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- Gas and electricity arrears
- Help with debt factsheet
- How County Court Judgments affect your credit rating
- Income Tax arrears
- Jargon Buster factsheet
- Payment Protection Insurance
- Bank charges

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### Help with debt:

If you're in debt, don't panic. But it's important to do something, because the problem won't just go away.

Don't ignore calls or letters from the people you owe money to (your creditors).

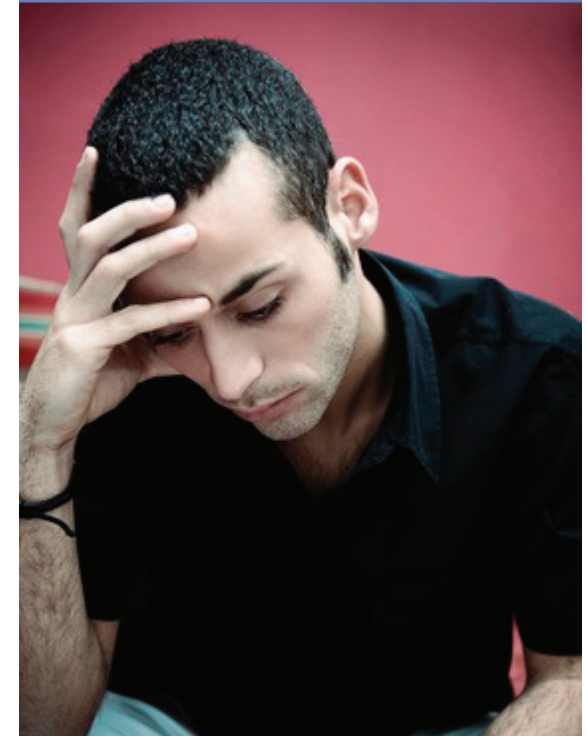
Contact them to explain why you're having problems and follow the steps in this fact sheet to help you get back in control of your finances.

dealing with | debt

in Northern Ireland



# Help with debt



## Help with debt

If you don't agree that you owe any money, or don't agree with the amount you've been asked to pay, get advice from an experienced debt adviser straight away, before following the steps in this fact sheet.

### Making a list of your debts

Before you can tackle a debt problem, you need to collect together information about your money affairs. Make a list of **all** your creditors. You will need the following information for each debt:

- the name and address of the creditor
- the account or reference number
- the amount you owe.

It's a good idea to keep the latest letter or statement for each debt together in one place so that you can easily find them if you need them. If you've received any court papers or letters that seem urgent, you may need to **act quickly**. If you're not sure what you should do next, get advice straight away from an experienced adviser.



Once you've made a list of all your creditors, you need to work out which ones to deal with first. You need to deal with some debts first before others because the consequences of not paying these debts can be more serious than for other debts. The debts you deal with first are called **priority debts**. The debts you deal with after your priority debts are called **non-priority debts**.

### Priority debts

Your priority debts include:

- mortgage or rent arrears. If you don't pay these, you could lose your home
- fuel arrears. If you don't pay these, your fuel could be cut off
- rates arrears
- court fines such as magistrates' court fines for traffic offences
- income tax or VAT arrears
- TV licence or TV licence arrears - it's a criminal offence to use a TV without a valid licence and you could be fined.

## Help with debt

### Non-Priority debts

Non-priority debts include:

- Credit debts such as overdrafts, loans, hire purchase, credit card and catalogue student loans.
- Money borrowed from friends or family.
- You can't be sent to prison for not paying non-priority debts. But if you don't make any offers to pay without explaining why, your creditors may take you to court.

### Work out your budget

List all the income and expenses for your household. Be honest and make sure that the amounts are realistic. You can use the budget sheet to help you do this.

Under income, include:

- Earnings for your partner and yourself.
- Any benefits you are paid, including Child Benefit and tax credits.
- Maintenance from an ex-partner for you or your children.
- Contributions from other members of your family and any lodgers.

Think about the ways in which you might earn extra money or increase your income. You may be able to claim benefits or tax credits.

Under expenses, include:

- Housekeeping, including food, cigarettes and pet food
- housing costs. Mortgage or rent, a second mortgage or secured loan, service charges and life or endowment insurance
- Fuel charges
- Telephone charges
- Travel expenses. Include both public transport, road tax, insurance, and maintenance
- Insurance such as buildings and contents insurance
- Childcare costs
- TV licence and any TV rental costs
- Clothes
- Any other essential expenses



**When you've added up all the figures, you'll see if you have any money left over to pay your debts. You may even be able to see if you can make some savings. An advice agency can help you draw up a budget and help you increase your income if this is possible.**

### Sort out your priority debts

When you've worked out how much you have left over after paying your expenses, contact each of your priority creditors. Show them your budget and try to make an arrangement to pay back what you owe. For example, you may be able to pay an extra amount each month until the arrears are cleared. Or you may not have any extra money at the moment but know you will 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.**

### Sort out your non-priority debts

How you deal with your non-priority debts will depend on whether you have any money left over from dealing with your priority debts and paying for essential household expenses like housing costs and food. If you have money to spare, you may have several options for dealing with your non-priority debts.

You may have the option of:

- making offers to creditors yourself.
- asking a Debt Management Company to make offers for you arranging an Individual Voluntary Arrangement (IVA). This is a legal agreement between you and your creditors about how you'll pay off your debts. **Get more advice from an experienced adviser about IVAs.**
- putting all your debts into one loan. This is called loan consolidation. It isn't usually a good idea to borrow more money to get out of debt and there can be serious disadvantages. Make sure you get advice before you take out another loan.

If you have little or no money left after you've done your budget, have nothing of value to sell and think your circumstances are unlikely to get better soon, you will have limited options for dealing with your non-priority debts. The options you'll have are:

- asking your creditors to write off your debt.
- applying for bankruptcy.

### Writing off a debt

In exceptional circumstances, your creditors may agree to write off your debt or stop action altogether. This is most likely to happen if you have a low income and your situation is particularly difficult and unlikely to get better. For example, you may have long-term serious physical or mental health problems.

You will usually need to show proof of your situation, for example, medical evidence, before creditors will agree. If creditors do agree, ask them to put this in writing. Some creditors may want an adviser to make this request on your behalf. Your local Citizens Advice Bureau can make the request on your behalf.

### Bankruptcy

Going bankrupt can take the pressure of creditors away from you. You are allowed to keep certain things, like household goods and a reasonable amount to live on. When the bankruptcy order is over, you can make a fresh start and the money you owe is usually written off. In many cases, this can be after only one year.

However, there are disadvantages to going bankrupt, for example:

- it will cost you money (up to £460\*) to go bankrupt
- if you own your own home, it will usually have to be sold
- some of your possessions might have to be sold, for example, you will usually lose your car and any luxury items you own
- if you own a business, it is more than likely that your business will be closed down.
- you can't keep your bankruptcy private. A list of bankrupt people is published on the internet and your case could also be published in your local newspaper

Even when you are no longer bankrupt, you could have another order, called a bankruptcy restrictions order made against you. See leaflet on Bankruptcy for further information.

\* Fees correct at time of publication check with your local Citizens Advice Bureau



## Help with debt

**Holding letter** (Send this letter if you aren't able to make an offer immediately)

Name of creditor

Address

Postcode

Date

Dear Sir/madam

Re: Account No.....

I regret that I am unable to maintain my current monthly payments because .....  
.....**explain your reasons.**

I am writing to all my creditors requesting details of the balance outstanding on my accounts and would be grateful if you would let me know how much I owe you. Once I have obtained this information, I will contact you again with a pro rata offer for repaying the above debt;- **or**

I have applied for..... benefit and will contact you again as soon as I start to receive it;- **or**

I have been sick/unemployed since ..... and am due to start/return to work on date and will contact you again once I have started/return to work.

Meanwhile I request that you hold action on my account for two months and suspend interest and other charges to prevent my indebtedness from increasing.

Yours faithfully

## Help with debt

**Offer letter to non priority creditors** (Send this letter to non priority creditors when you have drawn up a financial statement and are able to make an offer)

Name of creditor

Address

Postcode

Date

Dear Sir/madam

Re: Account No.....

Further to my letter dated (**date**), I am now able to make an offer to repay the above debt; **or** I regret that I am unable to maintain my monthly payments at their current level because .....  
.....(**explain your reasons**).

I am enclosing a copy of my financial statement which gives details of my income and expenses and makes pro-rata offers to all my creditors. You will see from this information that I am able to offer you **£.....** per month. I propose to make my first payment on ..... I trust you will accept my offer as realistic given my circumstances and agree to suspend interest and other charges on my account provided regular payments are made.

I shall of course keep you informed of any changes in my circumstances.

I thank you for your co-operation and look forward to hearing from you.

Yours faithfully

