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Web: [www.citizensadvice.co.uk](http://www.citizensadvice.co.uk)

Self Help Booklet

**dealing with | debt**

**in Northern Ireland**



Helping you recover from your financial problems

## Introduction

Citizens Advice Bureaux aim to provide a free, confidential, independent, high quality advice service to all communities across Northern Ireland regardless of gender, religious belief or political opinion, disability, race or sexuality. In addition we seek to empower each individual to break the cycle of credit dependence and resolve financial difficulties in a way that restores self confidence and dignity.

The organisation draws on the experiences of its clients to campaign and lobby for positive change in social policies both at a local and national level.

## Dealing with your debts

Many of us are in debt these days and very few of us can manage to live our lives without credit. The problems usually occur when something happens in our lives that we have been unable to plan for such as losing a job, becoming ill or a relationship breakdown.

Once something like this happens we can then experience difficulty paying our bills. Sometimes we take out more credit to try and solve the situation and this can make things worse.

Ignoring the situation will not solve the problem; recognising that you are having difficulty dealing with your debts is the first step to resolving the problem.

The following information will explain in a clear manner how you can regain control of your debt problem and where to go for help should you need it.

It will show you how to:

- Deal with your priority creditors (people to pay first)
- Contact your other creditors
- Work out a financial statement (how much you have coming in and going out of the household)
- Make offers of payment to creditors
- Understand some of the terms used e.g. creditor (someone you owe money to)

At any stage during the process you can contact your local Citizens Advice Bureau for advice and support so you will not have to face this situation alone.

## Follow the 10 Golden Rules



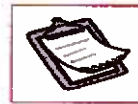
Don't ignore the problem - it won't go away. The longer you leave it, the worse it gets.



Make the most of your income - check you are claiming all the benefits and tax credits you can. If you've lost your job, or are off work because you're ill, check if any debts are covered by payment protection insurance. (See Glossary)



Tackle your priority debts first - for example, debts that could mean losing your home, or having your gas or electric cut off.



Work out your personal budget - show it to your creditors when you contact them.



Get in touch with your creditors straight away and explain your situation. Contact all of your creditors. If you arrange to pay some but not others, you may get into difficulty again. You do not need to offer payment straight away.



Work out a reasonable offer for each creditor. Don't worry if the offer seems small. Creditors prefer a regular small amount more than an offer you can't afford.



Don't give up trying to agree an offer, even if creditors are difficult. If the first person you speak to is unhelpful, ask to speak to someone more senior. They may be able to agree to what you want.



Always keep copies of letters and papers you send or get.



Don't borrow money to pay off your bills without thinking carefully. Get advice first. This kind of borrowing could lead to you losing your home.



Get advice from a Citizens Advice Bureau. If you get taken to court, do this urgently. Fill in reply forms to court papers, and let the court have all the facts. Always go to court hearings and take your personal budget with you.

## Dealing With Priority Creditors

The law gives different creditors different ways of getting their money back. Therefore, some debts are more important than others. Here is a list of the kinds of debt and actions that may result if you cannot reach an agreement with creditors.

Debt	Action Against You
Mortgage Arrears	Repossession of your home or Eviction
Second Mortgage / Secured Loan	Repossession / Eviction
Electricity	Cut off
Unpaid Fines	Imprisonment
Child Support Arrears	Imprisonment
Tax Arrears	Imprisonment
Telephone	Disconnection

Therefore these are Priority Debts

Don't make offers on your debts until you have negotiated installments to pay these priority creditors first. You will need to negotiate with your priority creditors on an individual basis.

Contact them before you begin negotiating with your unsecured non-priority creditors. Different secured and priority creditors ask for different monthly payments. However as a general guideline, try to repay your mortgage or rent arrears on a monthly basis in addition to your standard rent payments so that the arrears are repaid inside five years.

Try to repay your Rates, Gas, Electricity, Coal, Oil and Telephone arrears on a monthly basis in addition to your standard payment so that the arrears are repaid in full inside the next year.

Try to repay your Hire Purchase arrears on a monthly basis in addition to your standard payment so that the arrears are repaid in full inside the next year.

If you have Child Support Agency arrears, contact the CSA and arrange to pay the arrears over a period of time.

Make sure that you can keep to any offers that you make in order to clear your arrears to your priority debts. Do not be pressured into paying more than you can afford.

It is important that you use your available money to pay priority creditors first. Do not pay your non-priority creditors until you have reached an agreement with your priority creditors.

If you are unable to reach agreement with any of your priority creditors you need to seek specialist help from your local Citizens Advice Bureau.

### PLEASE NOTE:

Your 'available income' which you offer on a pro-rata basis (See Glossary) to your non-priority creditors should be what you have left AFTER you have made your monthly payments to your priority or secured creditors.

## Dealing With Non-Priority Creditors

Firstly you must contact ALL your creditors and explain your current difficulties. You will need to ask them for full details of the amount owing, any arrears or penalty charges etc. A template letter asking for this information is shown below.

Your Address
Date
Dear Sir/Madam
Account/Agreement Number
With reference to your correspondence sent to me/us dated (insert date) I wish to inform you that I am experiencing some financial difficulties. In an effort to meet my obligations to you, I would like to request the following information.
<ol style="list-style-type: none"> <li>1. The current balance of my/our account to be sent to me/us. Also, details of interest/penalties accruing, type of agreement, arrears and any insurance policies attached to the agreement.</li> <li>2. That all interest and charges on my/our account be frozen.</li> <li>3. No further action to be taken against me at this time.</li> </ol>
Once I have received replies from all my creditors I will endeavour to make an offer on a 'pro-rata' basis, based on my 'financial statement'.
Yours faithfully
Name

### PLEASE NOTE:

It must be remembered that the stopping of interest on the part of the creditor is a gesture of good will and is not guaranteed nor an automatic right.

Creditors are often reluctant to consider stopping charges before a financial statement is received.

## Financial Statement

STEP 1	Income (Weekly or Monthly)
Wages/salary	
Wages/salary (Partner)	
Job Seeker's allowance	
Income Support/Pension Credit	
Tax Credits	
Retirement/employers pension	
Child benefit	
Incapacity Benefit	
Child Maintenance	
Non dependent contributions	
Other	
<b>Total Income</b>	<b>BOX A £</b>
STEP 2	Outgoings (Weekly or monthly)
Mortgage	
Mortgage endowment policy	
Second Mortgage	
Rent	
Rates	
Ground rent/ service charge	
Buildings/contents insurance	
Life insurance/pension	
Gas Electricity	
Oil/coal	
Housekeeping	

Total Income  
This should be your  
Total income from  
all sources

Oil  
Work out how much  
you spend over 12  
months and divide  
by 52 (for weekly  
figure) or 12 (for  
monthly figure)

Travel  
This should include Public transport, petrol, car tax, MOT, insurance, maintenance

Health  
Don't forget dental treatment, glasses, contact lenses

If box A is less than box B contact you local Citizens Advice Bureau for Advice

School meals/meals at work		
Court fines		
Maintenance payments		
TV licence		
Hire Purchase vehicle		
Travelling expenses		
Clothing		
Laundry		
Telephone/mobile phone		
Childminding		
Prescriptions/health costs		
Sundries & Emergencies		
Other		
<b>Total Outgoings</b>	<b>BOX B £</b>	
<b>STEP 3 Available money</b>		
<b>Total Income</b>	<b>Box A £</b>	
Take away		
<b>Total Outgoings</b>	<b>Box B £</b>	
<b>Equals</b>	<b>Box C £</b>	
<b>STEP 4 Priority Debts</b>		
	Balance owed	Repayment Offer
Mortgage arrears		
Second mortgage arrears		
Rent arrears		
Rates arrears		
Fuel Debt: Gas		
Electricity		
Other		
Court fine arrears		
Maintenance arrears		
Hire Purchase arrears		
Other		
<b>Total priority debt repayments</b>	<b>Box D £</b>	

<b>STEP 5</b>		
Money for creditors		
<b>Money for creditors</b>	<b>Box C £</b>	
Take away		
<b>Total priority debt repayments</b>	<b>Box D £</b>	
<b>Total money for credit debts</b>	<b>Box E £</b>	
<b>STEP 6</b>		<b>Money for credit debts</b>
	Balance owed	Repayment offer
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
<b>Total owed</b>	<b>Box F £</b>	

## CALCULATING OFFERS FOR NON-PRIORITY CREDITORS

After completing a financial statement if you have money left after making offers to priority creditors this section will tell you how to calculate an offer to creditors so that they each receive a fair share of any money which is available.

In the event that there is no money left over and only a token or no offer can be made come back to your local Citizens Advice Bureau for further assistance.

When you have more than one debt, list all the individual debts and total the amount owed as shown in the example below:

	£
Credit Card	£500
Store Card	£400
Loan	£850
Overdraft	<u>£250</u>
Total	£2000

Then take the money you have left over for your non priority creditors (this will be the figure in box E on your financial statement).

In this example let's say there is £60 a month left over.

Multiply each of the debt by the amount leftover. Then divide by the total amount of the debts.

Credit Cards	$£500 \times £60 \div £2000$	=	£15.00
Store Cards	$£400 \times £60 \div £2000$	=	£12.00
Loans	$£850 \times £60 \div £2000$	=	£25.50
Overdraft	$£250 \times £60 \div £2000$	=	<u>£ 7.50</u>
Total			£60.00

### Note:

If you need help with this calculation contact your local Citizens Advice Bureau

## NOTIFYING YOUR CREDITORS OF OFFER

It is important that you write to creditors as soon as possible, explaining your situation. When advising creditors of your offer you should send them a copy of your financial statement together with the list of creditors showing that the amount you intend paying each of them is being fairly divided. A template offer letter is shown below and you should keep copies of any letters you send.

### OFFER LETTER

Your address  
Date

Dear Sir/Madam

Account/Agreement Number

You will be aware from the previous letter of my/our financial difficulties.

These have been due to ..... (explain in brief the circumstances that have caused your financial difficulties, e.g. loss of job). Enclosed is a copy of the financial statement and offer to make repayment of £.....each month based on an equal distribution of available income. To calculate the offer the Citizen Advice Bureau's self help 'Dealing with Debt' booklet was used. Whilst it is appreciated that this offer is small, it is the only realistic one in view of my/our circumstances.

I/we would also ask that you agree to suspend interest and charges on the account to enable inroads to be made into the debt.

Should the financial situation change, repayments will be revised immediately.

Your patience and co-operation is appreciated and I/we look forward to your approval of my offer and request to suspend interest and charges. When replying, please inform me/us of the payment methods which are available.

Yours faithfully

Name

## What To Do Next

Start making payments even if your creditor has not yet replied.

If the arrangement has been set up successfully you will have to keep in contact with your creditors on a regular basis.

If your circumstances deteriorate or improve, you must prepare a revised Financial Statement, showing your recalculations.

Make sure you keep all correspondence sent to and received from your creditors, and keep details of the payments you have made.

If your creditors have refused to accept your initial offer, DON'T GIVE UP.

Make sure you make the payments you have calculated and send the creditors another letter explaining that you cannot offer them any more, as they should be able to see from the Financial Statement that was originally submitted. Many creditors will reconsider if they see you are committed to resolving your problems.

## Court Action

If the creditor continually refuses your offer of payment they may choose to take legal action.

Before a creditor starts legal action, they will usually warn you with a 'letter before action', stating that, unless the money is repaid, they will start legal action within a specified length of time. The letter may be written by your creditor in person, by their solicitor, or in the case of large companies, by their legal department.

This does not necessarily mean that court action will follow.

### PLEASE NOTE:

**If you receive a letter from the Court Service then you should immediately contact your local Citizens Advice Bureau.**

**CREDITORS DO NOT ALWAYS CARRY OUT THEIR THREATS OF LEGAL ACTION** even if a letter before action or default notice has been sent. If a credit agreement is regulated under the Consumer Credit Act, a creditor must issue a default notice (see glossary) before taking legal action.

Even if the time specified has expired, it is worth contacting the creditor in order to negotiate.

## Useful Information

### Bank Accounts

Basic Bank Accounts are simple to use. You can pay money in, set up standing orders and direct debits and get money out using a cash card.

It does not cost anything to open a basic bank account but if there is not enough in your account to cover a direct debit or standing order you may be charged.

Contact your local Citizens Advice Bureau for a list of accounts or visit [www.fsa.gov.uk](http://www.fsa.gov.uk) and search for 'basic bank accounts'.

### Citizens Advice Bureau Addresses

Please see our Useful contacts section.

### Credit Agreement

You have the right to ask for a copy of your credit agreement. You may have lost your original or wish to check the terms of your agreement. Write to the creditor and ask for a copy under The Consumer Credit Act 1974, Section 77-78. You must send a fee of £1 with the letter.

### Credit Reference Agencies

There is no such thing as a credit 'Blacklist'. When you apply for credit most companies will consult a credit reference agency. They keep records of all county court judgements, bankruptcy orders and general details about the running of your accounts. This information is kept on file for 6 years. If you are behind with credit debts this will normally appear on your credit file. This can cause a lender to refuse your application for credit. If you would like a copy of your credit file please go to our useful contacts section.

### Court Action

If you receive any court forms contact your local Citizens Advice Bureau immediately for assistance.

### Data Protection

You can write to your creditors and request that they send you all of the information they hold about you. This request must be made under the Data Protection Acts 1984 and 1998 and refer to the 'right of subject access'. The lender has 40 days to comply. If the lender does not comply you should complain to the Information Commissioner (see useful contacts section).

### **Debt Collectors**

If your debts have been passed to a Debt Collection Agency do not worry! They have no greater powers than the original creditor. They are not bailiffs and cannot come into your home.

### **Harassment**

Creditors are allowed to request payment from you. However, if you feel you are being treated unfairly contact your local Citizens Advice Bureau for advice. The Office of Fair Trading (OFT) have produced guidance which outlines the type of behaviour which the OFT will regard as 'unfair business practice'. (see useful contacts).

### **TV Licence**

If you are caught without a T.V. Licence you can face a Court Fine of up to £1,000. They do have payment schemes available to help you pay in installments (see useful contacts).

## **Useful Contacts**

### **Age Concern**

028 9024 5729  
www.ageconcernni.org

### **Childline**

Freepost 1111, London, N1 0BR

0800 1111  
www.childline.org.uk

### **Credit Reference Agencies**

#### **Experian**

888 397 3742  
www.experian.co.uk

#### **Equifax**

0870 0100583  
www.equifax.co.uk

#### **Call Credit**

0113 244 1555  
www.callcredit.co.uk

### **Cruse (Bereavement Helpline)**

126 Sheen Road, Richmond, TW9 1UR

0844 477 9400  
www.crusebereavementcare.org.uk

### **Disability Action**

028 9029 7880

### **Drinkline**

0800 917 8282

### **Gamblers Anonymous**

08700 508880  
www.gamblersanonymous.org.uk

### **Gingerbread (Single parent families)**

0800 018 4318

### **Help The Aged**

028 90 230 666  
www.helptheaged.org.uk

### **National Aids Helpline**

0800 012 322

### **National Domestic Violence helpline**

0808 2000247  
www.refuge.org.uk

### **Office of Fair Trading**

0845 7224499  
www.oft.gov.uk

### **Relate (Relationship Advice)**

0845 130 4016  
www.relate.org.uk

### **Samaritans**

0845 790 9090  
www.samaritans.org.uk

### **Trading Standards**

028 9025 3900  
www.tssni.gov.uk

### **TV Licensing**

0870 241 6468  
www.tvlicensing.co.uk

### **Womens Aid**

0800 917 1414  
0808 2000 247  
helpline@womansaid.org.uk

## CAB Address list

**ANTRIM CAB**  
10D High St  
ANTRIM BT41 4AN  
Tel: 9448 5253

**BALLYMENA CAB**  
28 Mount Street  
BALLYMENA BT43 6BW  
Tel: 2565 5153

**CARRICKFERGUS CAB**  
65 North Street  
CARRICKFERGUS BT38 7AE  
Tel: 9335 1808

**COOKSTOWN CAB**  
15A Molesworth St  
COOKSTOWN BT80 8NX  
Tel: 0844 855 2104

**EAST BELFAST CAB**  
The Arches Center  
1a Westminster Ave North  
BELFAST BT4 1NS  
Tel: 0844 855 2104

**LARNE CAB**  
49 Victoria Rd  
LARNE BT40 1RT  
Tel: 2826 0379

**CRAIGAVON DISTRICT CAB**  
Lurgan Office  
6 Union Street  
LURGAN BT66 8DY  
Tel: 3839 2125

**CRAIGAVON DISTRICT CAB**  
Portadown Office  
17 Edward Street  
P'DOWN BT62 3LX  
Tel: 3839 2125

**STRABANE CAB**  
17 Dock Street  
STRABANE BT82 8EE  
Tel: 7138 2665

### CITIZENS ADVICE REGIONAL OFFICE

46 Donegall Pass  
BELFAST BT7 1BS  
Tel: 9023 1120

**ANTRIM ROAD CAB**  
211 Antrim Road  
BELFAST BT15 2GW  
Tel: 9050 3000

**BANBRIDGE CAB**  
Old Town Hall  
BANBRIDGE BT32 3DA  
Tel: 4062 2201

**CENTRAL BELFAST CAB**  
6 Callender Street  
BELFAST BT1 5BN  
Tel: 0844 855 2104

**DOWN DISTRICT CAB**  
8-10 Irish Street  
DOWNPATRICK BT30 6BP  
Tel: 4461 4110

**FALLS CAB**  
8 Springfield Rd  
BELFAST BT12 7AG  
Tel: 9050 3000

**LISBURN CAB**  
1 Wallace Avenue  
LISBURN BT27 4AA  
Tel: 9266 2251

**NEWRY CAB**  
41c The Mall  
NEWRY BT34 1AN  
Tel: 3026 2591

**NEWTOWNABBEY CAB**  
The Dunanney Centre  
Rathmullan Drive  
N'ABBEY BT37 9DQ  
Tel: 9085 2271  
Tel: 9085 4200

**SOUTH BELFAST CAB**  
The Bradbury Centre  
1 - 17 Lisburn Road  
BELFAST BT9 7AA  
Tel: 9032 9133

[www.citizensadvice.co.uk](http://www.citizensadvice.co.uk)  
[info@citizensadvice.co.uk](mailto:info@citizensadvice.co.uk)

**ARMAGH CAB**  
9 McCrums Court  
ARMAGH BT61 7RS  
Tel: 3752 4041

**NORTH DOWN CAB**  
1a Springfield Av  
BANGOR BT20 5BY  
Tel: 9127 0009

**CAUSEWAY CAB**  
24 Lodge Road  
COLERAINE BT52 1NB  
Tel: 7032 9775

**DUNGANNON CAB**  
5-6 Feeney's Lane  
D'GANNON BT70 1TX  
Tel: 8772 5299

**FERMANAGH CAB**  
Fermanagh House  
Broadmeadow Place  
E'KILLEN BT74 7HR  
Tel: 6632 0095

**L'DERRY CAB**  
3 Strand Road  
L'DERRY BT48 7BJ  
Tel: 7137 0337

**ARDS CAB**  
75 West Street  
N'ARDS BT23 4EN  
Tel: 9181 9257

**SHANKILL CAB**  
268 Shankill Road  
BELFAST BT13 2BL  
Tel: 9050 3000

**SUFF/AND'TOWN CAB**  
208 Andersonstown Road  
BELFAST BT11 9EB  
Tel: 0844 855 2104

## Glossary of Terms

<b>Bankruptcy</b>	A legal way to write off debts which you can not afford.
<b>Basic Bank Account</b>	A bank account with no credit facilities - you are less likely to get into debt with your bank.
<b>Benefits</b>	Income received from the Government e.g. Job Seekers Allowance, Income Support, Housing Benefit.
<b>Collection Agency</b>	An agency which is hired to collect money owed. They do not have any more powers than the original creditor.
<b>Consumer Credit Act</b>	A piece of legislation that regulates almost all types of personal credit.
<b>Credit</b>	Money borrowed with an arrangement to repay, e.g. a loan, a credit card.
<b>Creditor</b>	The company or person who you owe money to, e.g., the bank, credit card company.
<b>Credit Reference Agency</b>	A company who holds a record of your credit history. You can apply for a copy anytime but a creditor can only apply when you make an application for credit.
<b>Debt</b>	Money owed.
<b>Debtor</b>	The person who owes money.
<b>Default</b>	When you miss an agreed repayment.
<b>Default Notice</b>	When you fall behind with repayments on personal debts (regulated by the Consumer Credit Act) a creditor must issue a Default Notice to you formerly ending the credit agreement and giving you an opportunity to pay off the arrears.
<b>Dependants</b>	Anyone under the age of 16 who you lives with you, or under 18 if in Full Time education.
<b>Expenditure</b>	Money needed for essential living costs. Does not include payments for credit debts.
<b>Finance Agreement</b>	An agreement to repay money for goods purchased, e.g. a sofa on credit.

<b>Financial Statement</b>	A list of all income and expenditure including details of money owed.	<b>Tax Credits</b>	Money paid by the HM Revenue and Customs. Working tax credits for people on a low income and Child Tax credits for anyone caring for children. The amount you get depends on your income.
<b>Hire Purchase (HP)</b>	An agreement where you do not own the goods until you have paid the credit agreement off, e.g. usually for cars.	<b>Token Offers</b>	The amount you offer to creditors when you have no available income. It is usually £1 or £2 per month.
<b>Housekeeping</b>	Money spent on food, cleaning products, toiletries, etc.	<b>Write Off</b>	When a creditor no longer requests payment for a debt. The debt may still appear on your credit history but you will not be asked for payment.
<b>Income</b>	Any regular money coming in to the household.		
<b>Interest</b>	The cost of borrowing money, e.g. Borrow £100 with interest of 10%, you will repay £110; therefore the interest is £10.		
<b>Non Priority debt</b>	Any debt where if you do not repay on time, the creditor does not have extra powers to recover the money, e.g. credit cards, loans, overdrafts, some finance agreements, etc.		
<b>Overdraft</b>	A facility which allows you to borrow money on your current account.		
<b>Payment Protection Insurance</b>	An insurance policy that is sometimes taken out with a loan, credit card or any finance agreement. It can cover sickness, accident and/or redundancy. Many people take out this insurance without knowing so it is important to check to see if this insurance has been taken out.		
<b>Priority Debt</b>	Any debt which if unpaid threatens your home (rent or mortgage), your car (Hire Purchase), your freedom (Court fines, rates,) or an essential service (Gas, electricity).		
<b>Pro Rata</b>	The fairest way to share out your available money for creditors. It means that the creditors get a proportionate share of your money depending on the amount you owe them.		
<b>Secured loan</b>	Any loan secured against something, usually a house. If you do not maintain repayments the creditor can repossess whatever the loan is secured against.		