



Managing debt

Debt is not a problem all the time you can make repayments. Sometimes it is necessary to take out a loan/buy on credit, e.g. to buy a bike/car to get to work and this is OK if your income is sufficient to keep up with repayments.

If things go wrong and you cannot make repayments it is important that you contact the loan companies to agree a repayment plan. Do not ignore demands for payment as you can be taken to court, and non-payment will affect your credit rating and ability to borrow in future. The Citizen's Advice Bureau can also help you to get your debt under control.

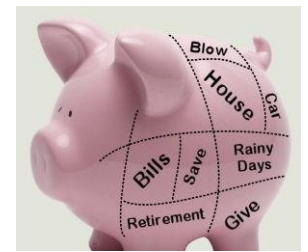
The consequences of not repaying your debts are different, depending on the type of debt. You should repay "priority debts" first...

Priority debts

Electricity and gas	If you don't pay, your supply will be cut off and you might have to change to a pre-payment meter Water cannot be cut off
Rent or mortgage	If you don't pay, you could lose your home and you will still owe the money and this debt can prevent you from getting a new home
TV licence	Money owed can be taken from wages/benefits A bailiff can be instructed to take your belongings You can be taken to court and could go to prison
Council tax	Money owed can be taken from wages/benefits A bailiff can be instructed to take your belongings You can be taken to court and could go to prison
Child maintenance	Money owed can be taken from wages/benefits A bailiff can be instructed to take your belongings You can be taken to court and could go to prison
Court fines	You could go to prison if you don't pay

Non-priority debts

Catalogues	For all of these types of debt, you can be taken to county court and ordered to repay the debt at an agreed rate
Credit cards and store cards	
Mobile phone	Your credit rating will be affected. You might not be able to get credit in future The amount you have to repay can continue to rise as interest is added.
Personal loan/ payday loan	
Friends and family	



Tips for dealing with debt

1		Don't ignore the problem - it won't go away. The longer you leave it, the worse it gets.
2		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.
3		Tackle your priority debts first - for example, debts that could mean losing your home, or having your gas or electric cut off.
4		Work out your personal budget - show it to your creditors when you contact them.
5		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.
6		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.
7		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.
8		Always keep copies of letters and papers you send or get.
9		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.
10		Get advice from a Citizens Advice Bureau or other independent advice service. 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.

© Citizens Advice – from the financial capability trainer's session pack 'helping your clients deal with their debts'.