

Dragonsavers Credit Union

If you are in debt & don't know which way to turn then this guide will help you.

Act now!

Help yourself by following these 3 steps:

- **step 1** : work out your income and outgoings.
- **step 2** : list all your debts.
- **step 3** : contact your creditors in writing and keep copies.

Some terms you may come across in this guide;

Creditors	People you owe money to.
Priority debts	Your most important debts. These will need to be paid first, such as rent, mortgage, council tax & fuel bills.
Credit debts	Any other debts such as catalogue payments & loans.
Hire Purchase	Where you pay weekly or monthly & don't own the goods until the last payment is made.
Personal budget	The money you have coming in, going out and any left over.
Non- dependant	Any person other than a partner over 18yrs living in the same house.

REMEMBER!

- Don't ignore the problem
- Don't borrow money to pay off debts
- Contact everyone you owe money to
- If the first person you speak to doesn't help, ask to speak to someone more senior

Step 1. Work out your income & outgoings

Complete a personal budget. This will help because it helps you;

- ✓ See how much money is coming into your household
- ✓ See how much money is going out
- ✓ Work out offers to courts & creditors which you can afford
- ✓ Plan your future spending

Income

Fill in all the income boxes making sure you list all the income you get. Remember also to use either weekly / monthly figures – not both. If you are not sure see the sample budget sheet on page 4

Income	Wkly / mnthly
Wages	£
Partners wages	£
Income Support	£
Job Seekers Allowance	£
Child benefit	£
Working Tax Credit	£
Incapacity benefit	£
Maintenance	£
Non-dependant contribution	£
Other	£
TOTAL INCOME	£

Notes to help you

Wages.

Only include tips if they are regular.

Benefits.

Include all benefits **except** Housing benefit or Council Tax benefit.

Non dependent Contribution.

Include the amount paid by other people who live with you (eg, grown up children)

Outgoings

Work out how much money you have to pay out every week or month. At this stage, **do not** include any debt or arrears or any credit payments.

Outgoings	Wkly/mnthly
Rent or mortgage	£
Council tax	£
Water rates	£
Gas	£
Electric	£
Insurance	£
Housekeeping & Food	£
Phone	£
TV Licence	£
Travelling costs	£
Other	£
TOTAL	£

Notes to help you

Council tax

You will usually pay weekly. If you pay monthly, multiply by 10 and divide by 52 for a weekly figure.

Example:

$$£55 \times 10 = £550 / 52 = £10.57$$

Housekeeping

Include food, toiletries, cleaning materials, and a small amount for entertainment.

Travelling expenses

Should include travelling to work, school and shopping. If you have a car include tax, petrol and repairs etc.

Money left over

To find out how much money you can offer your creditors, take away your total outgoings from your total income.

Total outgoing	£ _____
Total income	£ _____
Money left over	£ _____

Example on next page

Example Household

To show how the personal budget can be filled in, we have invented an example household. Remember benefit rates change so this is just an **example**.

Jim & Jen have one child aged 13.
Their income and outgoings are:

Income		Wkly / mnthly	
Wages	£ 150.00		
Partners wages	£		
Income Support	£		
Job Seekers Allowance	£		
Child benefit	£ 18.00		
Working Tax Credit	£ 95.80		
Incapacity benefit	£		
Maintenance	£		
Non-dependant contribution	£		
Other	£		
TOTAL INCOME	£ 263.80		

Outgoings		Wkly/mnthly	
Rent or mortgage	£ 68.00		
Council tax	£ 12.86		
Water rates	£ 7.00		
Gas	£ 9.00		
Electric	£ 8.00		
Insurance	£		
Housekeeping & Food	£ 75.00		
Phone	£ 10.00		
TV Licence	£ 4.00		
Travelling costs	£ 20.00		
Other	£ 15.00		
TOTAL OUTGOING	£ 228.86		

Total income = £263.00

Minus outgoings = £228.86

Money left over = £34.14

If you have **no money** left over, contact your local **Citizen's Advice Bureau**

Step 2 – List all your debts

There are two types of debt – priority debts and credit debts. Priority Debts = Some debts are more important than others. The law gives different creditors different ways to get their money back. This list shows priority debts. This is because of the **serious** action that can be taken against you if you don't pay.

Priority debts	Action against you
Rent / Mortgage arrears	Eviction
Council tax	Imprisonment
maintenance	Imprisonment
Magistrates court fine	Imprisonment
Gas / electric	Supply cut off
Water rates	County court bailiffs

It is important to use your left over money to make agreements to settle these debts first.

This is how to do it

- ✓ Write down the amount you are going to pay in the priority debt box on the next page
- ✓ Always have your personal budget with you when you speak to creditors
- ✓ Remember– always act quickly before things get worse!



Example

Jim & Jen listed their priority debts like this:
They owe £300 rent & £130 Electricity.

Rent: They arranged to pay £68.00 per week rent + £12.50 of their arrears.

Electric: They agreed to a budget plan to pay £8.00 per week + £6.00 off their arrears.

Priority debts	Money you owe	Weekly payment
Rent / Mortgage arrears	£300	£12.50
Council tax		
maintenance		
Magistrates court fine		
Gas / electric	£130	£6.00
Water rates		
Total	£430	£18.50

Jim & Jen filled in their money for priority debts box like this

Money left	£34.14
Less priority debt payments	£18.50
Money for credit debts	£15.64

Credit Debts

This is the final stage of the personal budget. **Credit debts** are not quite as serious as **priority debts**. There is less that can happen to you if you don't pay your credit debts.

Example

Jim & Jen worked out how much they could pay like this:

Credit debt	Amount owed	Weekly payment
Catalogue	£80.00	£3.50
Felix credit card	£1,300	£6.00
ABC Finance Co	£400	£4.00
Total	£1,780	£13.50

Problems, and types of credit

If you owe money to companies they are legally allowed to ask you to pay. But it is illegal for them to harass you. Harassment can be:

- Phoning you late at night or repeatedly at work

- Contacting your employer

If you are being harassed, contact Trading Standards.

If you can't repay they'll turn nasty

- Some will use 'heavies' to threaten you
- Some will try to take your benefit book- this is illegal

- Some will entice you to have a second loan to repay the first, then a third to repay the second...and so on until you don't know which way to turn.

If you are having money troubles, you don't want interest adding to the amount you owe. Credit companies will often stop interest if they know you are having money troubles. Write to the company and ask them to freeze it.

Step 3 - Contact your creditors

EXAMPLE LETTER TO A CREDITOR

Use either paragraph 3 or 4

Company name

Your address

Company address

Date

Dear Sir/Madam

ACCOUNT NUMBER: _____

Owing to financial difficulties, I am unable to afford the normal repayments to you.

I enclose a personal budget which shows my current position.

Paragraph 3

1. I have worked out that I can afford to pay you £_____ a week/month. As you can see from my personal budget, this is all I can afford to pay at the moment. If interest is being added to my account, I request that you freeze this so that my payments reduce my debt to your company.

OR

Paragraph 4

2. I have no money left for creditors. Please accept no payment. This will be reviewed in three months. If interest is being added to my account, I request that you freeze it so that my debt doesn't increase.

I am doing everything I can to clear my debts.
I hope you can understand my situation.

Yours faithfully

Name:	N° of people in household
Address:	Date:

Income	w/m
Wages / salary Partners salary Income Support Job seekers allowance Child Benefit Working Tax Credit Retirement pension Works pension Pension Credit Incapacity benefit Maintenance Non- dependants contribution Other	
Total Income	£
Outgoings	w/m
Rent Council tax Water rates Gas Electric Insurance Housekeeping School meals TV rental TV licence Telephone Travelling costs Clothing Other	
Total outgoings	£

Total income	£
Less total outgoing	£
Money left	£

Priority debts	Amount owed	w/m payment
Rent / mortgage Council tax Water rates Gas Electric Fines Maintenance Other		
Total priority debts - payments		£
Money left	£	
Less priority debt	£	
Money for credit debts	£	
Credit debts	Amount owed	W/M payment
1 2 3 4		
Total	£	£