

Congratulations you've taken the most difficult decision of the process already! The hardest thing to do when dealing with debts is identifying that you need to address the problem.

This pack is broken down into easy to complete manageable sections which will guide you step by step through assessing and understanding your income and expenditure, identifying what is known as your priority debts and showing you how to deal with the people you owe money to. To help with this we've even included some letter templates for you to use when dealing with the people you owe money to.

You may be a little daunted by the size of the pack but it has been designed in such a way as to allow you to complete it section by section, so you don't have to complete it all in one go.

We have also included hints and tips on how to reduce your monthly outgoing to free up more of your cash.

Firstly.....

Don't feel guilty - over 2 million people are dealing with the same problem.

Don't ignore the problem - it won't go away.

Don't offer to pay more than you can afford.

Don't let creditors put pressure on you or harass you. They can be prosecuted for this.

Don't panic - there are things you can do.

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Working out your personal budget is the first step to tackling the issue of managing and reducing your debts. We've included a brief description below of the 3 easy steps that you'll complete in the first stage of the pack, this will allow you to start addressing and resolving any debt issues you may have. We hope that you find it easy to understand and follow, if however you have any questions **contact us for advice**.

Step One – Your Income

- This section of the pack takes into consideration all of your sources of income. This includes your take home monthly wages or salary, any benefits, allowances or maintenance that you may receive or payments received from a pension.
- You need to calculate these figures as accurately as possible as knowing these amounts are key to the first stage of calculating exactly how much spare money you'll have left over at the end of the month.
- If you don't know exactly how much you receive on a monthly basis then check a recent bank statement this will help you workout each individual source of income you have.

Step Two – Your Outgoings

- The outgoings section covers a variety of areas and will have different results for everyone. This section includes outgoings such as your monthly mortgage or rent payments, council tax, utility bills, housekeeping, clothing and child care.
- As with the income section we need this section to be as accurate as possible as combining the income and outgoing sections allows you to calculate the amount of spare money you have each month.
- Again, if you don't know exactly how much you payout on a monthly basis then check a recent bank statement which will help you list each individual outgoing you have.

Step Two Cont. – Other amounts & emergencies

- In step two of your personal budget, (which you'll find on the next page) you'll find an 'Other' section, this is to allow for expenses that may not occur regularly, but nonetheless need to be accounted for. These include the cost of occasional

outgoings like birthdays and Christmas, house repairs and maintenance, as well as a 'cushion' against emergencies. This can either be built into the housekeeping figure or list it as a separate item on your personal budget. However, be realistic as creditors may question it, if it is quite high.

IMPORTANT

It is your personal budget, so the figures should be your own. If you don't take account of extra expenses (or if your figures are much below our guidelines), you may find it difficult to stick to any long-term repayment plan. This could lead you into greater difficulties.

Step 3 – Money left over for creditors

Work out how much money you have left over to pay your creditors by taking your total outgoing from your total income. If your income is more than your outgoings, you have an amount of money to repay to creditors on the personal budget.

ARE YOUR OUTGOINGS MORE THAN YOUR INCOME?

If your outgoings are more than your income, you should do the following:

- Check whether you are entitled to extra benefits such as Jobseeker's Allowance, Income Support, Pension Credit, Working Tax Credit, Child Tax Credit or Housing Benefit or Council Tax Benefit. Ask at your local Department for Work and Pensions office, council, or local advice centre or **contact us for advice**.
- Check that you are spreading out payments on your household bills so you don't have to pay bills all at once. Gas, electricity, water and phone companies usually have budget payment schemes.
- See if you can cut down on any of your outgoings but try not to cut down on basics like food, gas and electricity. See 'hints & tips' on page 14 & 15 for further suggestions.

If your outgoings are still more than you income after doing these things, **contact us for advice**.

Read this section carefully and then complete figures on the right hand side of the table. You'll transfer these to your personal budget sheet later. The left of the page is an example, but please ensure that the figures entered on the right hand side are YOUR figures and relate to YOUR situation. Remember not all boxes will be relevant to you.

<u>Step 1</u>		<u>Income monthly</u>	
1. Wages or salary (take home)			1300
2. Wages or salary partner (take home)			435
3. Jobseeker's Allowance			
4. Income Support or Pension Credit			
5. Tax Credit			46
6. Retirement or works pension			
7. Child Benefit			78
8. Incapacity Benefit			
9. Maintenance			
10. Non-dependants' contributions			87
11. Other			
Total Income	Box A	£	1946
<u>Step 2</u>		<u>Outgoing monthly</u>	
1. Mortgage			
2. Mortgage endowment policy			
3. Second mortgage			
4. Rent			500
5. Council Tax			75
6. Water rates			25
7. Ground rent or service charge			
8. Buildings and contents insurance			22
9. Life insurance and pension			43
10. Gas			57
11. Electricity			40
12. Other fuel			
13. Housekeeping			510
14. TV rental and licence			36
15. Magistrates' court fines			
16. Maintenance payments			
17. Hire-purchase vehicle			240
18. Travelling expenses			100
19. School meals and meals at work			32
20. Clothing			65
21. Laundry			22
22. Phone and mobile phone			40
23. Prescriptions and health costs			15
24. Childminding			
25. Other 1. Emergencies or repairs			20
2. Birthdays and Christmas			12
3.			
Total outgoings	Box B	£	1856
<u>Step 3</u>			
Total Income	Box A	£	1946
	Minus		
Total Outgoing	Box B	£	1856
Money for creditors	Box C	£	90

<u>Step 1</u>		<u>Income monthly</u>	
1. Wages or salary (Take home)			
2. Wages or salary partner (take home)			
3. Jobseeker's Allowance			
4. Income Support or Pension Credit			
5. Tax Credit			
6. Retirement or works pension			
7. Child Benefit			
8. Incapacity Benefit			
9. Maintenance			
10. Non-dependants' contributions			
11. Other			
Total Income	Box A	£	
<u>Step 2</u>		<u>Outgoing monthly</u>	
1. Mortgage			
2. Mortgage endowment policy			
3. Second mortgage			
4. Rent			
5. Council Tax			
6. Water rates			
7. Ground rent or service charge			
8. Buildings and contents insurance			
9. Life insurance and pension			
10. Gas			
11. Electricity			
12. Other fuel			
13. Housekeeping			
14. TV rental and licence			
15. Magistrates' court fines			
16. Maintenance payments			
17. Hire-purchase vehicle			
18. Travelling expenses			
19. School meals and meals at work			
20. Clothing			
21. Laundry			
22. Phone and mobile phone			
23. Prescriptions and health costs			
24. Childminding			
25. Other 1.			
2.			
3.			
Total outgoings	Box B	£	
<u>Step 3</u>			
Total Income	Box A	£	
	Minus		
Total Outgoing	Box B	£	
Money for creditors	Box C	£	

*For a full explanation of the above terms please refer to the glossary found on page 4

Here we have provided you with a key to the terms used in the Personal Budget form on the previous page.

STEP 1 – INCOME

- **1. Wages or Salary (take home)** - The payment that you receive from your employer after tax and national insurance has been removed. If you're self employed then this should be the amount you draw as a salary from the business, after tax and deductions.
- **2. Wages or Salary partner (take home)** – The payment that your partner receives from their employer after tax and national insurance has been removed. If your partner is self employed then this should be the amount they draw as a salary from the business, after tax and deductions.
- **3. Jobseeker's Allowance** – The payment received from your Local Social Security/Jobcentre whilst searching for a job.
- **4. Income Support or Pension Credit** – The payment that you may receive from the government if your income falls below the set threshold. For more details see www.direct.gov.uk.
- **5. Tax Credit** – The allowance paid directly to you if qualify as a low earner. For more details see www.direct.gov.uk.
- **6. Retirement or works pension** – The pension received from either a private pension, state pension or both.
- **7. Child Benefit** – The benefit paid to you if you have children under the age of 16. For more details see www.direct.gov.uk.
- **8. Incapacity Benefit** – The benefit received if you are of working age but are unable to work due to ill health or disability.
- **9. Maintenance** – The amount of money received for a child from a separated partner.
- **10. Non-dependants' contributions** – An amount of money you may receive from someone not related to you, for example if you rent a room out.
- **11. Other** – Any other sources of income.

STEP 2 – EXPENDITURE

- **1. Mortgage** – Monthly payment made to your mortgage provider (not including any arrears payments).
- **2. Mortgage endowment policy** – If you have an endowment policy the monthly premium of the policy.
- **3. Second Mortgage** – The monthly payment made on any second mortgage.
- **4. Rent** – If you rent your home the monthly payment you make to the landlord.
- **5. Council Tax** – The monthly payment you make to your local council.
- **6. Water Rates** – The monthly payment you make to your water supplier.

- **7. Ground rent or service charge** – If you live in a flat or have shared areas the monthly payment to cover ground rent or service charges.
- **8. Buildings & contents insurance** – Monthly payment for Household Insurance.
- **9. Life insurance and pension** – Monthly payment for personal Insurance.
- **10. Gas** – The monthly payment you make to your gas supplier.
- **11. Electricity** – The monthly payment made to your electricity supplier.
- **12. Other Fuel** – The monthly payment made for other energy supplies, for example, oil.
- **13. Housekeeping** – This should include your household shopping bills, and the general up keep of your home.
- **14. TV rental & licence** - Allow £12 a month for a colour licence and £4 a month for black and white.
- **15. Magistrates' court fines** – Any outstanding court fines you are paying off.
- **16. Maintenance payments** - Include voluntary payments and any payments ordered by the court or Child Support Agency (CSA).
- **17. Hire-purchase vehicle** - If you have brought your car using a hire-purchase arrangement.
- **18. Travelling expenses** - These should include the costs of travelling to work, school and for shopping. If you are running a car, include tax, insurance, repairs, MOT and servicing as well as fuel.
- **19. School meals and meals at work** – Include a cost here if you buy these separately from the housekeeping budget.
- **20. Clothing** - As a rough guide, allow £3 to £5 for each person each week. Don't forget the costs of school uniform. Only include non-dependants if you pay for their clothing.
- **21. Laundry** – Monthly payments for Launderette use or dry cleaning costs
- **22. Phone & mobile phone** - Only include your current monthly payments.
- **23. Prescriptions & health costs** – Payments made on a regular basis for prescriptions, dental care, opticians, etc.
- **24. Childminding** – Monthly payment made for childminding services.
- **25. Other** – This should include occasional expenses such as birthdays, Christmas, house repairs, and is a good place to include a 'cushion' in case of emergencies.

Once you’ve worked out your income and outgoings. Now you need to identify which are the most important debts – the ones you need to start paying off first.

The rest of this section contains useful information about priority debts, including guidance on what to do and how much to pay.

When deciding whether a creditor is priority, you may need to look at the credit agreement that was given to you when you bought goods or were given the loan. Many people think they have hire purchase when they have been given a personal loan.

What are priority debts?

Some debts have more priority than others. The law gives different creditors different ways of getting their money back. If you don’t act quickly, some creditors could:

- Take away your home (called ‘repossession’ or ‘eviction’);
- Cut off your gas and electricity (disconnection) – the law has changed

and your water company cannot disconnect your water supply;

- Send the bailiffs to take furniture from your home (called ‘distrain’); or
- Ask the magistrates’ court to send you to prison
- The chart below tells you what might happen if you delay sorting out these debts.

All of the potential debts listed below are priority debts. It is important to use the surplus in Box C to make agreements to settle these debts first.

Creditors can taken action on some priority debts without going to the court first. For example, gas and electricity companies can disconnect you. HM Revenue and Customs can send bailiffs without a court order for VAT and income-tax debts. Your other priority creditors can take action against you only after court action.

But don’t panic. You will always be given warning and as long as you act quickly, you should be able to stop these things happening. Don’t ignore the problem.

Debt	Possible action against you
Mortgage arrears	Repossession of your home or eviction from your home
Second mortgage or secured loan arrears	Repossession of your home or eviction from your home
Rent arrears	Eviction from your home or distaint
Council Tax or community charge arrears	Distrain or deduction from wages or Income Support, Pension Credit, Jobseeker’s Allowance or imprisonment
Gas or electricity arrears	Supply cut-off
Magistrates’ court fines	Distrain or deduction from wages or Income Support, Pension Credit or Jobseeker’s Allowance or imprisonment
Maintenance arrears	Distrain or deduction from wages or Income Support, Pension Credit or Jobseeker’s Allowance or imprisonment
TV licence	Fine in magistrates’ court, distrain or imprisonment
Hire purchase or conditional sale	Repossession of the goods
Income tax, National Insurance and VAT arrears	Distrain or bankruptcy

PRIORITY DEBTS



Steps 4 and 5 – Working out priority debt payments and money left over

Use the table below to work out your priority debts, (the debts that need paying first) and how much you will be able to pay off your debts each month.

- **Step 4** helps to work out how much you can pay off your priority debts. **If you have debts that were described in the priority debts section on the previous page, you will need to contact the organisation to agree a monthly payment figure.**
- The first thing to do is contact the organisation that you have the debt with and explain that you're having difficulty in making payment on the outstanding debt. Offer to make a small contribution to the debt on a monthly basis whilst continuing to make your normal monthly payments.
- With this information use the rest of this section to help you work out your priority debt payments.
- **Step 5** is to **take away** the money you need for **priority debts (BOX D)** once you've agreed this with the people you owe money to, from the **total**

money you have available to

pay creditors (which you worked out in the last section – **BOX C**). Put this figure in **BOX E**. This will tell you how much money you have left to pay credit debts.

EXAMPLE HOUSEHOLD

In the last section we used an example household to show how to work out your income and outgoings (page 3). This household also has priority debts.

David and Sandra owe the following:

Missed rent payments	£416
Electricity bill	£130

They arrange with their landlord to pay their current rent plus £22 a month off the arrears. They negotiate with the electric company and agree to a budget plan to pay for the electricity they are using at £40 a month plus £15 a month off the arrears.

Read this section carefully and then complete figures on the right hand side of the table. You'll transfer these to your personal budget sheet later. The left of the page is an example, but please ensure that the figures entered on the right hand side are YOUR figures and relate to YOUR situation. Remember not all boxes will be relevant to you.

<u>Step 4</u>		<u>Priority debts</u>	
	Balance owed		Monthly offer of repayment
Mortgage arrears			
Arrears on second mortgage			
Rent arrears	416		22
Council Tax or community charge arrears			
Fuel debts:			
Gas			
Electricity	130		15
Other			
Magistrates' court fine arrears			
Maintenance arrears			
Hire-purchase arrears			
Other 1			
2			
Total priority debt repayment	BOX D	£	37
<u>Step 5</u>			
Money for creditors	BOX C	£	90
	Minus		
Total priority debts repayment	BOX D	£	37
Money for credit debts	BOX E	£	53

<u>Step 4</u>		<u>Priority debts</u>	
	Balance owed		Monthly offer of repayment
Mortgage arrears			
Arrear on second mortgage			
Rent arrears			
Council Tax or community charge arrears			
Fuel debts:			
Gas			
Electricity			
Other			
Magistrates' court fine arrears			
Maintenance arrears			
Hire-purchase arrears			
Other 1			
2			
Total priority debt repayment	BOX D	£	
<u>Step 5</u>			
Money for creditors	BOX C	£	
	Minus		
Total priority debts repayment	BOX D	£	
Money for credit debts	BOX E	£	

Step 6 – What are credit debts?

Credit debts include lots of different types of debts where the creditor hasn't got extra powers for example, they cannot take your home. This means they do not have to be treated in the same way as the priority debts we identified earlier. The most common credit debts include:

- Credit card debts
- Personal loans with finance companies
- Bank and building society loans, overdrafts and credit cards
- Charge cards
- Catalogues
- Personal debt to friends and family
- Doorstep collected loans
- Credit sale agreements; and
- Trading cheques or vouchers

What if a creditor has already taken me to county court?

You should include this debt with your credit debts and work out the offer of payment in the same way. If this is less than the amount the court has ordered you to pay, you may need to apply to the court to reduce the amount. This will mean you are treating all your creditors fairly and you are not paying one creditor more than you can afford.

Check the name on the agreement

Only the person who signs an agreement is responsible for the debt. A husband and wife are not responsible for each other's debts unless they both sign the agreement.

If you take out an agreement jointly with another person, you are each responsible for the whole debt and not just part of it. Make sure the creditor knows that someone else is responsible.

Interest

Debts have two parts – the money borrowed and the interest. Interest is the charge for lending you the money.

Debts have interest added in different ways.

- **Fixed term loans.** Interest is worked out at the beginning of your loan and included in your monthly payments. Sometimes extra interest called 'default interest' is charged if you miss a payment. Ask the creditors to freeze any default interest they are adding.

- **Revolving credit agreements.** These cover credit cards, bank overdrafts and some loan agreements. Interest is worked out on the amount you still owe each month, and charged regularly to your account. This means your debt grows every month. The company may also vary the interest rates. Ask the creditor to freeze all the interest being added.

To find out if interest is still being added to any of your debts, check your agreement for details.

IMPORTANT Still paying interest?

Your debt will continue to grow if your new monthly offer of payment to the creditor is less than the interest being added. Ask the creditor to stop charging you any more interest. The creditor may agree to this for a limited period then start charging interest again. Ask for regular statements and check them. When a creditor accepts your offer, if they do not say they have frozen the interest, you should check this with them again. The creditor may also try to add administration and late-payment charges. Ask them not to charge these ('waive' them).

What if a creditor refuses to freeze the interest?

Write to them again. If any of your other creditors have agreed to freeze the interest, point this out.

COPIES OF CREDIT AGREEMENTS

If required you have the right to ask for a copy of your credit agreement and a statement of account. If you have lost your original agreement and need to check the terms such as the interest rate. Write to the creditor and ask for a copy of the agreement under the Consumer Credit Act 1974, section 77-78. You must send a fee of £1 with the letter. If your creditor does not send you a copy of your agreement within 12 working days, they are not allowed to take further action against you until they send you the agreement.

DATA PROTECTION

You can also write to your lender and ask that they send you all the information they hold on computer to do with your account. Make this request under the Data Protection Acts 1984 and 1998 and refer to the 'right of subject access' under the acts. List all your addresses for the past six years. The lender has 40 days to do this, and can request payment of up to £10 to supply you with this information.

CREDIT DEBTS



Opposite we show you how to work out a pro-rata distribution in the 'calculation box'. Use a calculator to work out your payments. You should round up the final figure to the nearest £1. Check the 'example household' calculation below to see how to work out a pro-rata distribution.

- If you have done a weekly personal budget, multiply your 'money for credit debts' from the priority debts table (**Box E**) by 52 and then divide by 12. Enter this figure in **Step 6, (Box E)** (see below).
- Contact all your creditors to find out exactly how much you owe each one and list them under each 'creditor' and 'balance owed'.
- Add up all the individual debts, to find out how much you owe in total.
- Put the total in **Box F**, below.
- Work out the monthly offer of repayment for each creditor by using the formula in the calculation box.

✓ **EXTRA HELP**
Working out offers of payment
 If you need help working out offers of payment, **contact us for advice.**

CALCULATION BOX

Money available for credit debt (**Box E**) x each debt
 ÷ total amount owed (**Box F**)
 = offer to the creditors

EXAMPLE HOUSEHOLD

£53 (**Box E**) x £268 (Newhome Catalogue)
 ÷ £4,318 (**Box F**)
 = £3.29 (monthly offer to Newhome Catalogue)

David and Sandra owe:

Newhome Catalogue	£ 268
Wellington Trust & Savings	£2,960
Flexible Bank Card	£ 825
Easichack Financial Services	£ 265
Total	£4,318 (Box F)

David's and Sandra's money for credit debts is now £53 a month (**Box E**) because they are paying £37 a month to the electricity company and the landlord. The example shows what they can afford to pay off their credit debts every month.

When you have read through this section, make a rough copy below of your figures. Transfer them to your personal budget sheet later. There's an example on the left of the page.

Step 6		Credit debts	
Creditor	Balance owed		Monthly offer of repayment
1. Newhome Catalogue	£268		£3.29
2. Wellington Trust & Savings	£2,960		£36.33
3. Flexible Bank Card	£825		£10.13
4. Easichack	£268		£3.25
5.			
6.			
7.			
8.			
9.			
Total owed			
BOX F	£ 4,318	£	
Total monthly repayment	BOX E	£	53

Step 6		Credit debts	
Creditor	Balance owed		Monthly offer of repayment
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
Total owed			
BOX F	£	£	
Total monthly repayment	BOX E	£	

Congratulations! You've completed the hardest part of the guide. Now all you have to do is transfer the figures that you've calculated for your Income & Expenditure, Priority Debts and Credit Debts into your personal budget sheet. This will then give you a complete and clear understanding of what you can afford to offer to the people you owe money too.

Below we have given you a step by step guide to allow you to pull together the figures that you have calculated and then approach the people you owe money too with a sensible monthly payment that you can afford. Remember if you are unsure at any stage you can contact us for further guidance.

- STEP 1** Complete the personal budget planner using the figures from your previous workings on page 3.

- STEP 2** Complete your priority debts using the information from page 6.

- STEP 3** Complete your credit debts and pro-rata payments using the information from page 8.

- STEP 4** Write a letter to each of the people you owe money to using the templates supplied and inserting the information as indicated.

- STEP 5** Run through the checklist to ensure you've completed all the relevant sections and collated all the relevant information.

- STEP 6** Send the letters complete with a copy of the completed budget sheet, which will combine all the details that you've worked out through the process, to each of your creditors.

- STEP 7** Await confirmation back from your creditors that they have either accepted or rejected your offer.



STEP 1		Income weekly or monthly	
Wages or salary			
Wages or salary (partner)			
Jobseeker's Allowance			
Income Support or Pension credit			
Tax credit			
Retirement or works pensions			
Child benefit			
Incapacity benefit			
Maintenance			
Non-dependants' contributions			
Other			
TOTAL INCOME	BOX A	£	
		Outgoings Weekly or monthly	
Mortgage			
Mortgage endowment policy			
Second mortgage			
Rent			
Council Tax			
Water Rates			
Ground rent or service charge			
Buildings and contents insurance			
Life insurance and pension			
Gas			
Electricity			
Other Fuel			
Housekeeping			
TV rental and licence			
Magistrates' court fines			
Maintenance payments			
Hire-purchase vehicle			
Travelling expenses			
School meals and meals at work			
Clothing			
Laundry			
Phone and mobile phone			
Prescriptions and health costs			
Childminding			
Other 1			
2			
3			
TOTAL OUTGOINGS	BOX B	£	
Total income	BOX A		
Take away	BOX B		
Money for creditors	BOX C	£	

STEP 2		Balance owed		Weekly or monthly offer of repayment	
Mortgage arrears					
Arrears on a second mortgage					
Rent arrears					
Council Tax or community charge arrears					
Fuel Debts: Gas					
Electricity					
Other					
Magistrates' court fine arrears					
Maintenance arrears					
Hire-purchase arrears					
Other 1					
2					
Total priority debts repayment		BOX D	£		
Money for creditors	BOX C	£			
		Minus			
Total priority debts Repayment		BOX D	£		
Money for credit debts	BOX E	£			
STEP 3		Balance owed		Monthly offer of repayment	
Creditor					
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
TOTAL OWED	BOX F	£			
Total monthly repayment		BOX E	£		

This is an accurate record of my financial position on (dd/mm/yyyy) _____

Signed _____



STEP 4 – If you are making pro-rata offers to your creditors

You can write out this example letter and send it to your creditors with a copy of your personal budget if with the use of the personal budget sheet you have calculated that you have cash available to make an offer on a monthly basis. We have used [square brackets] to suggest different points you may want to make. Choose the ones that fit your circumstances, and make any other changes you need to explain your situation to your creditors.

Remember to keep a copy of your personal budget and any letters you send.

Creditors name and address: _____ _____	Your address: _____ _____
Date: _____	
Account number: _____	
Dear Sir or Madam Since making the above agreement with you, my circumstances have changed. I cannot now afford the agreed monthly payments because _____ _____ _____ _____	
I enclose a personal budget sheet which shows my total income, and my total outgoings. As you can see, I have only £____ a month left for my creditors.	
I have worked out the offer I have made to my creditors on a pro-rata basis, and I have written to all my creditors asking them to accept reduced offers.	
Because of my circumstances, please agree to accept a reduced offer of £____ month. If you are adding interest or other charges to the account, I would be grateful if you would freeze these so that all payments I make will reduce what I owe you.	
If my circumstances improve, I will contact you again.	
Please send a [paying-in book] [standing order form] to make it easier to pay.	
Thank you for your help. I look forward to hearing from you as soon as possible.	
Yours faithfully	

Explain here what the problems are, for example, if you have lost your job, separated from your partner, or had an unexpected increase in outgoings or a drop in income.
Taken from **BOX E** on your personal budget sheet.

As listed on your personal budget under this creditor's name.

Choose the payment method you want.

Add your signature with your name printed underneath

STEP 4 – If you are making no offers of payment or token payments

If you are making no offer or token payment only, i.e you have no available funds, you can write out this example letter and send it to your creditors with a copy of your personal budget, indicating that you have no disposable income available to pay your debts. We have used [square brackets] to suggest different points you may want to make. Choose the ones that fit your circumstances, and make any other changes you need to explain your situation to your creditors.

Remember to keep a copy of your personal budget and any letters you send.

<p>Creditors name and address: _____ _____</p>	<p>Your address: _____ _____</p>	
	<p>Date: _____</p>	
<p>Account number: _____</p>		
<p>Dear Sir or Madam Since making the above agreement with you, my circumstances have changed. I cannot now afford the agreed monthly payments because _____ _____ _____ _____</p>		<p>← Explain here what the problems are, for example, if you have lost your job, separated from your partner, or had an unexpected increase in outgoing or a drop in income.</p>
<p>I enclose a personal budget sheet which shows my total income, and my total outgoings. As you can see, I have no money left to make offers of payment to my creditors.</p>		<p>← Taken from BOX E on your personal budget sheet.</p>
<p>Because of my circumstances, please [agree that I can suspend payment for six months] [accept a token offer of £1 a month for the next six months]. If you are adding interest or other charges to the account, please freeze these so my debt does not increase.</p>		<p>← Decide if you are making a token offer of payment or asking the creditors to accept no offer of payment</p>
<p>If my circumstances improve, I will contact you again.</p>		
<p>Please send a [paying-in book] [standing order form] to make it easier to pay.</p>		<p>← Only include this if you are offering a token payment. Choose the payment method you want.</p>
<p>Thank you for your help. I look forward to hearing from you as soon as possible.</p>		
<p>Yours faithfully</p>		<p>← Add your signature with your name printed underneath.</p>

STEP 5 – Your Final Checklist

Key Event	Check
Do you have figures in boxes A – F of the personal budget sheet?	
Have you signed and dated the personal budget sheet?	
Is the account number on the letter the correct account number for the people you're sending the letter too?	
Do the figures in the letter match the figures in personal budget sheet?	
Have you chosen your preferred method of payment in the letter?	
Have you printed, signed and dated the letter?	
Have you kept a copy of the letter and personal budget sheet?	

Will they accept my offer?

Hopefully your creditors will accept your offer of reduced payments and you will continue to make payments without any further problem.

However, most creditors will only accept your offer of reduced payment for a limited period of time and will review your situation after the time stated in their acceptance letter. When the account is due for review you will need to contact the creditor again and explain any change of circumstances. If there are no changes in your circumstances you will need to write to the creditor to ask them to continue with the present arrangements.

What if they refuse my offer?

Creditors sometimes refuse offers of reduced payment. If you believe your offer is reasonable you should write back to the creditor asking them to reconsider your offer. If other creditors have accepted you should include this in your letter. Continue to make payment at the reduced amount offered. Write back to the creditor and explain that you are unable to increase your offer of payment.

They may have stated that they are unable to accept your offer because items of expenditure are high and should be reduced. You will need to decide whether the expenditure is high or whether the creditor is being unreasonable.

If they have refused your reduced offer but will accept a reduced offer higher than you have offered, you will need to decide whether you can afford to increase your offer to that creditor. However, if every creditor asked you to do this it would be unmanageable.

If you are not sure what to do contact us for further advice.

1. Tax

Check with your local tax office to make sure that you have the right tax code. Some employees can claim tax relief on work-related expenses. You can get a higher tax allowance if you are registered blind or were widowed before 2 April 2000.

If you are over 65, you can also get a higher tax allowance due to your age or because you are part of a married couple.

Some maintenance payments also qualify. Check with your tax office.

Children's Tax Credit was a tax allowance that meant you paid less tax on your wages if you had a child under 16. This stopped at the end of March 2003. You can still claim Children's Tax Credit for 2001/2002 as you can claim up to six years afterwards. Contact HM Revenue and Customs (what used to be called the Inland Revenue) or **contact us for advice**.

Backdated Tax Allowances

You can still ask for tax allowances to be backdated for up to six years, even if your ongoing entitlement has stopped. If you think this might apply to you check with your tax office.

2. Minimum Wage

Check that you are being paid the national minimum wage. From October 2007 this is £5.52 an hour if you are aged 22 and over, £4.60 if you are aged 18 to 21 and £3.40 an hour if you are aged 16 to 17. For information ring the government helpline on 0845 6000 678.

3. Income Support

This is for people who do not have to sign on for work (for example, because they are sick, or caring for someone). You may be able to get help towards your housing costs if you have a mortgage.

4. Pension Credit

You can claim if you are 60 or over. The amount you are entitled to depends on your income. There is extra payment, called 'savings credit', if you or your partner are 65 or over. This rewards you for having moderate savings. The amount you

get will depend on how much money you have saved.

5. Working Tax Credit

If you are on a low income, this can be paid on top of your wages. There are several ways in which you can qualify. These ways are shown below.

- If you or your partner are employed or self-employed for more than 16 hours a week and are bringing up one or more children. If you qualify by this route, the credit can also help with childcare costs in certain circumstances.
- If you or your partner are employed or self-employed for more than 16 hours a week and have a disability that creates a disadvantage in getting a job.
- If you or your partner started work in the last three months and are:
 - Over 25 and are employed or self-employed for 3- hours or more a week or;
 - Over 50 and employed or self-employed for 16 hours or more, and in either case, have received Income Support, Jobseeker's Allowance or Incapacity Benefit within the last six months.

Working Tax Credit will usually be paid into your bank account, and is dealt with by HM Revenue and Customs. For information, ring the Tax Credit helpline on 0845 300 3900.

6. Child Tax Credit

This is paid to people with responsibility for children (under 16 or under 19 in full-time education). It can be paid whether you are in or out of work. The amount you will get depends on your income. For information, ring the Tax Credit helpline on 0845 300 3900.

7. Council Tax

You may get a reduction if someone living in the house has a disability. Apply to the council for this. Only some properties will qualify. Contact a local welfare rights agency for advice.

You may get a discount in the following circumstances

- If you are the only adult in the house
- Or, if you share your house only with people who are not taken into account, such as:

- A full-time student or student nurse
- An apprentice or someone on a youth training scheme (certain ones apply); or someone with a mental disability who is getting certain disability benefits

Tell the council if you think you may qualify for a discount.

You may be able to claim Council Tax Benefit if:

- You are on a low income with less than £16,000 in savings; or
- You are on Income Support, Pension Credit, Jobseeker’s Allowance or other benefits.

You may get help with paying all or some of the bill by claiming Council Tax Benefit. Contact the local council for an application form. If your house is in band F, G or H the amount of Council Tax Benefit you could claim was restricted if you claimed between April 1998 and March 2004. This rule has now been removed and the council will take you full Council Tax bill into account.

You may be able to claim a rebate called ‘second Adult Rebate’ if:

- You share your home with someone on a low income who does not pay rent **and** is not your husband, wife or partner; **and**
- You don’t already get a discount for them.

If you are in this situation, the council should work out if you are better off claiming your own Council Tax Benefit or getting the Second Adult Rebate.

✓ EXTRA HELP

APPEALING AGAINST COUNCIL TAX DECISIONS

If you feel your Council Tax Benefit has been worked out wrongly you can write to the council and ask for a review. If you are not happy with the outcome, you can appeal against the decision to an independent tribunal within a month of the review decision. However, you can only appeal if you think a mistake has been made.

If you feel that your home is placed in the wrong band, you may be able to appeal to the Local Valuation Office Agency. This address should be on your Council Tax bill.

For more information about who can appeal, contact a local welfare rights agency.

8. Medical Expenses

- Free prescriptions, dental treatment and sight tests or glasses. The rules are different depending on whether you live in England and Wales. Contact your local advice agency, Department for Work and Pensions or contact the Help with health costs advice line on 0845 601 8076. If you cannot claim free prescriptions, you may be able to reduce the cost by buying a pre-payment certificate.

9. Income coming from all adults living in the house

If you have grown-up children or other relatives in your home, make sure they are paying enough towards the household expenses.

10. Rent a room out

Is there a possibility of renting out a room in your home? Before you do this, there are various things to consider. You will need to check to see how this will affect any benefits you are claiming. Also check your tax position. Ask your tax office about the ‘rent-a-room’ scheme which allows you to receive rental income up to a certain limit which is tax free. You will usually also need your landlord or mortgage lender’s permission to do this as your tenancy or mortgage agreement may not allow you to rent rooms out.

11. Payment Protection

Check whether your mortgage or any other loans are covered by payment protection insurance. This may apply if you have been made redundant or are off work due to illness. If you are turned down by the company when you claim on your policy, **contact us for advice**. **Be careful** your insurance company will usually pay the lender direct but from May 1998 if payments are made to you, this should **not** be treated as part of your income when you claim benefits.

12. Switching Utilities

You may be able to save money on your gas and electricity by switching provider. Visit www.uswitch.com to see if you can save money.

13. Useful Websites

As well as the utilities website above there are a number of other very useful money saving websites. Try visiting the following.
www.moneysavingexpert.com
www.petrolprices.com
www.mysupermarket.co.uk

Jargon Buster

APR – Annual Percentage Rate – This shows the overall cost of a loan each year, taking into account the term, interest rate and other costs.

Arrears – The amount of money that should have been paid to the creditors and hasn't been.

Credit Debt – The people paid with whatever amount of money is left, usually associated with unsecured debts such as; credit cards, unsecured bank loans, overdrafts, catalogues.

Creditor – Someone to whom you owe money.

Distrain – When a creditor sends bailiffs to reclaim the value of a debt by removing furniture and household items from a property.

Early Repayment Charge – A charge you may have to pay if you pay a mortgage back early (including if you move to another lender)

Endowment Mortgage – An interest only mortgage where a separate savings account runs along side the mortgage to pay the capital off at the end of the mortgage term.

Expenditure – The amount you spend on household bills and housekeeping.

Income – The total amount of money coming into the house, including salary or wages, benefits, pension, etc.

Interest – The charge that lenders make when you borrow money.

Interest Rate – The figure that decides how much interest you pay. It is usually linked to the Bank of England's rate and can move up or down.

Mortgage – A loan secured on your property, if you fail to keep up the mortgage repayments your home may be repossessed.

Non-priority – The people paid with whatever amount of money is left

Priority – The people who should be paid first

Priority Debt – The people who should be paid first, usually associated with a mortgage/rent, utilities (gas & electricity), income tax & VAT, maintenance.

Pro-Rata – This indicates an equal payment over a set period.

Repayment Mortgage – A mortgage in which you pay off both the loan (capital) and interest at the same time.

Unsecured Creditor – A creditor who does not hold security (such as a mortgage) for money owed. Some unsecured creditors may also be preferential creditors.