

A step in the

Right Direction



DERBY CITY COUNCIL

***A Self Help Guide
to Money Problems***

Money Advice Service

If you're in debt and 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.

Terms you will 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 and fuel bills. |
| Credit debts | - any other debts, such as catalogue payments and loans. |
| Hire purchase | - where you pay weekly or monthly and don't own the goods until you make the last payment. |
| Financial Statement | - your personal budget, the money you have coming in, going out and any left over. |
| Non-dependant | - a person other than a partner who lives in the same house aged 18 years and older. |

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 AND OUTGOINGS

Complete a financial statement. This is important because it helps you:

- see how much money is coming in to your household
- see how much money is going out
- work out offers to courts and creditors which you can afford
- plan your future spending.

Income

Fill in the Income boxes making sure you list all the income you get remembering to use weekly or monthly figures. If you are not sure, see Terry and June's budget on page 4. The notes will help you...

| Income | Weekly/monthly |
|------------------------------|----------------|
| Earnings - self & partner | £ |
| Employment Support Allowance | £ |
| Income Support | £ |
| Jobseeker's Allowance | £ |
| Child Benefit | £ |
| Working Tax Credit | £ |
| Child Tax Credit | £ |
| Retirement pension | £ |
| Pension and Savings Credits | £ |
| Works pension | £ |
| Incapacity Benefit | £ |
| Maintenance | £ |
| Non-dependant contribution | £ |
| Other | £ |
| Total Income | £ |

Notes to help you...

Wages or salary

Your normal take-home pay. Only include overtime if it's regular.

Benefits

Include all benefits, except housing benefit, council tax benefit, disability living allowance and attendance allowance.

Non-dependant contribution

Include the amount paid by other people who live in your home such as grown-up children and older relatives. Make sure non-dependant people pay enough towards household expenditure.



Outgoings

Work out how much money you have to pay out each week or month. At this stage, don't include any debt or arrears or any credit payments. The notes will help you...

| Outgoings | Weekly/monthly |
|------------------------|----------------|
| Rent or mortgage | £ |
| Council Tax | £ |
| Water | £ |
| Gas | £ |
| Electricity | £ |
| Insurance | £ |
| Housekeeping and food | £ |
| School meals | £ |
| TV rental | £ |
| TV licence | £ |
| Telephone | £ |
| Travelling expenses | £ |
| Clothing | £ |
| Health expenses | £ |
| Child care | £ |
| Other | £ |
| Total Outgoings | £ |

Notes to help you...

Mortgage

You will usually pay monthly. To get a weekly figure, multiply by 12 and then divide by 52.

Rent

Monthly or weekly.

Council tax

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

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

Water, Gas and Electricity

All of these will accept monthly or weekly payments.

Housekeeping

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

A rough guide is:

Single £35-40 a week

Couple £60 a week

Families £25 per person per week

Travelling expenses

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

Clothing

Allow at least £5-£6 per person each week.

Money left over

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

| | |
|-----------------------------|---|
| Total Income | £ |
| Less total Outgoings | £ |
| Money left | £ |



Example Household

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

Terry and June have one child aged 13.

Their income and outgoings are:

| Income | Weekly | Outgoings | Weekly |
|-----------------------------|-----------------|------------------------|-----------------|
| Wages or salary | £ 223.24 | Rent or mortgage | £ 71.59 |
| Partner's wages or salary | £ - | Council Tax | £ 16.32 |
| Income Support | £ - | Water | £ 8.00 |
| Jobseeker's Allowance | £ - | Gas | £ 15.00 |
| Child Benefit | £ 20.00 | Electricity | £ 12.00 |
| Working Tax Credit | £ 37.40 | Insurance | £ 3.60 |
| Child Tax Credit | £ 53.41 | Housekeeping and food | £ 75.00 |
| Retirement pension | £ - | School meals | £ 7.50 |
| Pension and Savings Credits | £ - | TV rental | £ 6.06 |
| Works pension | £ - | TV licence | £ 3.40 |
| Incapacity Benefit | £ - | Telephone & Broadband | £ 15.00 |
| Maintenance | £ - | Travelling expenses | £ 25.00 |
| Non-dependant contribution | £ - | Clothing | £ 18.00 |
| Other | £ - | Health expenses | £ 13.50 |
| | | Other | £ 20.00 |
| Total Income | £ 334.05 | Total Outgoings | £ 309.97 |

By doing a financial statement like this, you know how much money you have left over. Now go to step 2 on page 6. If there is no money left over go to page 10 or contact a Money Adviser.

| | |
|-----------------------|----------|
| Total Income | £ 334.05 |
| Less Outgoings | £ 309.97 |
| Money left | £ 24.08 |



Use this page for your own notes



STEP 2 - LIST ALL YOUR DEBTS

There are two types of debt - priority debts and non-priority debts.

Priority Debts

Some debts are more important than others. The law gives different creditors different ways to get their money back.

The list shows priority debts. They are important because of the serious action that can be taken against you if you don't pay.

| Priority Debts | Action Against You |
|---------------------------------|----------------------------|
| Magistrates Court Fine | Imprisonment |
| Maintenance Arrears | Imprisonment |
| Council Tax or Community Charge | Imprisonment |
| Rent or Mortgage | You could lose your home |
| Electricity and Gas | Supply cut off |
| Hire Purchase | Take your goods back |
| Tax and VAT | Imprisonment or bankruptcy |

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 financial statement with you when you speak to creditors - Remember - act quickly before things get worse!



Who to contact...

Mortgage

Your building society or lender.

Rent

Your Local Housing Office or your landlord.

Council Tax

Council Tax enquiries at the Council House, telephone: 03332006900.

Water

Severn Trent Water. Bills are usually issued in March. You can ask to pay your bill weekly. If you do not pay, Severn Trent will send you a County Court summons, see example on page 13. Contact them to discuss your situation.

Gas and Electricity

Your offer must cover the cost of what you are using each week, and an amount off your arrears. You could ask to go on a budget scheme or a token meter.

Fines

Such as driving offences, or not having a TV licence. Contact the Fines and Fees office at the Magistrates Court.

Maintenance

If you have arrears on a maintenance order contact the Child Support Agency or the County Court.

Hire Purchase

Contact the hire purchase company and work out a payment you can afford.

Remember...

- use your financial statement
- start to make the agreed payments straight away
- don't agree to pay more than you can afford
- if you get stuck - contact a Money Adviser
- if you can, write to your creditors and keep a copy of the letter
- useful addresses and telephone numbers are on page 15

| Priority debts | Amount you owe | Your weekly or monthly payment offer |
|------------------|----------------|--------------------------------------|
| Rent or Mortgage | £ | £ |
| Council Tax | £ | £ |
| Water | £ | £ |
| Gas | £ | £ |
| Electricity | £ | £ |
| Court orders | £ | £ |
| Fines | £ | £ |
| Maintenance | £ | £ |
| Hire Purchase | £ | £ |
| Other | £ | £ |
| Total | £ | £ |



Example

Terry and June listed their priorities like this:

They owe:

- £300.00 rent
- £130.00 electricity

Rent arrears - they contacted their Housing Association. They arranged to pay £66.50 a week rent and £6.00 off the arrears.

Electricity - they agreed to a budget plan to pay £10.00 a week plus £3.00 a week off their arrears.

| Priority debts | Amount you owe | Weekly payment |
|------------------|----------------|----------------|
| Rent or Mortgage | £300.00 | £ 6.00 |
| Council Tax | £ | £ |
| Water | £ | £ |
| Gas | £ | £ |
| Electricity | £130.00 | £ 3.00 |
| Court orders | £ | £ |
| Fines | £ | £ |
| Maintenance | £ | £ |
| Hire Purchase | £ | £ |
| Other | £ | £ |
| Total | £430.00 | £ 9.00 |

Terry and June filled in their money for credit debts box like this:

| | |
|-----------------------------|---------|
| Money left | £ 24.08 |
| Less priority debt payments | £ 9.00 |
| Money for credit debts | £ 15.08 |

Non-priority Debts

This is the final stage of the financial statement. **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. Fill in the box to see how much money you have left over to pay your **credit debts**.

| | |
|-----------------------------|---|
| Money left | £ |
| Less priority debt payments | £ |
| Money for credit debts | £ |



Use this page for your own notes



STEP 3 - CONTACT YOUR CREDITORS

If you have no money for credit debts:

- write to the companies and tell them. Use the example letter on page 12 and remember to keep a copy for yourself
- enclose a copy of your financial statement

If you have some money for your credit debts:

- divide it fairly between your creditors
- don't worry if your offers look small. Remember, your creditors would rather you pay a small amount regularly than make promises you can't keep

If you have several creditors, decide how much you can give each one. You don't have to pay the same amount to each creditor. Vary the amount with the size of the debt. The bigger the debt, the more you pay.

Example Household

Terry and June worked out how much to pay like this:

| Credit debt | Amount owed | Weekly payment |
|---------------------|------------------|----------------|
| Goodhomes Catalogue | £1,000.00 | £ 6.50 |
| Flexi-card | £ 550.00 | £ 4.00 |
| Money Express | £ 450.00 | £ 3.00 |
| Thomas & Son | £ 200.00 | £ 1.50 |
| | | |
| Total | £2,200.00 | £15.00 |

What if a creditor refuses my offer?

Don't give up:

- start paying the amount you have offered anyway
- if a creditor calls for your payment don't let them persuade you to pay more than the amount you offered, otherwise you won't be able to make the repayments on your **priority debts**
- contact Money Advice, Citizen's Advice Bureau or the National Debtline, they can advise you on how to make the next approach to your creditors



Problems and types of credit...

Loan Sharks

- If you can't repay they'll turn nasty
- Some may threaten you
- Some may try to take your benefit book - this is illegal
- Some will force 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. Tel: **0300 555 2222**

Harassment

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 Consumer Direct, telephone

0845 404 0506

Freeze Interest

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.

Extortionate credit

If you think that your credit charges are extremely high you can take the matter to court. If high risks are involved for the lender though, the court may feel that the charges are reasonable. The fact that interest is higher than average does not necessarily mean it is extortionate. Before taking action, consult your local Trading Standards department.



USE THIS EXAMPLE LETTER TO CONTACT YOUR CREDITORS - REMEMBER TO KEEP A COPY

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 Financial Statement that shows my current position.

Paragraph 3

1. I have worked out that I can afford to pay you £ a week/month. You can see from my Financial Statement, this is all I can afford to pay at the moment. I request that all interest and charges being added are frozen so that all payments I make reduce the outstanding balance.

OR

Paragraph 4

2. I have no money to offer my creditors. Please accept no payment. If interest and charges are being added to my account, I request that you freeze them so that my debt doesn't increase.

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

Yours faithfully



Court Action

What if my creditors take court action?

The County Court is not a criminal court and isn't there to punish anyone. The County Court is there to settle disputes about money owed, and how to repay it.

If somebody takes you to court:

- you will receive a 'default summons' telling you how much the creditor says you owe
- there will be a reply form with the 'default summons' for you to make your offer of repayment. Fill this in and send it to the creditor called the Plaintiff, with a copy of your personal budget. If you don't agree with the amount of debt, say so on the form and send the form back to the court
- if the creditor **accepts your offer**, you will receive an order to pay that amount each month
- If the creditor **refuses**, the court will write and tell you the amount it has decided you should pay each month. If you do not agree with this, you can ask for a hearing to explain the offer to the District Judge. You must do this within 14 days of getting the order. The court will then give you a hearing date. You must go to the hearing.

Remember:

- always take a copy of your financial statement
- if you get a letter you do not understand, take it to the court or contact a Money Adviser for an explanation.



Use this page for your own notes



USEFUL TELEPHONE NUMBERS

| | |
|---|---------------|
| Derby City Council | 01332 293111 |
| Housing / Council Tax Benefit enquiries | 01332 255122 |
| Council Tax enquiries | 03332 006900 |
| Derby Advice Service Helpline | 01332 256552 |
| Money Advice, Derby City Council | 01332 256570 |
| Severn Trent Water Authority | 0845 6001 116 |
| JobCentrePlus New Claims | 0845 6032 953 |
| Pension Credits | 0800 99 1234 |
| Citizens Advice Bureau | 0870 126 4860 |
| National Debtline | 0808 808 4000 |
| Consumer Credit Counselling Service | 0800 138 1111 |
| PayPlan | 0800 917 7823 |
| Advice UK | 020 7407 4070 |
| Consumer Direct | 0845 4040 506 |
| Magistrates Court | 01332 362000 |
| Police | 01332 290100 |
| County Court | 01332 622600w |
| Office Of Fair Trading | 0845 722 4499 |
| OFCOM | 0845 456 3000 |
| Derby Homes | 01332 711000 |





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