

*If you live in the
Motherwell, Wishaw. or Shotts areas,
You can contact:*

Citizens Advice Bureau
32/33 Civic Square
Motherwell ML1 1TP
Tel: 01698-251981/259389

or

The Portacabin
Roberts Street
Wishaw ML2 7JF
Tel: 01698-373388

or

Healthy Living Centre
Kirk Road
Shotts
Tel: 01501 825800

or you can

*Check the phone book for the nearest
Citizens Advice Bureau.*

**Motherwell & Wishaw
Citizens Advice Bureau**

Money Worries?



**Citizens
Advice
Bureau**

In Debt ?

Self-help Guide

Motherwell & Wishaw Citizens Advice Bureau

The Bureau, an independent charity, is a voluntary service run by the community for the community.

It is a client centred service—It's aim is to help people to know their rights and responsibilities on virtually any topic.

The service is free, confidential and impartial. This booklet is designed to help you to help yourself, However, if you need additional support or assistance, please contact the bureau on.

Motherwell Office 01698 259389.
Wishaw office: 01698 373388
Or visit our offices: see back page for addresses.

What Happens if the Creditor Refuses to Accept?

Creditors are under no obligation to accept your offer, Having said this, most are reasonable and will try to come to some mutually agreed solution to ease the problem.

* * * *

Should you find that, after trying this method of negotiation, creditors are refusing to co-operate or that you are being threatened with court action, the best way forward would be to seek help and advice from an advice agency.

There are a number of agencies who provide a free and confidential service to people with debt problems; such as:-

- Motherwell & Wishaw Citizens Advice Bureau.
Telephone: Motherwell 01698 251981
Wishaw 01698 373388
- Money advice - North Lanarkshire Council
Telephone: 01698 302222
- National Debtline
Telephone: 0808 808 4000
- Consumer Credit Counselling
Telephone: 0800 138 1111

SAMPLE - LETTER TO CREDITOR

*Mr & Mrs Smith
Any Street
Cleland
MLO OAB
Date*

*Credit Co
Any Street
Liverpool
LO OAB*

Dear Sirs

Account Number:

We would advise you that we are presently experiencing severe financial difficulties in meeting our commitments.

We would be very grateful, therefore, if you would consider accepting a reduced offer of £xx per week/month until our circumstances improve.

We have enclosed a financial statement which illustrates the seriousness of the problem and I have also included a repayment schedule listing all our creditors and our proposed payments to each.

We would urge that you assist us during this difficult time and ask that you do not take legal action against us. We would also ask that no further interest charges or default charges are added to the account to allow all monies to contribute to reducing the balance of the account .

Yours sincerely

Mr & Mrs John Smith

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**The following has been produced by
Motherwell & Wishaw Citizens Advice Bureau**

It is meant to be a self-help guide on how to cope when your credit commitments become debt problems. However, realistically, it is unlikely to cover every eventuality.

If you feel you can't cope on your own or that the problem is too great for you to deal with—SEEK HELP—IMMEDIATELY

Tips for dealing with debt problems.

- Don't panic and don't ignore the problem
- Avoid borrowing further to try and pay off existing debt
- Talk to your creditors - don't just stop paying without explaining why—most creditors are willing to help.
- Work out which debts are your priorities - mortgage, rent, council tax, child maintenance, utilities - and pay them first.
- Don't fall into the trap of just paying who ever shouts the loudest first
- Work out a budget that covers all your income and essential outgoings—rent/mortgage—food—heat/light.
- Think twice before paying for debt advice.
- Free advice is available at CAB Offices, at North Lanarkshire Council Money Advice outlets, and others, see page 9 for further advice groups.

How much should they offer each creditor?

After essential expenditure and priority debts have been worked out and arranged the next step is to calculate how much should be paid to other creditors on a pro rata basis. Pro rata simply means that the creditor who is owed the most gets the biggest percentage of any income left over.

Amount Owed

Mr & Mrs Smith should now make a list of their ordinary commercial creditors. They should gather as accurately as possible the amounts owed and work out each offer using the pro rata method as shown below.

Creditor	Amount Owed	Offer
Finance co.	£1523.00	68.00
Bank Crd	£759.00	34.00
Credit Co	£645.00	28.00
Catalogue Co.	£232.00	10.00
Total	£3159.00	140.00

How to work out Pro Rata offers

This is calculated by
Individual Debt x Money left after essential expenditure
Divided by total amount owed
= offer to each creditor

For example Mr and Mrs Smith would offer Finance Co(a)
£1523 x £3159
 Monthly offer = £68.00

Mr & Mrs Smith should now write to all their creditors explaining the situation and enclosing copies of their financial statement and repayment offer.

What Now?

Mr & Mrs Smith are fortunate that after paying their essential outgoings they have a some money left to offer to their creditors.

However, if there had been no money left the situation would have been very serious and Mr & Mrs Smith would be better contacting a MONEY ADVISER for expert guidance. (see page 9)

How should they pay?

There are no hard and fast rules governing the frequency and method of payment. Pick the cheapest method that suits your situation. In our example, Mr & Mrs Smith have decided that they would prefer to make their reduced offer on a monthly basis as this is how they normally pay.

They will have to change their weekly balance to a monthly balance.

Here is how it is done:

Weekly Balance

$$\begin{array}{r} \text{£32.95} \quad \times 52 \div 12 = \text{Monthly Balance} \\ \quad \quad \quad \times 52 \div 12 = \text{£142} \end{array}$$

So Mr & Mrs Smith have £142.00 per month to offer their creditors. Check with the creditor whether if they operate free payment.

Remember-multiplying a weekly balance by 4 only gives 48 weeks not 52 weeks.

Coping with Debt.

There are a number of options you can consider based on whether you need debt relief or time to repay.

This leaflet concentrates on how to set up a debt repayment plan.

The reason people find themselves in financial difficulties vary, loss of income, redundancy, loss or reduction in State Benefits, tax credits, divorce, ill health or simply over commitment.

What should you do if you find yourself in this situation?

Do not ignore the situation

You must take action - it will not go away by itself

FIRST - Take a hard look at your income and expenditure then consider: -

Is there any way to increase your income?

Call or pop into your local CAB to check if you are entitled to Tax Credits, Housing or Council Tax Benefit, or other Social Security Benefits. Check if you can claim on insurance policies, such as, mortgage protection.

Is there any way to reduce your expenditure?

Interest Only mortgages may be cheaper than Capital Repayment, Speak to your mortgage advisor.

SECOND—**Contact your creditors** as soon as possible, preferably in writing.

Explain why you can't make normal payment—but if possible — **make a reduced payment offer that you can afford.**

Method of Dealing with Debt

To guide you through the various stages of dealing with your debt problems, we have constructed a fictitious case which should, Hopefully, simplify the procedure.

EXAMPLE

Mr & Mrs Smith are both working, they have two children aged 9 and 7. For some time now they have been experiencing difficulties in meeting all their commitments.

What should they do first?

The first thing Mr & Mrs Smith should do is *prioritise* their debts. This simply means that there are bills which **must** be paid.

- Rent, mortgage, and secured loans must be paid otherwise you may be evicted or your home repossessed..
- Council tax arrears can lead to wages/bank account arrestment.
- Gas/Electricity bills must be paid, if not, the supply could be cut off.
- Fines must be paid or prison could result.
- If you have a TV then a TV Licence must be purchased

Other priorities are :- the grocery bill, travel to work, clothing and essential household costs deal with priorities.



What is Next?

You should now draw up a “*Financial Statement*”. This means you add up **all** the money coming into the home (Total Income) and all the money you are paying out (Total Outgoings).

You then deduct your total outgoings from your total Income to see if you have a Positive or negative Balance.

FINANCIAL STATEMENT (Amounts used for example only)

Total Income (weekly)		Total Outgoings (weekly)	
Wages & Tax Credits	£344.60	Mortgage	£ 96.00
Child Benefit	£31.35	Mortgage Arrears	£ 10.00
		Gas/Electric	£ 20.00
		Council Tax	£ 35.00
		Insurance	£ 20.00
		T.V. Licence	£ 3.00
		Telephone	£ 7.00
		Mobile Phone	£ 5.00
		Travel	£ 40.00
		Food	£100.00
		Health	£ 3.00
		Pets	<u>£ 4.00</u>
TOTAL	£375.95	TOTAL	£343.00

Deduct Outgoings from Income:
£375.95—£343.00 = balance £32.95

The surplus left after all essential expenditure is calculated will be divided up proportionately between the creditors.

The budget was completed using the British Banking Association trigger figures which set out levels within a budget that the banks will accept. You may wish to consult with a Money Adviser at your local CAB or Money Advice Centre for guidance on completing a financial statement.

NOTE: If the method of payment to creditors incurs any expense such as postal orders, bank charges etc., this must be included in the list of outgoings.