

# Debt Advice Self Help Pack

This self help guide has been produced by Croydon's debt advice service.



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# How to use this pack

Most debt problems can be sorted out by going through the 'money advice' process. This pack describes how you can do this yourself to sort out your debts.

To follow the money advice process you simply:

- check whether you can get more money, reduce your bills or manage your bills better
- check that you owe (are liable for) the debts
- sort your debts into priority (important) debts and non-priority (less important) debts
- look at your income and your expenses, to see what you can afford to pay creditors
- sort out your priority debts before dealing with all other debts

To get the best results, it's important to work through the process, dealing with your whole financial situation.

## Some golden rules

- Don't ignore your debt problems. It won't go away & the longer you leave it the worse it gets.
- Check you are getting all the benefits & tax credits you are entitled to.
- Don't ignore court papers or creditors' letters.
- If you have lost your job, or are off work because of illness, check whether your payments are covered by payment protection insurance. Check your credit agreement.
- Don't borrow money to pay off your debts without thinking carefully. If you own your own home this kind of borrowing could lead to you losing your home.
- Do sort out your priority debts first.
- Do tell your creditors you are dealing with your financial difficulties.
- Do fill in and return forms.
- Do go to court if there is a hearing.
- If you have an urgent situation, such as a court hearing in the next few days, get advice.

## Getting advice

You can get advice from a local advice agency.

To find out if you are eligible and where to go use at [www.gov.uk/civil-legal-advice](http://www.gov.uk/civil-legal-advice)

# Getting more money and managing bills

There may be ways you can get more money, reduce your bills or spread paying your bills. The following are some suggestions:

## Increasing income

Am I getting all the welfare benefits and tax credits I am entitled to?

Check whether you are entitled to, and getting the right amount of Income Support, Pension Credit, Jobseeker's Allowance, Employment and Support Allowance (ESA), Working Tax Credit, Child Tax Credit, Housing Benefit and/or Council Tax Support.

Depending on the benefit you want to know about:

- go to [www.jobcentreplus.gov.uk](http://www.jobcentreplus.gov.uk) or visit your local Jobcentre Plus office
- go to [www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk) or call Pension Credit on 0800 99 1234
- go to [www.hmrc.gov.uk](http://www.hmrc.gov.uk) or call the Tax Credit Helpline on 0845 300 3900
- contact Croydon Council's Welfare Rights Team on 0800 731 5920 (Mon 2pm – 7pm, Tue 3pm – 4.30 pm, Wed 11am – 2pm & Fri 9am – noon) or go to [www.Croydon.gov.uk](http://www.Croydon.gov.uk)

## My son/daughter is staying on at school; can he/she get an allowance?

The Department for Education sometimes pay 16 – 19 Bursary fund for some school and college pupils who are over 16, but whose parents / guardians have a low income. To find out more, go to [www.gov.uk/1619-bursary-fund/what-youll-get](http://www.gov.uk/1619-bursary-fund/what-youll-get)

## Can I rent out a room in my home?

First check with your landlord or mortgage lender that it's all right. Under the Rent a Room Scheme, if the rent you get from letting a room is below a set limit, you won't have to pay tax on it and it won't affect any tax credit you get. To find out more go to [www.direct.gov.uk](http://www.direct.gov.uk) or contact your local tax office. If you get a welfare benefit that is based on your income, you can be better off if you take in a boarder (giving them at least one meal), rather than a lodger. To find out more, contact the office that deals with your benefit.

## Can I claim compensation for mis-sold PPI?

Get advice.

## Could another adult living with me pay towards expenses?

If a non-dependant (that is, an adult son or daughter, relative or friend) lives with you, they should pay you for their share of household expenses, even if their only income is welfare benefits. If you are getting Housing Benefit or help with your mortgage, check the amount of deductions being made because a non-dependant lives with you.

## Can I get maintenance from the parent of a child who lives with me?

If you are looking after a child (who may or may not be your own) and at least one of the parents doesn't live with you, you may be able to get maintenance payments from the parent.

To find out more, phone the Child Support Agency Enquiry Line on 0845 713 3133.

## Can I do anything about money being taken from my benefit?

If money is being taken from your benefit to repay a Social Fund loan or a benefit overpayment, you may be able to get the weekly amount reduced. If money is being taken from your benefit for rent, fuel or Council Tax arrears, this is probably best left as it is.

Get advice.

## Reducing bills

### Could I reduce my Council Tax bill?

Council Tax bills can be reduced if:

- you are the only person in your household aged at least 18. You can claim a discount of 25 per cent off your bill
- the only people in your household aged at least 18 are yourself and one or more non-dependants on a low income. You may be entitled to a second adult rebate instead of normal Council Tax Support
- you are on a low income, whether from earnings or benefits. You may be entitled to Council Tax Support
- your home has a facility that is important to a disabled person (yourself or someone living with you). You may be able to get a disability reduction.

To find out more, ask Croydon Council tax department on 020 8726 7000.

### Could I reduce my water bills?

If you have more bedrooms in your property than occupants the general rule is that a water meter is cheaper than a standing charge. Meters are free to install. Check with Thames Water (or Sutton and East Surrey Water) and they will advise you if it will be cheaper to have a metered supply.

### Are my debts covered by insurance?

Payment protection insurance, which you may have taken out with your loan, may cover your repayments for a time if you lose your job or are sick. Claim within the time limit.

### Can I reduce my gas and electricity bills?

Reducing gas and electricity bills by using energy saving devices such as long life light bulbs can help your budget. There are a number of schemes for insulating your home aimed at people on low incomes. Get advice.

## Spreading bills

It's usually possible to arrange to pay monthly by direct debit, cash or cheque. Contact your supplier for details.

### Can I spread the cost of a TV licence?

You can pay monthly by direct debit or you can join the Cash Payment Plan and pay weekly or fortnightly by phone or at a Paypoint outlet. To find out more phone the TV Licensing Centre on 0800 328 2020 or for the Cash Payment Plan, phone 0845 601 5526

# Check whether you owe the money

Before making arrangements on debts, you need to check you owe the money – this is called being liable for the debts

## Am I liable for my partner's debts?

Generally speaking, you are not liable for your partner's debts. The exceptions, where you and your partner are both liable are:

- Council Tax for periods during which you live together
- Water charges for periods during which you live together
- Loans in joint names where you have both signed the agreement
- Overdrafts on joint bank accounts

In each of these cases you are each 'jointly and severally liable'. That means each of you is liable for the whole debt. Otherwise, where a debt is in your partner's name only and you didn't agree to act as guarantor – in other words, where your signature isn't on the agreement – you are not liable.

## Am I liable for other people's debts?

You are not responsible for other peoples' debts unless you signed a contract jointly with them or acted as a guarantor.

## What happens when someone dies?

The general rule is that, when a person dies their debts die with them. However, when someone dies leaving money or other assets, their debts are paid from this 'estate'. Remember that where there is joint and several liability (see left) the surviving person remains liable. Also, mortgages on property don't die with the debtor, although they are usually covered by insurance.

If you are still in any doubt whether you are liable for a debt, get advice from an advice agency .

## Is there a time limit for collecting debts?

You may not have to repay a debt if your creditor has not contacted you for at least six years. If they contact you after six years, get advice.

## I was under 18 when I took out the debt. Does it make a difference?

If you obtained credit when you were under 18, you may not be liable.

Get advice.

# Sorting debts into priority and non priority

## Priority debts

You need to decide which of your debts are 'priority' debts. If these are not paid, you could for example, lose your home, your fuel or your liberty.

### Priority debts include:

- Mortgage arrears
- Second mortgage/secured loan
- Ground rent/service charge arrears
- Rent arrears
- Council Tax arrears
- Electricity arrears
- Gas arrears
- Magistrates' Court fine
- Tax arrears
- VAT arrears
- Maintenance/child support arrears
- Hire purchase or conditional sale agreements
- Benefit overpayments – these are only priority in you are in receipt of benefit. If you are not receiving benefits they can be treated the same way as non priority debts

You will always be given a warning before any action and will have the opportunity to respond. Do respond to the warnings as soon as you can, as you can usually prevent the loss of your home or other essential item or service. See the section on Dealing with priority debts, for how you can do this.

## Non-priority debts

If you don't pay the following debts the creditors cannot take any further legal action without first getting a County Court Judgement, when you will get the chance to offer to pay off the debt in instalments.

### Non-priority debts include:

- Money owing to friends and family
- Credit cards
- Credit sales
- Mail order catalogues
- Money lenders
- Store cards
- Unsecured bank loans
- Unsecured overdrafts

- Parking fines (issued through the county court) – see the linked leaflet for more information

<https://www.nationaldebtline.org/EW/factsheets/Pages/33%20EW%20Penalty%20charge%20notices%20%28PCNs%29%20for%20parking/Default.aspx>

See the section for Dealing with Non-priority Debts for how to deal with these debts.

## Drawing up a financial statement / budget

A common financial statement is a way of showing what money you (and your partner) have coming in. A financial statement must be sent to your creditors so that they can see:

- the amount you are offering them
- and that you can't afford to offer more

There is a blank budget sheet later on this pack as well as an example of a completed one. When you fill in your statement, record all income and expenses and make sure you stick to either weekly or monthly amounts. If you need to convert a weekly amount to a calendar monthly amount: multiply the weekly amount by 52 then divide by 12. Or, to get the weekly amount: multiply the calendar monthly amount by 12 and divide by 52.

### Box A: Income

Include all take home earnings, tax credits and welfare benefits that you (and your partner) receive. If a non-dependant living in your household pays you for household expenses, include this as well.

### Box B: Expenses

List your average outgoings. Don't include payments for arrears or other debts. Most things are quite straight forward to list, but some things are more difficult to work out:

#### Gas and electricity

Add up your bills for each type of fuel over one year, then divide by 12 if you are using monthly figures, or by 52 if you are using weekly figures.

#### Housekeeping items

For food: put down the amount you spend on your weekly shopping; the milk bill; and the total cost of extra costs of household items such as washing powder, soap, shampoo, toothpaste.

You should also include leisure expenses such as cigarettes and alcohol in this section.

If you or anyone else who lives with you need a special diet (for example for diabetes) or has other special needs, you will need to increase this amount. Explain this in any letter you write to creditors.

## Travelling expenses

These include any fares and the costs of running any car or other vehicle. The costs of a vehicle include tax, insurance, MOT, servicing and repairs, as well as petrol. Don't include hire purchase payments for a vehicle.

## Clothing

Think what you spend on clothes and shoes over a year, then divide by 52 to get a weekly amount, or by 12 to get a monthly amount. A rough guide is £6 per week per person. However, you may not be able to afford this much or choose to spend less. On the other hand, the cost of shoes and clothes for a growing child might cost more than £6 a week.

## Money for emergencies

If you can, set aside an amount each week or month to cover expenses such as birthdays, emergencies and replacing essential household goods.

## Box C: Money available for creditors

From your total income, take away your total expenses and put the answer in Box C. This is the amount you have to divide between your creditors. If your expenses are more than your income see if there are any ways you could budget or increase your income. Having done this you may still find you have no money to pay creditors.

If so, get advice.

## Box D : Priority debts

Make arrangements with all your priority creditors before making any offers to non-priority creditors.

The section Dealing with priority debts covers priority debts in more detail. Read this section before making offers to priority creditors. Priority creditors should be contacted as soon as possible. It is best to telephone or visit them to make your offer. Ask the creditors to confirm any agreement in writing. Enter the amounts of your offers in Box D on your statement.

## Step 5: Money available for credit (non-priority) debts

Take the total in Box D away from Box C. Put the answer in Box E. This is the money you have to divide between your credit (non-priority) debts. Creditors will want paying monthly - if you have used weekly amounts up to this point, you need to change the figure in Box E into a monthly amount.

## Box F: Credit (non-priority) debts

List all your non-priority creditors in this section and work out the total owed. If you don't have any money left for non priority debts, write 'nil' in the spaces for the monthly offer of repayment. See section Dealing with non-priority debts, for what to do next.

If you have money left for non-priority debts, one way to divide it between them is on a pro rata basis. This is a way commonly used in money advice and by courts. To do this:

1. Add up all the money you owe to non-priority creditors.
2. Take each debt in turn, divide the amount owed to that creditor by the total owed to all your non-priority creditors.
3. Multiply the answer by the amount of money you have left each month for non-priority debts.
4. This gives you the monthly offer for that debt.

Amount owed to non priority creditor  
 ----- X Money left for non priority creditors = Offer  
 Total owed to all non priority creditors

### Example

Bob and Marie have £30 a month to pay the following debts:

Credit card £1,600  
 Bank loan £650  
 Phone £450

Total = £2,700

Their offers are:

Credit card £1,600  
 ----- X £30 per month = £17.77 per month  
 £2,700

Bank loan £650  
 ----- X £30 per month = £7.22 per month  
 £2,700

Phone £450  
 ----- X £30 per month = £5.00 per month  
 £2,700

Note: Finish reading the rest of this pack, especially the section on dealing with non-priority debts, before actually making your offers.

# Dealing with priority debts – if you own your home

## Mortgage Arrears

If you have mortgage arrears, they are one of your most important debts. The loan is secured against your home and, if you are at least two months behind with payments, your lender can start court action to take possession of your home. So it's important that you contact your lender and agree how you are able to clear the arrears.

## How much should I offer to pay towards arrears?

Your offer should cover the full monthly mortgage instalment plus an amount to clear the arrears. Aim to clear the arrears as soon as possible, as interest builds up on them. But your offer must be based on what you can afford.

## What can I do if my lender asks for more than I can afford?

Send them a copy of your financial statement and ask them to accept your offer. Start making the payments you have offered - if your lender doesn't accept the offer and takes legal action, the court may decide your offer is reasonable. Get advice.

## Are there other ways of sorting out my arrears?

Here are some ideas which might help:

- If you have mortgage protection insurance and are eligible to make a claim, do so as soon as possible. Get advice if the insurance company refuses to pay.
- If your home is worth more than your mortgage, your lender may agree to “capitalise” the arrears. The arrears are added to the capital you owe and you repay them over the full mortgage period with higher monthly instalments.
- If you have a repayment mortgage that is due to end a number of years before you retire, your lender may agree to extend the time it has to run and so reduce your monthly instalments.
- If you have a repayment mortgage, your mortgage lender may agree to let you make interest only payments for a time and delay paying off the capital.

- If you have had a temporary, unexpected drop in income but have been making regular payments to your mortgage over the past five months (or had an agreed payment holiday with your lender), your lender may agree to delay some of the monthly interest due on your mortgage. This would reduce your payments for up to two years. The money is not written off – you would have to pay it back eventually, with interest. And you would have to switch to an interest-only mortgage, if you have not done so already.
- If you have an endowment mortgage that has been running for a significant number of years, you may be able to sell the policy and use the money to clear the arrears. You may need permission from your lender and you would have to change to a repayment mortgage, which would increase your monthly instalments. And you would have to take out new life insurance.
- Get advice
- If there is no other way of remaining in your home and you have dependants or someone in your household is pregnant, seriously ill, disabled or elderly, you may be able to get help through the Mortgage Rescue Scheme. This might enable you to remain in your home either by sharing ownership with a housing association or by becoming a tenant of the association.
- Get advice
- If you are thinking of selling your home to a private company and renting it back, take extra care. These are known as Sale and Rent Back arrangements. You might not get the market value for your home and, after six or 12 months, the landlord may be able to evict you quite easily. Croydon Council does not advise customers to get involved with these organisations.
- Get advice

## Is my lender likely to start legal action?

Financial Conduct Authority (FCA) rules and court rules say that your lender should first try to negotiate an arrangement with you to clear the arrears. In practice, most lenders won't start legal action until the mortgage is well over two months in arrears and then only after a number of warning letters.

## What happens if my lender starts legal action?

The court will send you a claim form for possession of property. This will have:

- the time and date you must attend court
- the name and address of the court
- a particulars of claim form, with information about the lender's claim
- an information sheet that explains the legal process
- a defence form for you to put your case to the court and your lender before the hearing.

Respond to the summons, so that the court and your lender know your circumstances.

- Check the information given in the particulars of claim is correct. If any of the information is wrong, get advice as soon as possible.
- Complete and return the defence form to the court within 14 days. You should offer the amount you worked out using your financial statement
- keep paying your lender what you have offered on the defence form. Or, if you have not already started paying, start now.

## Do I need to go to the hearing?

Yes, even if you have returned the defence form to the court and reached an agreement with your lender, it's important that you go to the hearing. Take a copy of your financial statement and any papers the court might want to see as proof of your situation.

## What happens at the hearing?

Mortgage possession hearings take place in private. The only people present will be yourself and your representative, if you have one, the Judge and the lender's solicitor. They are usually over very quickly – most mortgage possession hearings take less than five minutes.

First of all the Judge will look at the documents provided by the lender's solicitor to see if they are in order. These documents include the summons and the deeds of your property. The Judge will then ask you how you plan to clear the arrears. You may need to show the lender's representative and the Judge your financial statement. The Judge may ask you further questions about how you got into arrears, why you can afford the amount you are offering and when you can make the first payment. They may also ask the lender's solicitor to comment on your replies. At the end of the hearing, the court will make one of these orders:

- Adjourn the hearing to a later date. The usual reason is that more information is needed.
- Adjourn generally. This is because the arrears are low and can be cleared in a short time. It means no possession order is made and no date is set for a further hearing. If you miss a payment, your lender can ask the court for a further hearing.
- A suspended possession order This is the most common order made and means there is a possession order but, as long as you make the agreed payments, you can't be evicted.
- A possession order. This allows the lender to ask the bailiffs of the court to evict you after a set period, usually 28 days. This generally happens only if you don't attend the hearing or you can't afford to clear the arrears within a reasonable period. At the end of the 28 day period, the lender has to apply to evict you.

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## How long will I have to pay the arrears?

The longest the court can allow is the time your mortgage has left to run. If you intend to ask the court for this, get your home valued before the hearing. Take a written valuation if you can.

## Can I pay more than the court orders me to?

Yes. It's in your interest to clear the arrears as soon as possible – you pay interest on them.

## What can I do if my circumstances change?

Ask the court to reduce the payment. Complete Form N244, and hand it in at the court. You may have to pay a fee. Contact your lender and ask them to agree to your reduced offer. There will be a court hearing. It's important you attend, so you can explain why you can no longer afford the payments you were ordered to make before.

## What happens if I don't keep up the payments the court orders?

Your lender can ask the court to send their bailiffs to evict you. Normally you will receive a letter telling you the date of eviction. You can ask the court to stop the eviction and give you time to pay the arrears. Complete Form N244, (from the court), and hand it in at the court. You may have to pay a fee. You will be given a time and date for the hearing. If you don't attend, you will be evicted on the set date.

The court may stop the eviction if you explain:

- why you didn't make the payments previously ordered
- and how you are now able to make the payments, and clear the arrears

## Will the Department for Work and Pensions (DWP) help with my mortgage payments?

If you are getting Income Support, income related Employment and Support Allowance (ESA), Pension Credit (guarantee credit) or income-based Jobseeker's Allowance (JSA) and you used the mortgage loan to buy your home

or  
pay for certain home improvements, you may be entitled to help with your mortgage payments.

DWP only pays interest on your mortgage, not capital repayments. The interest is paid at a set rate, not the rate your lender charges. So payments from DWP can be less than the monthly instalment due on your mortgage.

DWP mortgage payments can also be reduced if:

- A non-dependant lives with you
- DWP think your absent partner is paying their share
- DWP think your housing costs are excessive
- You take out or increase a mortgage while getting Income Support, Pension Credit (guarantee credit), income-related ESA or income-based JSA.

- In most cases, there is a shortfall between the monthly mortgage instalment due and any DWP payments. You must make up the difference and pay something towards any arrears.

## When will DWP make payments to my mortgage?

If you or your partner are 60 or over, any payments start when your Pension Credit (guarantee credit) starts. If you and any partner are under 60, payments generally start 13 weeks after you start getting benefits. But there are exceptions.

For claimants of JSA, check with the DWP how many weeks you are entitled to help. Also get advice if you need to know when the DWP may start making payments to your mortgage.

## Secured loans (also known as second mortgages)

If you have taken out a secured loan repayable by instalments, read the section on mortgage arrears. Much of it also applies to secured loans. Additionally, your loan is likely to be a regulated agreement, giving the court powers in certain circumstances to reduce the instalments and the interest rate.

Get advice.

## Your loan is likely to be a regulated agreement if:

- you took it out on or after 6 April 2008, or
- it is for £25,000 or less and you took it out between 1 May 1998 and 5 April 2008, or
- it is for £15,000 or less and you took it out before 1 May 1998

Occasionally Income Support, Pension Credit (guarantee credit), income-related ESA or income-based JSA payments can be made towards a secured loan.

Get advice.

## Leaseholds

If you are a leaseholder, you will have to pay ground rent and service charges. If you have arrears the freeholder could, in certain circumstances, apply for a court judgment to repossess your property. Or they could ask your mortgage lender to pay the arrears, which can lead to mortgage arrears.

If you have ground rent or service charge arrears, get advice.

If you dispute service charges and your lease allows it, you may be able to discuss disputed items at an arbitration meeting. Or, you could ask for your case to be heard at a Leasehold Valuation Tribunal (you may have to pay a fee for this). If you dispute service charges, get advice

# Dealing with priority debts – if you rent

If you have rent arrears, they are one of your most important debts, as they could lead to court action and you losing your home.

## Types of tenancy

First check what type of tenancy you have. If your landlord takes court action, the type of tenancy you have affects what decisions your landlord and the court can make. The agreement you signed at the start of your tenancy should tell you what type it is. If you are uncertain, get advice.

The most common types of tenancy are briefly described below.

## Secure tenancies

Most Croydon Council and some housing association tenants (if the tenancy began before 15 January 1989) have secure tenancies. Before your landlord can take court action, they must serve a Notice of Seeking Possession on you. The notice must say why they are asking for possession. If the reason is rent arrears, the court can consider whether it would be reasonable to give your landlord possession. And, the court can let you stay in your home on condition that you pay a set amount off your arrears every week/month.

Get advice.

## Assured tenancies

You are likely to have an assured tenancy if you became a private or housing association tenant on or after 15 January 1989. If a landlord wants you to leave, he or she must first give you a legally valid notice in writing. The notice must be two weeks or two months in length, depending on why the landlord wants you to leave. After the notice expires, he cannot evict you without a possession order from the court. If you do not leave on the date specified in the court order the landlord must apply for a warrant of eviction from the court. If you receive a notice please seek advice from Croydon Council's Housing Advice Team. Please note that if the landlord goes to court you will be liable for the costs.

To evict an assured tenant the landlord will need grounds to evict. Some of the grounds are mandatory and some are discretionary. If the mandatory grounds are proved in court then the court has to give possession of the property back to the landlord. If the landlord is relying on discretionary grounds then the court can decide whether or not to give the property back to the landlord.

## Assured shorthold tenancies

If you started to rent from a private landlord on or after 28 February 1997 you probably have an assured shorthold tenancy. Before your landlord can take court action, they must serve a legally

valid notice in writing or if your tenancy has already ended, have given at least two months written notice. Eviction procedure is similar to that of an assured tenant. **However please note that if you are an assured shorthold tenant the landlord does not need grounds as long as he serves a valid two month notice.**

## Others

If none of these apply to your tenancy and it started on or after 15 January 1989, you may not have any right to stay in your home. It is best to get advice about the type of tenancy you have. For more information contact Croydon Council's Housing Advice Team.

## Negotiating with your landlord

How much should I offer to pay towards arrears?

Your offer should cover the full rent (after any Housing Benefit), plus an amount towards the arrears. Aim to clear the arrears as soon as possible, but don't offer more than you can afford.

If you:

- get Income Support, Pension Credit (guarantee credit), income-based JSA or income-related ESA
- and rent your home from Croydon Council or a housing association,

you can ask the DWP to make payments directly from your benefit (currently just over £3 a week).

If you have a low income you could offer a similar amount. If not, your landlord will expect significantly more than £3 a week. They will take into account the size of your arrears and your payment history. Private landlords don't usually let arrears build up and take action early.

## What can I do if my landlord asks for more than I can afford?

Send your landlord a copy of your financial statement. Ask them to accept your offer. Start making the payments you have offered. If you have an assured or assured shorthold tenancy, coming to an agreement with your landlord may be the only way you can stay in your home. Also, get advice.

# If your landlord starts court action

## What happens if my landlord starts court action?

First, your landlord must have sent you the correct written notice for your type of tenancy. Get in touch with the landlord to sort out the arrears. Once the notice has expired the landlord can then ask the court to send you a claim form. Check the information in the notice and the claim form. If it is wrong, or there are any outstanding repairs, get advice. There will be a defence form with the claim form. Fill it in and return it to the court within 14 days. Start paying your offer, whether or not it has been agreed with your landlord.

## What decisions can the court make?

**Depending on what type of tenancy you have**, the court can make the following decisions:

- Adjourn the hearing to a later date. The usual reason is that more information is needed.
- Adjourn generally. This is because the arrears are small and you can clear them over a short period. It means no possession order is made and no date is set for a further hearing. If you miss a payment, your landlord can ask the court for a further hearing.
- Adjourn on terms. The hearing is adjourned on terms. The terms are commonly that arrears are repaid at a fixed rate.
- A suspended possession order. This means there is a possession order but, as long as you make the agreed payments, you can't be evicted. The court may make this order if you have a secure or assured tenancy.
- A possession order. This means your landlord is given possession. They can ask the court, usually after a set period, for a date to evict you. The court must make this type of order in some cases where you don't have a secure tenancy. Other reasons for this type of order can be that you can't afford to pay the rent and arrears or that you don't attend the hearing.

## Do I need to go to the hearing?

Yes. It's important to go, even if you have already reached an arrangement with your landlord. Take a copy of your financial statement and any papers the court may wish to see as proof of your situation, including any papers about your Housing Benefit claim.

## What happens at the hearing?

The hearing is held in private. Your landlord and their representative give their information to the court. Then the Judge asks you to comment and, if appropriate, to say how much you can afford to pay off the arrears. The Judge then makes the decision.

## What can I do if my circumstances change?

Ask the court to reduce the payment. Complete Form N244 and hand it in at the court. You may have to pay a fee. Contact your landlord and ask them to agree to your reduced offer. There will be a court hearing.

## What happens if I don't keep up the payments the court orders?

Your landlord can ask the court to send their bailiffs to evict you. Normally the court will send you a letter telling you the date of eviction. You can ask the court to stop the eviction and give you time to pay off the arrears. Complete Form N244 and hand it in at the court. You may have to pay a fee. You will be given a time and date for the hearing. If you don't attend, you will be evicted on the set date. The court may stop the eviction if you explain:

- Why you didn't make the payments previously ordered
- And how you will be able to pay the rent and clear the arrears

## Housing Benefit

You may be entitled to Housing Benefit if your family's income is low. You can get Housing Benefit whether or not you are working. The amount you get depends on a number of things, including your (and any partner's) income.

If your Housing Benefit does not cover your full rent you will need to pay the balance. If you are not getting full Housing Benefit, you might be able to apply for a discretionary extra amount.

Croydon Council's Welfare Rights Team can advise you about housing benefit entitlement.

# Dealing with all other priority debts

## Council Tax arrears

Contact the council as soon as possible to negotiate payment and prevent bailiff action. Also, check if you can reduce your arrears and/or current bill. See the section on Getting More Money and Managing Bills.

## How is Council Tax collected?

Council Tax is usually collected by ten monthly instalments. If you don't make payments, the council will apply for a liability order at the Magistrates' Court. If you think you don't owe the money, get advice.

Once it has a liability order, the council can ask you or your partner for details on your financial circumstances and/or:

- send the debt to the bailiffs for collection
- ask the Department for Work and Pensions (DWP) to deduct an amount each week from your Income Support, ESA, Pension Credit (guarantee credit) or income-based JSA
- order your employer to take an amount each pay day from your earnings
- apply to the court for a charging order to make the debt 'secured' against your home
- apply to the County Court to make you bankrupt
- begin committal proceedings

The council can do only one of these things at a time. Committal proceedings are the final option. Unless it knows that you are particularly vulnerable, its first action if you do not reach an agreement is usually to send the debt to the bailiffs. Contact the council by visiting Access Croydon at Taberner House or by phoning 020 8726 7000 . Explain your situation and make an arrangement to pay the arrears. Get advice if you are unable to make an arrangement that you believe you can afford.

## How much should I offer to pay towards arrears?

Offer what you can afford. Use your financial statement to work it out. If you get Income Support, income-related ESA, Pension Credit (guarantee credit) or income-based JSA, ask the council to request direct deductions from your benefit. The most that can be taken from Income Support, income-related ESA, Pension Credit (guarantee credit) or income-based JSA for Council Tax arrears is currently just over £3.60 a week. But, if you get contribution-based or contributory ESA, the DWP can in some circumstances take a third of your weekly benefit for Council Tax arrears.

## My debt is with the bailiffs, what can I do?

Unless they have been in before, bailiffs have no right to enter your home. But, if you sign any documents the bailiffs may later claim that this gives them the right to take your possessions. If you are disabled, seriously ill or vulnerable, contact the council immediately to let them know. Offer the bailiffs what you can afford – you will be able to contact them by phone. If they refuse this, make the payments anyway & keep proof of payments. Also, get advice.

If the bailiffs can't collect the debt, they will send it back to the council. Contact the council immediately to make your offer.

## How much can the council tell my employer to take from my earnings?

This is worked out as a proportion of your earnings. The deductions are high and can make it difficult to pay other essentials such as rent or mortgage. Get advice.

## What does it mean if the council gets a charging order?

This can only happen if you own your own home. It means that the debt is secured against it and that you cannot sell your home without paying the debt. Get advice.

## What happens if the council makes me bankrupt?

Bankruptcy can have serious consequences. If you own your own home, you can lose it. Get advice.

## Could I go to prison?

If the debt is returned from the bailiffs unpaid, the council can refer it to the Magistrates' Court to decide what should happen. The court will arrange a means enquiry hearing. Go to the hearing. If the Magistrates' Court believes you could pay but won't, you can be imprisoned.

## What happens at a means enquiry hearing?

The court investigates why you haven't paid and whether you could have paid at any time since you first owed the money. It also looks at what you are offering and how long this would take to clear the debt. Take a copy of your financial statement, plus any proof you have of your financial circumstances both now and since you first owed the money.

The order most frequently made is an order to pay. This means that, as long as you make the payments ordered, no further action is taken. If payment would cause you extreme hardship, the court can write off all or part of the debt. Or, if the court finds that you didn't pay despite being able to, it can order your imprisonment. Get advice.

## What can I do if my circumstances then change?

If your circumstances change after a means enquiry, you can go back to the court to ask for the payment order to be reduced.

## Gas and electricity arrears

### Can my fuel be disconnected?

This rarely happens, as fuel suppliers always offer a pre-payment meter. Try to arrange to pay them in a way that suits you and at an amount you can afford.

### What ways are there of paying gas and electricity arrears?

- Instalments - You pay a set amount every week, fortnight or month and clear the bill before the next one is due.
- Payment plans (also known as Budget Plans). The company estimates the annual cost of the fuel you use, and works out a monthly sum for you to pay which includes payment of arrears.
- Deductions from Income Support, income related ESA, Pension Credit (guarantee credit) and income-based JSA. The company estimates the cost of the fuel you are using and adds an amount towards the arrears. You ask the DWP to take this from your benefit every week. The most they can take for arrears is just over £3 a week.
- Prepayment meters - You recharge a key/card to put in your meter, which is set to gradually collect money for your arrears as well as for the fuel you are continuing to use.

- Some fuel companies have set up trust funds that may be able to help you pay a fuel bill if you are in financial hardship.

Get advice.

## Magistrates' Court fines

If you get a Magistrates' Court fine you can be ordered to pay immediately, or by a set date, or by regular instalments. If you are summonsed to a court hearing, take a copy of your financial statement with you to back up any offer you make.

If you can't pay the fine or are at risk of imprisonment, get advice.

## What can I do if the fine is with bailiffs?

Contact the bailiffs to try to make an arrangement to pay in a way that you can manage. If you need help dealing with the bailiffs get advice.

## What should I do if I'm ordered to attend a 'means enquiry'?

Go to the hearing. If the Magistrates' Court believes you could have paid but didn't you can be imprisoned. Pay as much as you can before the hearing and take with you any money you can afford to pay on the day. Also, see "What happens at a means enquiry hearing?" and "What can I do if my circumstances then change?" under the Council Tax section.

## Hire purchase and conditional sale agreements

Goods obtained on hire purchase or conditional sale belong to the finance company until all the money is paid. In the meantime:

- you can't sell the goods without the finance company's permission
- if you have paid less than a third of the total purchase price, the company can take back the goods without a court order
- if you have paid more than a third of the total purchase price, the company can ask the county court for a possession order allowing them to take back the goods.

## Can I stop the company getting a court order to take away the goods?

You might be able to, if you attend the court hearing. Take a copy of your financial statement with you. If you can afford to pay the full monthly instalment plus something towards the arrears every month, the court may order that the company can't take the goods as long as you do this. If you can't afford the full instalment plus something off the arrears each month, get advice.

## Income Tax and VAT

HM Revenue and Customs is tough on collection.

### What can they do?

- They can seize your goods without first getting a court order
- where you owe at least £750 they can start bankruptcy proceedings
- they can collect debts through the Magistrates' and County Courts.

### How much should I offer?

Treat the tax or VAT as a priority debt. Aim to clear it as quickly as possible. Use your financial statement to work out what to offer.

If you need further advice, contact Taxaid's advice line on 0845 120 3779. They offer free and confidential tax advice.

## Child maintenance

If the Child Support Agency has ordered you to pay maintenance, it's known as Child Support. To decide how much you should pay, the Agency does a calculation that takes into account your financial circumstances and the number of children for whom child support is payable.

If you have to pay child maintenance that has been calculated by the Child Support Agency, the amount you pay will take into account your income, the number of children you are paying maintenance for, whether they stay with you every week and whether any other children live with you. For further information and contact numbers go to [www.csa.gov.uk](http://www.csa.gov.uk)

### What can the Child Support Agency do if I don't pay?

- If you are an employee, deductions can be taken from your earnings

- if you get Income Support, income-related ESA, Pension Credit or income-based JSA, deductions can be taken from your benefit in most circumstances. The maximum deduction can be £5 or £6 a week
- if you are self-employed, the Child Support Agency can ask the magistrates court for a liability order and then take further action. This includes sending the debt to the bailiffs, taking action through the County Court or asking the Magistrates' Court for a means enquiry.

## Social fund loans

If the Department for Work and Pensions (DWP) is taking money from your benefit to repay a Social Fund loan, list the loan under priority debts on your financial statement. This is because you have only a limited say in how much is taken. If you are no longer getting benefit, treat the overpayment as a non-priority debt.

What if the DWP is taking more than I can afford?

Write to them. Explain your financial circumstances and any changes that have happened since you took out the loan. Ask them to reduce the amount they are taking each week. It might help to enclose a copy of your financial statement. Get advice.

# Dealing with non priority debts

Before you deal with these debts make sure you have dealt with all priority debts. National Debtline's website contains invaluable information in relation to non priority (credit) debts. You may wish to visit their website. Under Section 1 (Self Help Pack) click on credit debts:

<https://www.nationaldebtline.org/EW/Pages/default.aspx>

Negotiation with non-priority debts is best done in writing, enclosing a copy of your financial statement. Some creditors send debts to a debt collection agency. If so, write to the agency instead of to the creditor.

## What do I do if I'm making offers?

Send a standard letter and copy of your financial statement to each non-priority creditor. A sample letter is included in this pack.

Each letter should:

- give the relevant account number and/or reference number
- explain any specific reason why you are in financial difficulties, for example unemployment, sickness or relationship breakdown
- ask for further interest and charges to be frozen
- ask for a paying in book or standing order form
- say when the payments will start

Start making payments as soon as possible. If you don't know how to make payments, phone the creditor and ask.

## What do I do if I can't afford to pay anything?

Send a standard letter and copy of your financial statement to each non-priority creditor, explaining there is no money available. A sample letter is included in this pack.

Each letter should:

- give the relevant account number and/or reference number
- explain any specific reason why you are in financial difficulties, for example unemployment, sickness or relationship breakdown
- explain why you can't afford to make payments now, perhaps a low income and/or high payments to a priority creditor
- say when and why you expect to be able to start payments
- ask the creditor to suspend payments and freeze interest plus charges until that time.

If your financial situation is not likely to improve soon, as you will be on a low income long-term, ask the creditors to consider writing off your debt.

A sample letter is included in this pack.

If you have got an overdraft or loan at a bank or building society that your earnings or benefit are paid into, you need to be careful. They can take any money in your account to pay off anything you owe them. Speak to the lender. If they don't agree to your offer, open a new account so that your income can be paid into this. Or you may decide to open a new account and arrange to have your income paid into it before contacting the lender, just in case.

## What do I do if a creditor refuses my request?

Write again and ask them to reconsider, mentioning any creditors who have agreed to your request. If you made offers, continue to make your payments. If the creditor is refusing to freeze interest, point out that your offer is based on their freezing interest, otherwise the debt won't reduce. If a creditor persists in saying no, remember that they can do nothing to get their money without first taking court action.

Remember also that you worked out your financial statement to offer your creditors as much as you can reasonably afford and to be fair to all creditors. If you now allow one creditor to persuade you to pay more than your offer, you won't have enough money for your expenses and other creditors.

## The County Court and non-priority debts

If a non-priority creditor takes legal action because you've fallen behind with payments, it will be through the County Court. Before starting any action the creditor has to send you a default notice. They can then ask the court to issue a claim form, which the court will send to you together with a response pack.

## How should I reply to the claim form?

First, read through the claim form, the 'notes for defendant' attached to it and the instructions in the response pack. Also in the pack are:

- a defence and counterclaim form for you to use if you disagree with any part of the claim and/or are claiming money from the other side
- an acknowledgment of service form to use if you want extra time to reply
- an admission form for you to use if you agree that you owe all or some of the money your creditor is claiming.

## What if I don't agree that I owe all the money the creditor is claiming?

Get advice as soon as possible. You can use the acknowledgment of service form to give yourself more time to reply.

## What if I agree that I owe the money the creditor is claiming?

Read the instructions on the admission form, and fill it in. This is similar to a financial statement and allows you to make an offer and explain your financial situation. If you have a low income you could make a nominal offer of £1 a month. It's a good idea to enclose a copy of your financial statement. Start paying your offer as soon as possible.

Your creditor, or their solicitors, will send your admission form on to the court, saying whether or not they accept your offer.

- If the creditor accepts, you simply continue paying
- If the creditor doesn't accept, the court decides how much you should pay based on your financial circumstances. If you are unhappy with the court's decision, ask the court to look at the matter again.

## What happens after the judgement?

As long as you keep up to date with payments, the creditor can't take any further action. All County Court judgments are registered with credit reference agencies. See the section on frequently asked questions.

## What about legal costs?

These will be included in the amount of money your creditor claims on the claim form. Further costs could be added only in the unlikely event of there being a court hearing, or if you later don't pay as ordered by the court and your creditor takes further legal action.

## What should I do if I can't or didn't pay?

Get a Form N245 (application for suspension of a warrant and/or variation of an order) from the court. The second page is similar to a financial statement. At the end of the form, tick the space to say that you can pay by monthly instalments and enter your offer in the space provided. If you have a low income you could make a nominal offer of £1 a month. It's a good idea to attach a copy of your financial statement. Start paying your offer as soon as possible.

## What happens if I don't do anything?

The creditor can ask the court to make:

- A warrant of execution. The creditor asks the court to collect the debt by the court bailiffs.
- A charging order. This secures the debt against your home, and could result in you being forced to sell your home. Get advice
- A Third Party Order (Garnishee). This means the creditor can order somebody who owes money to you (especially the bank where your monies are paid into) to pay the monies to the creditor.
- An attachment to earnings order. This means payments can be taken directly from your earnings. If a creditor is asking the court for this, read the information that the court will send you. Then fill in the reply form and return it to the court immediately.
- Order to obtain information from judgement debtor. A creditor can request the court to ask you about your financial circumstances. You will be asked to go to your local court. Take a copy of your financial statement, any documents that the court requests and any other proof of your financial circumstances that the court officer might want to see.

# Frequently asked questions

## How do I complain about a creditor or debt collection company?

Nobody likes being chased for debts. But if you want to complain about a creditor or debt collection company because, for example, they:

- are pursuing you for money that you believe you do not owe
- have added unreasonably large collection charges to your debt, or
- are phoning you at unreasonable hours or most weekdays

First complain to the company in writing.

If you are unhappy doing this or you have not had a satisfactory response within eight weeks, contact the Financial Ombudsman Service. Their services are free and they may be able to help get your complaint resolved.

Visit their website at [www.financialombudsman.org.uk](http://www.financialombudsman.org.uk) or call 0845 080 1800.

## Where do I find more information about my credit rating?

The following link will give you more information in respect of your credit rating:

<https://www.nationaldebtline.org/EW/information/credit-and-credit-files/Pages/default.aspx>

## What's the difference between the County Court and the Magistrates' Court?

The County Court deals with all civil matters, such as family proceedings, housing and money claims (debts). Hearings about debts are always held in private. The County Court has its own bailiffs who are paid employees of the court.

Creditors can ask the court to collect unpaid debts once a court judgement (decision) has been made on a claim. The Magistrates' Court is part of the criminal justice system. It deals with criminal offences as well as fine payments for not having a TV licence and Council Tax arrears. The Magistrates' Court uses private bailiff firms who charge for their services (debtors pay the fees).

## Should I become bankrupt?

Bankruptcy is supposed to be a fresh start for people who are in severe financial difficulties. In certain circumstances, you can be discharged from bankruptcy one year or even less after the bankruptcy order is made. However, applying for personal bankruptcy is a serious step to take. If you are ordered to make payments from your income, this can be for up to three years. If the court makes a Bankruptcy Restrictions Order, this will restrict your activities for between two

and 15 years. If you own your own home, you can lose it. You cannot get further credit, any bank account you have will be frozen and you may lose your job if you work in certain professions. If you want to consider bankruptcy as an option, get advice.

## Can I apply for a debt relief order?

Debt Relief Orders are to deal with unsecured debts – you can include up to £15,000. Applications are filed through approved intermediaries – this can be less stressful than bankruptcy petitions which are filed through the county court. Please speak to a debt adviser to consider the option of a debt relief order.

# Common financial Statement (budget sheet) an example

Name (PRINT): \_\_\_\_\_ Sign \_\_\_\_\_ Date \_\_\_\_\_

Address: \_\_\_\_\_

STEP 1		INCOME (Monthly)
Wages or salary		£1261
Wages or salary (partner)		£
Jobseekers allowance		£
Income Support or Pension Credit		£
Tax Credit		£312
Retirement or works pension		£
Child Benefit		£133
Income capacity		£
Maintenance		£
Non dependents' contributions		£
Other	1	£
	2	£
<b>TOTAL INCOME</b>	<b>BOX A</b>	<input type="text" value="£1706.00"/>

STEP 2		OUTGOINGS (Monthly)
Mortgage		£567
Mortgage endowment policy		£
Second Mortgage		£
Rent		£
Council Tax		£126
Water Rates		£25
Ground rent or service charge		£
Buildings and contents insurance		£22
Life insurance and pension		£10
Gas		£48
Electricity		£26
Other fuel		£
Housekeeping		£560
TV license		£12
Magistrates' courts fines		£
Maintenance payments		£
Hire-purchase vehicle		£
Traveling expenses		£65
School means and meals at work		£
Clothing		£65
Laundry		£
Phone and mobile phone		£40
Prescriptions and health costs		£
Child minding		£
Other	1	£
	2	£
	3	£
<b>TOTAL OUTGOINGS</b>	<b>BOX B</b>	<input type="text" value="£1566.00"/>
<b>STEP 3</b>		

Total Income	BOX A	£1706.00
Total Outgoings	Take away BOX B	£1566.00
Money for creditors	BOX C	£140.00

STEP 4 – Priority Debts	Balance owed	Monthly offer of repayment
Mortgage arrears	£2400	£60
Arrears on a second mortgage	£	£
Rent arrears	£	£
Council Tax or community charge arrears	£300	£50
Fuel debts: Gas	£	£
Electricity	£	£
Other	£	£
Magistrates' court fine arrears	£	£
Maintenance arrears	£	£
Hire-purchase arrears	£	£
Other	1 £	£
	2 £	£
Total Priority Debts Repayment		BOX D £110.00

STEP 5 Total Priority Debts		
Money for creditors	BOX C Take away	£140.00
Total priority debts repayments	BOX D	£110.00
Money for credit debts	BOX E	£30.00

STEP 6	Credit Debts	
Creditor	Balanced Owed	Monthly offer of repayment
1.Credit Card	£1600	£17.77
2.Bank Loan	£650	£7.22
3.Phone	£450	£5
4.	£	£
5.	£	£
6.	£	£
7.	£	£
8.	£	£
9.	£	£
10.	£	£
Total owed	BOX F £2700.00	
Total monthly repayment	BOX E £30.00	

# Common financial Statement (blank)

Name (PRINT): \_\_\_\_\_ Sign \_\_\_\_\_ Date \_\_\_\_\_

Address: \_\_\_\_\_

STEP 1		INCOME (Monthly)
Wages or salary		£
Wages or salary (partner)		£
Jobseekers allowance		£
Income Support or Pension Credit		£
Tax Credit		£
Retirement or works pension		£
Child Benefit		£
Income capacity		£
Maintenance		£
Non dependents' contributions		£
Other	1	£
	2	£
<b>TOTAL INCOME</b>	<b>BOX A</b>	£ <input type="text"/>

STEP 2		OUTGOINGS (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 license		£
Magistrates' courts fines		£
Maintenance payments		£
Hire-purchase vehicle		£
Traveling expenses		£
School means and meals at work		£
Clothing		£
Laundry		£
Phone and mobile phone		£
Prescriptions and health costs		£
Child minding		£
Other	1	£
	2	£
	3	£
<b>TOTAL OUTGOINGS</b>	<b>BOX B</b>	£ <input type="text"/>

STEP 3		
Total Income	BOX A	£ <input type="text"/>
Total Outgoings	Take away BOX B	£ <input type="text"/>

Money for creditors	BOX C	£ <input type="text"/>
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STEP 4 – Priority Debts	Balance owed	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
		£ <input type="text"/>

STEP 5 Total Priority Debts		
Money for creditors	BOX C Take away	£ <input type="text"/>
Total priority debts repayments	BOX D	£ <input type="text"/>
Money for credit debts	BOX E	£ <input type="text"/>

STEP 6	Credit Debts	
Creditor	Balanced Owed	Monthly offer of repayment
1.	£	£
2.	£	£
3.	£	£
4.	£	£
5.	£	£
6.	£	£
7.	£	£
8.	£	£
9.	£	£
10.	£	£
Total owed	BOX F	£ <input type="text"/>
Total monthly repayment	BOX E	£ <input type="text"/>

# Letter 1 – new circumstances / making an offer

(words in italics show where you should adapt the letter to suit your situation)

Creditor Address

Your Address

Your ref.

Date

Dear Sir or Madam,

Re –

I am writing to you in respect of my account.

I am writing to you to ask that you take my new circumstances into consideration. (*Give details of financial difficulties eg unemployment, ill health, new baby, low income, business failure, personal difficulties.*)

I enclose a financial statement giving full details of my situation. As you can see from this I am struggling to meet my priority commitments. I would ask that you accept token offers of *£x per month* for a six month period until the situation can be reviewed. Whilst I appreciate that this offer is small I feel it is the only realistic one in the circumstances.

I would also ask that you agree to suspend interest and charges on this account to enable me to make some inroad into the debt.

Your patience and co-operation in this matter is appreciated and I look forward to your acceptance of this proposal.

Yours faithfully,

Signed

## Letter 2 – Suspension of payment request

(words in italics show where you should adapt the letter to suit your situation)

Your address

Creditor's name and address

Your ref

Date

Dear Sir or Madam,

Re: Account/Reference number: the account or reference number

*I am/We are* writing to you because *I am/we are* in financial difficulties as you can see from the financial statement attached.

The reason for the difficulties is that *(briefly explain the reasons for financial difficulties – for example unemployment, ill health, relationship breakdown, low income, collapse of business or personal difficulties)*.

You will see from the statement that *I am/we are* just able to meet our essential living expenses. You will also see that *I am/we are* not in position to make any offers of repayment to clear my/our debts, at the present time.

Please will you suspend payments on this account for *(3/6 months)* and then the position can be reviewed. Could you also agree to freeze interest and charges on the account to prevent the situation deteriorating?

Thank you for your consideration in this matter and *I/we* look forward to hearing from you.

Yours faithfully,

Signed

## Letter 3 – Write off request

(words in italics show where you should adapt the letter to suit your situation)

Your address

Creditor's name and address

Your ref

Date

Dear Sir or Madam,

Re: Account/Reference number: the account or reference number

*I am/We are* writing to you because *I am/we are* in financial difficulties as you can see from the financial statement attached.

The reason for the difficulties is that *(briefly explain the reasons for financial difficulties - for example unemployment, ill health, new baby, low income, business failure, personal difficulties)*. Give as much detail as possible including arrears of priority debts.

You will see from the financial statement that *my/our* basic living expenses exceed *my/our* income. Because of the circumstances described above, my situation will not improve in the foreseeable future.

*I/we* fully understand that you want to collect the debt owed to you. However, given *my/our* circumstances *I am/we are* not able to make an offer of repayment.

Please will you consider writing off this debt? If you feel unable to do this, can you agree to suspend the account and freeze any interest accruing?

*I/we* hope you will be able to help in this matter and look forward to hearing from you soon.

Yours faithfully,

Signed: