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Help yourself to

sort out your debts

**This leaflet will assist you in negotiating a suitable repayment offer with your creditors where you are not in a position to maintain your contractual payments and do not wish or cannot progress with another debt resolution option.**

# Introduction

There are different options for paying your creditors depending on your circumstances. Your adviser will have discussed the various options open to you in order to help you make the right choice.

This leaflet is about credit debts. Credit debts include things like credit cards, catalogues, store cards, loans and overdrafts.

This leaflet will help you take the first steps to sorting out your credit debts.

**It does not deal with debts for essentials like gas, electricity, Council Tax, rent, mortgage or other loans secured on your home.**

**Make sure you sort these out first. If you don’t, you may risk losing service, court action or even losing your home.**

**If you’re not sure, call the Money Advice helpline on
0345 140 0094.**

# Eight steps to sorting out your debts

1. Don’t panic

There is a lot that you can do to sort out debts yourself. If you get stuck, you can get free advice from a CARF office or some other free debt help agencies (listed on the back page). Don’t borrow any more money without getting independent advice first.

1. Don’t ignore letters

Make sure you contact all the people you owe money to (your creditors).

Tell them you are having difficulties and are taking steps to sort it out. You can advise them that you have had advice from your local Citizens Advice Bureau.

If you ask them, creditors may agree to freeze interest and charges, although they don’t have to.

1. Make a list of all your debts

Keep all paperwork in one place. If you are not sure how much you owe, write to your creditors for the outstanding balances.

Make sure you keep copies of your letters and make a note of any telephone conversations you have.

If any of your creditors have started court action or you don’t think you owe the money, call the Money Advice helpline on
**0345 140 0094.**

1. Work out a budget

It is essential that you work out a realistic budget so you have enough money to live on and you don’t have to borrow or go without essentials.

When you have done this, the difference between your total income and your essential living expenses is the amount you have left to pay towards your debts. If you are behind with bills like gas, electricity, council tax, rent, mortgage or other loans secured on your home, sort these out next.

If there’s any money left over, you can work out offers to your credit debts.

You will have received a copy of your financial statement (budget) from your CARF Adviser. This will have been completed at your meeting.

Alternatively you can use the online budgeting tool and sample letters tool at our online advice and information website, [www.citizensadvice.org.uk/scotland](http://www.citizensadvice.org.uk/scotland).

If you do have money left to pay towards your debts, one option is for you to make offers of repayment to your creditors.

If there’s no money left over after you’ve worked out your budget, you may be able to offer a token payment. This would need to be taken from your existing budget, such as reducing your housekeeping.

1. Work out what offers to make

Once you know how much money you have left to pay towards your debts, you can work out how much to offer each of your creditors. To make sure you treat all creditors equally and fairly, offer each creditor a share of the money you have left according to how much you owe (these are called pro rata offers).

Write to each of your creditors with your offer along with a copy of your Budget, see copy letters attached. While you are waiting for a reply, start paying what you have offered.

## Working out offer of payment

For example:

You owe £1,000 on a credit card, £350 to a catalogue and £150 to a store card – total credit debt is **£1,500**. You have £10 a month available to pay towards your debts.

* Offer to credit card: £1,000 x £10 ÷ £1,500 = £6.67 a month
* Offer to catalogue: £350 x £10 ÷ £1,500 = £2.33 a month
* Offer to store card: £150 x £10 ÷ £1,500 = £1 a month

## What if a creditor refuses my offer?

Don’t give up. Keep paying what you have offered to pay. There’s still plenty you can do to persuade your creditors to accept your offer.

Adviceguide has an online sample letters tool to help you write letters to your creditors – see [www.citizensadvice.org.uk/scotland](http://www.citizensadvice.org.uk/scotland).

1. What happens next?

Make sure you keep to the agreed payment plan. If your circumstances change, contact your creditors to explain or change your agreement.

After a period of time, your creditors might want to look at your situation again. Don’t worry, just work out your offer again and send it to them. If your situation has not changed, they should let you keep to your agreement.

**These are voluntary arrangements at the creditors discretion. If you receive any court papers, make sure that you reply within the times stated and get advice.**

1. Useful contacts
(check call rates before dialling)

**Citizens Advice & Rights Fife (CARF)** [www.carfweb.org](http://www.carfweb.org)
free, confidential money advice from expert advisers

* Money Advice ✆0345 140 0094
* Other queries ✆ 0345 140 0095

**Adviceguide:** Citizens Advice service advice and information website [www.citizensadvice.org.uk/scotland](http://www.citizensadvice.org.uk/scotland)

**MoneySavingExpert.com:** [www.moneysavingexpert.com](http://www.moneysavingexpert.com)

**Citizens Advice Consumer Service**: information and advice on consumer issues including fuel. Helpline: ✆ 0845 404 0506

**StepChange Debt Charity** [www.stepchange.org](http://www.stepchange.org)
free, confidential debt advice. Helpline: ✆ 0800 138 1111

**National Debtline** [www.nationaldebtline.co.uk](http://www.nationaldebtline.co.uk)
debt information pack, sample letters, factsheets.
free independent debt advice line: ✆ 0808 808 4000

**Payplan** [www.payplan.com](http://www.payplan.com)
free debt advice line: ✆0800 280 2816

**Directgov** [www.direct.gov.uk](http://www.direct.gov.uk)
information on managing money and debt

**Money Advice Service** [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)
interactive tools for budgeting and borrowing, information and leaflets. Helpline: ✆0808 800 0118

**Shelter** [www.shelter.org.uk](http://www.shelter.org.uk)
housing advice including arrears and court action
Helpline: ✆ 0808 800 4444 (England and Scotland)

**TaxAid** [www.taxaid.org.uk](http://www.taxaid.org.uk)
help with tax problems. Helpline: ✆ 0845 120 3779

# Sample Holding Letter

## This letter should be used if you are unable to make an immediate offer of payment.

Name of Creditor Your Name

Address of Creditor Your Address

Date:

Dear Sir/Madam

**Re: Account Number ……………………………**

I regret that I am unable to maintain my current monthly payments because (…..explain your reasons…..).

 Or

I am writing to all of my creditors requesting details of the balance outstanding on my accounts and would be grateful if you would let me know how much I owe you. Once I have obtained this information, I will contact you again with a pro rata offer for repaying the above debt.

Or

I have applied for (…..type of benefit…..) and will contact you again as soon as I start to receive it.

Meanwhile I would be grateful if you were prepared to hold action on my account for two months and suspend interest and other charges to prevent my indebtedness from increasing.

I have been sick/unemployed since (…..date…..) and am due to start/return to work on (…..date…..) and will contact you again once I have started/return to work.

Yours Faithfully

(sign and print name)

# Sample Offer Letter

## This letter should be used to send letters to non-priority creditors when you have a financial statement and are able to make an offer of payment.

Name of Creditor Your Name

Address of Creditor Your Address

Date:

Dear Sir/Madam

**Re: Account Number ……………………………**

Or

Further to my letter dated (…..date…..), I am now in position to make an offer to repay the above debt.

I regret that I am unable to maintain my monthly payments at the current level because (…..explain your reasons…..).

I would like to offer a monthly payment of (…..amount…..) which I will try to increase at the earliest opportunity.

I would be grateful if you would accept these proposals and agree to suspend interest and other charges to prevent my indebtedness from increasing.

I thank you for your co-operation and look forward to hearing from you.

Yours Faithfully

(sign and print name)

# Sample Token Offer Letter

## This letter should be used to send letters to non-priority creditors when you have a financial statement and have little or no available income.

Name of Creditor Your Name

Address of Creditor Your Address

Date:

Dear Sir/Madam

**Re: Account Number ……………………………**

I regret that I am unable to pay my current monthly payments because (…..explain your reasons…..).

I am enclosing a copy of my financial statement which gives details of my income and expenses. You will see from this information that I am unable to make you a substantial offer of payment at this time. I can however make a token offer of payment of (…..insert amount…..) per month.

I would ask that you accept this proposal and agree to suspend interest and other charges to prevent my indebtedness from increasing.

I am making every effort to increase my income/find employment, and will contact you again as soon as my financial circumstances improve.

I thank you for your co-operation and look forward to hearing from you.

Yours Faithfully

(sign and print name)

# Budget sheet

Name………………………………………………………………

Address……………………………………………………………

Number of people in my household…………………………….

|  |  |
| --- | --- |
| **Income (weekly/monthly)**Wages/salary  | £  |
| Wages/salary (partner)  | £  |
| Benefits  | £  |
| Money from other people  | £  |
| Other  | £  |
| **Total income**  | £  |
|  |  |
| **Outgoings (weekly/monthly)**Mortgage/rent  | £  |
| Second mortgage/secured loan  | £  |
| Council Tax  | £  |
| Buildings/contents insurance  | £  |
| Life insurance/endowment  | £  |
| Other Insurance  | £  |
| Gas  | £  |
| Electricity  | £  |
| Food/housekeeping | £  |
| School Meals | £  |
| Travel/Petrol | £  |
| Car Insurance/Road Tax | £ |
| Telephone  | £  |
| Mobile Phone | £ |
| TV licence/rental /broadband | £  |
| Sky/Cable TV | £ |
| Clothing/emergencies  | £  |
| Child Minder  | £  |
| Emergencies/Sundries | £  |
| Car Payments | £ |
| Hire Purchase | £ |
| Dentist/Opticians/Haircuts | £ |
| Other | £ |
| Other | £ |
| Other | £ |
| **Total outgoings**  | £  |
|  |
| **Available for creditors (income less outgoings)**  | **£** |

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