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Letchworth Financial Health

Understanding Debt

Information Session

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Contents

- What is debt?
- Priority vs Non-priority debt
- Consequence of unpaid debt
- Know what you owe
- Situations requiring urgent action
- Budget planner
- Debt management options
- Where to go for more help

What is debt?

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- Debt is something one party owes another, typically money.
- Good debt vs bad debt
- Secured vs unsecured debt
- Examples of debt...

Loans	Housing	Utilities/Shopping	Government
Personal loans	Mortgage	Energy (Gas, Electricity etc.)	Benefit overpayments
Student loans	Rent	Water	Tax credit overpayments
Borrowing from family	Service Charges	Phone	TV License
Borrowing from friends	Ground Rent	Broadband & TV	Magistrates' court fines
Bank overdrafts		Credit & Store cards	Council tax
Payday loans		Catalogues	Tax debts
Loan sharks		Hire purchase	

Reasons for unpaid debts

Problem debt – Unpaid debt – Missed repayments - Arrears

Priority debts vs Non-priority debts

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- Store Card
- Credit Card
- Phone Arrears
- Secured Loan
- Family & Friends
- Mortgage Arrears
- Rent Arrears

- Catalogue Accounts
- Overdrafts
- Energy Arrears
- Unsecured Loan
- Child Maintenance Arrears
- Payday Loans
- Magistrates' Court Fines

- Water Bills
- Council Tax Arrears
- Broadband
- Hire Purchase
- Tax & NI Debt
- Logbook Loan
- BNPL

Consequences of unpaid debt

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- Additional fees for late and/or missed payments
- Bad credit rating
- Repossession of goods
- Automatic deductions from wages or benefits
- County court judgements
- Bailiffs coming around (Debt collectors vs Bailiffs)
- Energy supply being cut off
- Repossession & eviction
- Prison

Know what you owe

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- What debts are you personally liable for?
- Check statements/agreements for exact amount
- Have you taken any debt with another person?
- Are you a guarantor for someone else?
- Are you disputing any of these debts?
- Has it been borrowed from an illegal lender?
- Is it Statute barred?

Situations requiring urgent action

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Imminent threat of eviction

Owing money to your bank

Mental health issues

Court action imminent

These situations need action straight away because they have serious consequences!

Bailiff letter received

Imminent threat of gas or electricity being cut off

Unaffordable Payday loan with CPA

Prepare Budget Plan

- Your household budget | National Debtline
  - Get bank statements
  - Get recent Credit card/loan/bill statements or request them
  - Check benefits
  - Organise paperwork
  - Request credit reference file

Credit reference agencies

- Experian, Transunion and Equifax are credit reference agencies used by lenders to provide your credit score & credit report
- MSE Credit Club, will also show you your affordability score
- You can ask to correct any errors and add information about debts already paid
- Information mainly held for 6 years
- There is no such thing as a central “credit blacklist”!
- Fact Sheet - Credit reference agencies - National Debtline

Self help

- Send a holding letter to creditors – ask for their help/patience
- Maximise your income (wages/benefits/grants) & Reduce Costs
- Identify your priority debts
- Revisit/update your budget
- Work out what you can realistically afford to repay each month
- Negotiate with creditors
  - Send them a summary budget
  - Agree **affordable** repayment plans
  - Request write-off because of low income, illness etc.

Seek help from a debt adviser if you can't do this on your own!

Debt options - With assistance

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- Secured/unsecured consolidation loan – credit card or bank
- Debt Management Plan (DMP)
- Debt Relief Order (DRO)
- Individual Voluntary Arrangement (IVA)
- Informal Arrangement of pro rata payments
- Charitable Grant Payment
- Write-off debts
- Bankruptcy
- *Breathing Space – A temporary holding action*

Debt options - Using your assets

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Seek independent financial advice first

- Full and final settlement offers
- Equity release
- Taking money from your pension
- Selling assets

Be alert for scams

Look out for:

- Scam Debt Management and IVA companies
- High fees and charges
- Clone websites who harvest personal information

Check if they are authorised by the Financial Conduct Authority

Not all debt advice is trustworthy.

Find out how to get advice you can trust

Information & Support

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- For free debt advice visit:
  - National Debtline & How to deal with debt
  - StepChange
  - Citizens Advice
  - CAP UK
  - PayPlan
  - Debt advice locator | MoneyHelper
- If you are self-employed visit the Business Debtline or call 0800 197 6026
- If you owe money to a loan shark call 0300 555 2222 or visit Stop Loan Sharks
- Visit us online, for more information about the:
  - Letchworth Financial Health Project
  - Free Community Workshops
  - Useful Links
  - Frequently Asked Questions

Thank you ☺

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- Complete the Feedback form
- Information sessions available:
  - Bank & Saving Accounts
  - Being Consumer Savvy
  - Budgeting
  - Choosing Credit
  - Cost-of-living Support
  - Energy Savings
  - Scam Awareness
  - Understanding Debt