



HOUSING ADVISORY SERVICE

HOW TO PRESENT YOUR FINANCIAL DETAILS TO YOUR LENDER AND DEAL WITH OTHER DEBTS.

To make an offer to your lender, and to any other creditors you may have, you will need to complete a Financial Statement. There is one enclosed at the end of this document which you can fill in.

You may be confused if you have a number of creditors, all writing to you asking for payments which you may not be able to afford in full. You may have tried to ignore the problem for sometime.

The most important creditors to deal with first, are those who can take the strongest action against you if you do not pay.

Here is a list:

DEBT	ACTION AGAINST YOU
Mortgages/Secured Loans	Take your home
Gas, Electricity, Water	Disconnection
Magistrate Court Fines	Bailiff removing goods Deduction from Wages / Benefit Imprisonment
Council Tax	Bailiff removing goods Deduction from Wages / Benefit Imprisonment
Service Charges	Take home away
Child Support	Bailiff removing goods Deduction from Wages / Benefit Imprisonment
Income Tax, National Insurance & Arrears	Bailiffs removing goods VAT Bankruptcy

These are known as **PRIORITY DEBTS.**

There may be other payments which do not appear in this list, but which are priorities for you taking into account your circumstances. For example, if you are self-employed or have a disabled child, telephone services will probably be a priority for you.



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YOUR HOUSEHOLD BUDGET

You need to reflect this on your **Financial Statement**.

This can be drawn up on either a weekly or monthly basis as long as it clearly shows your income, your essential expenditure and whatever remains to be paid to your creditors.

[If you need to change a monthly figure into a weekly, you must multiply by 12 and divide by 52. And a weekly figure is changed into a monthly figure by multiplying by 52 and dividing by 12.]

It is difficult to assess bills for services which are often paid at 3 month intervals. Find the last four bills you have received, add them up and divide by 52, and this should provide a good guide.

Once you have come up with a figure for what is left over after you have paid for your essential items (your **AVAILABLE INCOME**), you will first need to look at making offers to your priority creditors - your mortgage lender will be one of these. How much of your available income you are able to pay to your mortgage lender, will depend on what other priority creditors you have.

Lastly, if you do have any money left over for **non-priority creditors**, then this needs to be distributed on a pro-rata basis between them. Non-priority debts are things like credit cards, store cards, catalogue debts, and depending on what use you require from it, unsecured bank debts.

You may not have anything which you can offer creditors like this, and you may have to make a **nominal** offer of, for example, £1.00 per month.

If you do have available income to offer to these creditors, the offer made should be on a **pro-rata** basis, meaning that you pay the creditor a proportion of your available income in line with what you owe them. This involves a simple calculation.

Available income divided by Total debt (non-priority)
= Constant Factor.

You then do the following sum for each debt:

Constant Factor multiplied by each debt (separately)
= Pro-Rata offer for each debt.

Your lender will look for all this financial information to be presented to them.

They, along with other creditors may question the figures that you quote for your expenditure. You may need to look at reducing your expenditure, but remember never try to cut down on necessities like food and services.

If you are in mortgage arrears, it will be in your interest to pay any extra money available to your mortgage lender, and any other priority creditors.



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Standard Letter for Creditors.

Below is an example of a letter that you could use, and modify if you need, to send to your creditors. When you write to your lender, you may need to include more details as there will probably be other options, apart from simply a repayment agreement, that you need to put to them.

The parts of the letter in brackets can be included, or not, as you require.

Dear Madam/Sir,

Account No..... Date.....

I am writing concerning my account as above regarding the arrears that I now owe.

My situation has changed recently, and I now need to vary the repayment arrangement. I can no longer afford to pay the amount requested/agreed each month.

To outline what my income and expenditure now are, I enclose a detailed Financial Statement, which also includes an offer of repayment which I can afford at the present time.

As you can see, I am approaching all my creditors at the same time, and they will all be asked to accept reduced instalments. All the offers are shown on the statement.

[Your offer is a pro-rata offer of the income I have available for my non-priority creditors, and as such, has been drawn up using County Court procedure.]

[As you can see from my Financial Statement, I have no available income with which to pay any of my non-priority creditors, and I am therefore asking you to accept nil payments for the next 3 months.]

[I would ask that any interest being charged is frozen, so that my payments will reduce what I owe to yourselves, and I have a realistic chance of paying off what I owe.]

Once my circumstances change, I will contact you again updating you on my situation, and increasing my offer.

[Please send me a paying-in book if my offer is acceptable.]

I thank you for your help and look forward to hearing from you as soon as possible.

Yours Faithfully,

[Name]



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PRIORITY CREDITORS

1.COUNCIL TAX

Ways of reducing your bill - as an owner-occupier, you and any partner you have will be liable for Council Tax, as long as you are living in your home. If you have rented out your home, whoever is living there permanently will be liable. There are two possible ways of reducing your Council Tax bill itself. You may be able to claim a **discount** for being a single adult occupier or if you are disabled and have had adaptations made to your property. These may lower the amount you owe. Then you must look at a **benefit** claim as well.

How Council Tax debts are dealt with - If you do not pay your Council Tax, or do not keep to a repayment arrangement, the council may ask the Magistrates Court to make a **Liability Order**. There are only a few ways of resisting this, for example, if the names on the summons are wrong or you have applied for Council Tax benefit. Initially, you should talk to the Council Tax section, but if they will not agree to your request and you have a good reason such as an incorrect name on the summons, you should attend the court for the hearing and an order may not be made.

A Liability Order gives the council various debt enforcement powers as below:

- **Deductions from wages**

If you are working, the council can ask your employer to deduct a fixed amount from your wages and pass this on to them. This is an Attachment of Earnings Order. You cannot stop this happening, but you can always negotiate with the council if this is causing you hardship.

- **Deductions from benefits**

If you are on Income Support or Job-Seeker's Allowance, a deduction can be made from your benefit direct to the council. It is an advantage for you to arrange this before any enforcement action is taken, as this should mean the council take no further action as long as they keep receiving money from your benefit. The maximum that is taken is £2.55 per week.

- **Distrain**

The council can pass your account to bailiffs, who will visit your home to try and gain entry to it to take goods and sell them to pay for the debt. Do not sign any papers the bailiffs put through your door, and do not allow them into your home. As long as they have never gained entry, they will not be able to return and force their way in. Ask the council to take back the account so that you can negotiate direct with them. Do this as soon as you can, as costs will be added to your account every time the bailiffs visit.



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- **Charging Orders**

The council, or any creditor, can attempt to get a Charging Order on your property if you owe them more than £1000.00. This would mean that the debt would be secured on your property. If any of your creditors try to do this, get legal advice quickly.

If no money is collected, the council can go to the Magistrates Court and ask for an arrest warrant to be issued. There will always be a **'Means Enquiry'** before imprisonment is considered. This is a special hearing which looks into your income and ability to pay and whether or not you have **'wilfully neglected'** to pay the bill. Imprisonment can result if you do not make contact or attend the means hearing. You would not be sent to prison if you did not pay because you did not have money to pay, but only if you have clearly avoided paying when you could have done.

2.COMMUNITY CHARGE ARREARS

Community Charge ended in April 1993 but you may still have a bill outstanding for this. The procedure for collection of this debt is the same as for Council Tax as above.

3.WATER RATES, GAS AND ELECTRICITY ARREARS

Here are some useful points to remember when dealing with service debts:

- Try to contact the your service provider as soon as you are aware that you will be having a problem paying a bill that you already have.
- Your water company in particular may ask for the bill to be cleared over the rest of the billing period, and this may conflict with what you can offer per week/month, as bills are charged over a 10 month period.
- As soon as you make an offer to any creditor using your Financial Statement, start paying this amount.
- Initially you may speak to someone on the telephone, but always follow this up with a letter and Financial Statement.
- If the person you speak with is particularly unhelpful, or the company as a whole do not wish to negotiate, ask for a copy of their Code of Guidance, and check this document.



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OPTIONS COMMON TO ALL SERVICE ARREARS

1. Check Liability.

Are the bills you receive in the name of you or one of your family, or are you being charged for gas/electricity that you have not used because, for example, a bill covers a period when you were not living in the property.

2. Pre-Payment Meters.

This is an option for repayment which all services may offer, but you should not feel that you have no choice but to accept it if you are in arrears for the first time. This involves charging a card at regular periods and a higher standing charge. You must be good at budgeting, as if you have no money with which to charge the card, you will have no access to gas/electricity.

3. DSS Deduction.

If you are on Income Support/Job Seeker's Allowance, you can ask for a deduction to be taken from your benefit on a weekly basis as long as you are in arrears with payments. This will consist of a payment for current usage and an amount, currently **£2.65** per week, towards the arrears. The advantage of this is that you will have no more bills and the money is paid direct to the service provider.

4. Budget Plan/Repayment Arrangement.

Most of the service companies have repayment arrangements of their own which they can adapt to your needs. This can be a good way to deal with any service arrears initially, as the arrears are set aside on payment of a weekly/monthly fixed amount which is a combined figure for current usage plus arrears. You can ask for this option even before you are in arrears.

5. Use of Code of Practise.

All service providers will have a regulatory code of practise, in which it will be stated what action they must take on arrears. If you are having difficulty in negotiating with someone at the company ask to be sent a copy. Reference to this document can help, up to the level of making an official complaint if you are still unable to resolve the problem satisfactorily.



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6. Use of Regulatory Bodies - OFWAT, OFFER, OFGAS

Contact the relevant regulatory body if you have had no success with the service provider. At this stage you will be making an official complaint about the way your arrears are being handled.

The most serious action your service provider can take is to **disconnect**. Below is a summary of how this comes about for each service.

Water	Gas	Electricity
If you dispute a bill, but later agree to pay it and then fall behind with your payments, your company can cut you off without the need to go to court	Your supply can be cut off in only a few weeks, if you do not pay your bills, without any court involvement needed	If you have an unpaid bill outstanding from an old address, you can be cut off at your new address
If you have had a court order made against you and have failed to keep up payments ordered by the courts, your supply can be cut off		Your supply can be cut off in only a few weeks, if you do not pay your bills, without any court involvement being needed

4. MAGISTRATES COURT FINES

You may have been fined for a motoring or TV Licence offence.

If you have not yet been to court, remember to take a completed Financial Statement with you. If payment at a certain level has already been ordered by the Magistrates Court, and you can no longer afford the payment, you must contact the Magistrates Court and apply to have it **lowered**. They will usually agree as long as the application is backed up by clear financial details.

If you do not keep up an arrangement on a fine, the court may:

- authorise bailiffs to seize goods - any payments must then be made to the bailiffs and not to the court.
- deduct money from Income Support/Job Seeker's Allowance.
- order a prison sentence - there will always be a hearing before this and the arrest warrant can usually be suspended as long as you attend with your financial details.



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5.MAINTENANCE

Most maintenance agreements are now made by the Child Support Agency. However, if you have had an arrangement for sometime, then it may have been made by the court.

If you have an arrangement made by the court, and you get into arrears with the payments, you can be ordered to attend a hearing to explain why you have not kept to the sum agreed. If the court decides that your failure to pay was deliberate, it can

- ask bailiffs to take goods
- deduct money direct from your wages
- order you to be sent to prison

If your payment arrangement was set up by the Child Support Agency (CSA), you will be asked to pay a set amount, and this can be taken direct from your wages or benefit without needing to go to court. If for any reason the CSA cannot collect what is due in this way, then they can go to the Magistrates Court for a Liability Order. This would then give them the power to:

- ask bailiffs to take goods
- get a Charging Order on your property
- take money from your bank account
- ask the court to order that you go to prison

Again, the golden rule is always to contact the agency concerned as soon as possible.

6.HIRE PURCHASE AGREEMENTS

These type of agreements are not common, and most often will be taken out to buy a car. This may or may not be a priority item. With this type of agreement, you do not own the goods until you have paid the last instalment. With other credit agreements, you own the goods immediately, but own money to a finance company.

The first thing you need to do if you fall behind with payments, is to check the agreement you signed. Your creditor may be able to repossess the goods. This is only automatic if you have paid less than one third of the purchase price. If your payments exceed this, the creditor would have to take you to court to seek return of the goods first. At the hearing the court can agree to suspending return of the goods, on the basis that you pay the normal payment plus an amount off the arrears, especially if you need the car, for example, for work.

You will need to look very carefully at whether this is a priority for you. If the payment of your hire purchase agreement is preventing you from making



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payments on your mortgage or home loan, you need to re-assess your budget, and re-prioritise your expenditure, especially if the item you are paying for is not essential for your household.

Do bear in mind that it will be very difficult to come to an arrangement with a creditor of this kind if you are already in arrears.

NON-PRIORITY CREDITORS

Creditors not listed above who do not have their debt secured on your property will normally be non-priority.

These creditors are only going to receive a proportion of what remains after you have paid priority creditors. Below are some useful pointers when negotiating with these creditors.

- Ask your creditor to freeze interest on your account, if this is applicable, so that the debt will not continue to grow. If other creditors have already agreed to freeze interest then point this out. Persist in this request, at the same time making any payment which you have offered.
- Ask for a copy of any agreement you signed if you no longer have a copy. It is always a good idea to know exactly what terms you agreed to. You do have the right to ask for this information, although there may be a charge for it.
- If you are finding it difficult to reach agreement with a creditor on what you believe is a reasonable offer, and your creditor is putting pressure on you which may amount to 'harassment', contact either your local Trading Standards Department or a trade association which your creditor belongs to. If they do belong to a trade association, it's logo will appear somewhere on their headed paper and your creditor will be regulated in some way through a Code of Guidance.
- If you have provided a detailed Financial Statement and offered what is a reasonable amount of money, and your offer is still refused, point out to your creditor that taking County Court action will not necessarily increase the offer as you have already followed County Court procedure in arriving at your offered amount. By taking you to court they will simply be increasing your debt. **Remember** that if interest has not already been frozen, the District Judge will almost always freeze it at court.
- Keep copies of all correspondence, and if you agree something on the telephone, confirm this in writing. Make sure all letters are dated, as you may need to prove that you kept in contact and came to an agreement, either in court or in the process of making a complaint to a trade association.



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BANK ACCOUNTS/OVERDRAFTS

You may have a bank account which is overdrawn to the maximum, and be confused about how to deal with this situation. If you have wages paid into the account, need access to it, but find that those wages are 'lost' in the overdraft each month, then you must discuss the matter with your bank manager, or a debt counsellor available at the bank as soon as possible. The kind of arrangement that you need to reach is one which allows you to set the overdraft to one side (some banks will offer this facility as a loan which may mean you pay a lower rate of interest than an unauthorised lending rate), pay an agreed, affordable amount each month off this, and continue to use your account with the understanding that there will be no overdraft facility available. You may find that you only have a cashcard until the problems have resolved.

Alternatively, if your bank will not agree to this kind of arrangement, you may need to stop using that account and use a separate account, if you have one, to have your wages paid into.

Show that you have looked carefully at your own circumstances by providing a Financial Statement, and ask for interest charges to be frozen so that what you are able to pay off the balance will actually go towards reducing it.

CHARGE CARDS

Credit cards involve standard agreements whereby you pay off a minimum amount each month.

However, charge cards, where the whole balance is payable every month, are not subject to ordinary credit agreements. It is harder to negotiate repayments and court action will often be started in the High Court, which will involve higher costs and higher interest.

Apart from these guidelines, negotiate as for other creditors, and seek advice if you are not successful.

WHAT IF AN UNSECURED CREDITOR TAKES YOU TO COURT?

Debt action is dealt with by the County Court. Many large organizations have centralised offices who issue summonses, and these will be to the County Court nearest to them. You can apply to that court to have the venue changed to a court near to you if you wish. This will normally be agreed.

The kind of summons you receive will be a 'Default Summons'. It will state the amount your creditor says you owe, and a reply form will be enclosed which you must complete and return to the court. If you do not agree with the amount your creditor says you owe, you can say so on the 'Defence and Counterclaim' section of the form. If you agree with the figures, but need time to pay, you must fill in the



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'Reply' section which includes a Financial Statement, similar to the one you will already have completed. The court will base a monthly offer that is reasonable on these figures. If you agree with the amount your creditor says you owe, but cannot pay the instalment ordered by the court, you can ask for a hearing at which you can explain your offer to the District Judge. This must be done within 14 days of receiving the first order. Also, if you can no longer keep to an order made sometime ago due to a change in circumstance, you can ask the court to reduce the ordered payment on Form N245.

ADVANTAGES OF BEING TAKEN TO COURT

- if you explain your income, outgoings and other debts clearly, the court will allow you to pay the debt in instalments you can afford.
- the process is often completed by post.
- on most standard credit debts, interest will be frozen - the amount you owe will not increase.

DISADVANTAGES OF BEING TAKEN TO COURT

- a fixed amount of court costs will be added onto your debt.
- if you do not pay the amount ordered, your creditor can take further action.
- your details will be held on the Register of County Court Judgments and will be passed on to Credit Reference Agencies - as a result you will find it difficult to get credit for as long as the entry continues - currently 6 years.

WHAT FURTHER ACTION CAN YOUR CREDITOR TAKE?

- **Bailiffs Warrant**

If you fail to pay the amount ordered to your creditor, they can ask the County Court Bailiffs to issue a Warrant of Execution. If bailiffs do visit your property do not let them in (as this will allow them to return and force entry on another visit), but apply for the warrant to be suspended on Form N245 and make an offer of payment which you can afford.

- **Attachment of Earnings Order**

This is an order your creditor can ask the court to make. A deduction will be taken from your wages according to a set formula. However, if this will have an effect on your employment, you can ask for the order to be suspended and make the payments yourself.

- **Charging Order**



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This is an order which your creditor can apply for if you have a County Court judgment against you and;

- you have been ordered to pay the money 'forthwith' and cannot do so,
- or you have been ordered to pay in instalments, and you have fallen behind with these payments;

and you own property on which their debt may be 'secured'. There will be a court hearing before this order is made 'absolute' and you will need to seek further advice and possibly representation for this. The reason for this is that a creditor with this order can go as far as to apply for a Possession Order on your home - although most creditors will be satisfied with being paid on the sale of the property.

OTHER OPTIONS

Administration Orders

An order of this type is a way of putting all your debts together. You can apply for an Administration Order if you have two or more credit debts, and at least one County/High Court Judgment against you, and your total debts are less than £5000.00. Once you have this order, your creditors cannot take any further action against you.

You can apply for an Administration Order on Form N92 from the County Court. Seek advice if you are not sure how to apply or fill in the form.

Individual Voluntary Arrangements - IVA's

These need to be drawn up with the help of an Insolvency Practitioner, and will therefore involve some kind of cost to yourself

Bankruptcy

This is a last resort - most non-priority creditors are unlikely to make you bankrupt, unless you own property which they think has equity in it. You may see it as an option, but only if you have no assets and will never be able to pay back the money you owe. It is expensive to declare yourself as bankrupt and it is also important to do it at a time in the month when your bank account is empty, as once you go bankrupt all funds in your account will be held by the Receiver. The bankruptcy lasts for 3 years normally, although it may be discharged after 2 years in some circumstances. Most debts 'die' on your discharge from the bankruptcy.

If you are considering this option, get in touch with a nearby advice bureau for assistance.



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FINANCIAL STATEMENT

Name: _____

Address: _____

Number of people in household: _____ Adults _____ Children

Income	Weekly / Monthly
Wages	
Benefits	
Child Benefit	
Child Maintenance	
Pension	
Total Income	

Income	
Minus	-
Expenditure	
Money Available for Creditors	

Expenditure	Weekly / Monthly
Mortgage	
Second Mortgage	
Endowment	
Rent	
Council Tax	
Ground Rent	
Service Charge	
Buildings Insurance	
Water Rates	
Gas	
Electricity	
House Keeping	
Court Fines	
Child Maintenance	
TV licence	
Travel	
Laundry	
Clothing	
Insurance	
School Meals	
Telephone	
Prescriptions	
Child Minding	
Other	
Other	
Total Expenditure	



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Priority Creditors		
Creditor	Balance Owed	Weekly / Monthly Offer
	Total Offered	

Money Available for Creditors	
Minus	-
Total Offers for Priority Creditors	
Total Left for Other Creditors	

Non Priority Creditors		
Creditor	Balance Owed	Pro Rata Offer
	Total Owed / Offered	

The information contained here is an accurate assessment of my/our financial position.

Date: _____

Signed: _____