

Information Sheet

Not Enough Money to Cover Your Outgoings?

Once you have listed and totalled all of your Income and Expenditure (Outgoings), you will know if you have a surplus or deficit each month. If you have a deficit (or are just covering your costs each month), then you will need to review your Income and Expenditure because you will have nothing spare to give to your creditors.

What do I do first?

- **Check Income; is there any prospects of more work? Are you claiming all the benefits you are entitled to (you can do this with the Benefits Agency, local CAB or Independent Advice Centre)?**
- Check Outgoings; are there any areas you can cut out or reduce?

Don't panic but don't ignore the situation.

- **Keep all priorities paid and arrange to clear the arrears where necessary**

IT IS ESSENTIAL TO MAINTAIN PRIORITY PAYMENTS **(see Information Sheet; Priority Payments)**

What do I do next?

- Check to see if any of your debts are covered by insurance for sickness or redundancy.
- Stop using credit
- Cut up any credit or store cards and return them to the creditors.
- Do not try to take out one big loan to pay them all off. You cannot borrow your way out of debt.
- Once priorities have been addressed, make appropriate reduced offers of payment (Token Offers or Pro-rata Payments – see *Information Sheets on Token Offers of Payment and Working Out Pro-rata Payments*) to secondary creditors e.g. credit cards, store cards, catalogues, unsecured loans and overdrafts.

What if creditors refuse the offer?

- Send it anyway at the same time each month. Make sure you get a receipt or have evidence of your payment. It will not be sent back to you.

What if creditors threaten me with Court action?

- Debt of this kind does not usually require you to attend court but it is important that you complete and return all the forms within the specified time (See the Information Sheet which explains County Court procedure in more detail). Do not be pressured by threats of court action into making offers you cannot afford.

Can I be arrested or be sent to prison?

- You cannot be imprisoned for secondary debt. For consequences of not paying priorities, see *Information Sheet; Priority Payments*.

Will my debt affect my Credit Rating?

- Yes, making reduced payments will affect your Credit Rating. However ignoring them will damage it far more.

What about Interest Charges?

- **A creditor is legally entitled to charge interest. You should ask them to freeze interest as a concession, but they cannot be made to do so. Also, see *Information Sheet; County Court Procedures*.**

Can Creditors take my house or possessions from my house?

- See *Information Sheet; County Court Procedures*.

Can Creditors take money direct from my wage?

- See *Information Sheet; County Court Procedures*.

Will a Collector call at my house?

Creditors sometimes employ door to door collectors, but this is not usually the case. They have no legal right of entry to your home and they cannot remove any goods.