

Housing Services

Making ends meet

A self-help guide for tenants with debt problems

**Produced by Housing Services,
with help from the Money Advice Unit
at the Citizens Advice Bureau**



Introduction

It is easy to get into debt, but not always easy to get out of it! People can get into debt for many reasons - a relationship breakdown, job loss, sickness, a new baby or just living on a low income. These situations can result in you not having enough money coming in when you need it, having to budget strictly, and having difficulty keeping up with your existing repayments.

This guide gives you advice that will enable you to tackle your own problems - whether you are in debt already or struggling to make ends meet. But if your problems are too complicated to deal with yourself, you can approach the Citizens Advice Bureau (CAB)¹ or your Housing Officer.

Please read the guide carefully; its advice may save you time and money.

Golden rules

DO NOT ignore your debts: they will not go away, they will only get worse.

DO keep ALL account statements sent by your creditors (people you owe money to).

ACT QUICKLY. Debts are easier to deal with if they are tackled quickly. Creditors are more likely to negotiate if you contact them early and make them fully aware of the facts.

DO keep your creditors fully informed; contact them at the earliest opportunity. Do write to them (keep copies of all letters), phone them or contact them in person. If you are out of work, tell them.

DO consider all your commitments before making any repayment offers.

DO NOT make repayment offers you cannot keep. If you are struggling to make ends meet, tell your creditors and ask them to accept reduced instalments. Many creditors will be quite willing to discuss your problems, and work out affordable payments.

DO NOT ignore your creditors or refuse to answer their letters. This will only annoy them, making them less sympathetic to your case and less likely to co-operate with you.

¹ The Tendring CAB Money Advisor is only able to take cases eligible for legal aid, which means people getting means tested benefits, or on a very low income. Alternatively, CAB General Advisors can give advice and assistance, and provide a comprehensive self-help guide book on dealing with debt.



? Who should be paid first?



One of the biggest problems is knowing which debts are the most serious and which can wait. Often it's the creditors who 'shout the loudest' that get paid, or the smallest debts, when really they are not your priority.

The best way to decide which debts are the most serious is to consider what the consequence of non-payment could be. The table below shows this.

<p>Priority debts</p> <ul style="list-style-type: none"> Rent Council tax Gas/electricity Hire purchase ² Child Support Magistrates' court fines TV licence 	<p>If you don't pay</p> <ul style="list-style-type: none"> Eviction Goods taken or imprisonment Disconnection Goods repossessed Imprisonment Imprisonment Imprisonment
<p>Other important debts</p> <ul style="list-style-type: none"> Water rates Telephone 	<p>If you don't pay</p> <ul style="list-style-type: none"> County court judgment Disconnection
<p>Non-priority debts</p> <ul style="list-style-type: none"> Loan Store cards Credit cards Catalogues Bank overdraft Doorstep collections such as Provident & Greenwoods 	<p>If you don't pay</p> <ul style="list-style-type: none"> County court judgment based on your ability to pay

Always pay your priority debts first, otherwise you could be evicted from your home, imprisoned, have your goods distrained (taken away by the bailiff and sold in lieu of money owed), or have your fuel supply cut off.

² If goods are bought on hire purchase (HP), they can be repossessed easily. Check your paperwork to be sure you have an HP not a credit sale agreement.



Personal budget



Drawing up a budget will help you see how much money is actually coming into your household, how much is going out, and work out affordable offers to creditors while you plan your future spending.

It is very important to keep track of where your money goes each week or month. The best way is to draw up a personal budget ³ (financial statement) showing how much money you have coming in and how it is spent. It doesn't really matter if you use weekly or monthly figures to calculate your budget, but it is best not to mix the two! Use the one that suits your income best.

Preparing a personal budget will also be a useful tool to persuade creditors to accept payments you can afford. If you ever need to go to court, the court will make a decision based on the information in your budget - so it is vital that your figures are accurate and realistic.

Personal budget: Income

Income includes money from sources such as wages/salary, partners' wages/salary, child benefit, tax credits, maintenance, pensions, income support/job seeker's allowance, other State benefits/pensions, disability benefits and finally non-dependants' (adult children's) contributions to household expenses.

- If you are on benefits, ask whether you are getting the correct amount.
- Is there anything else you could claim?
- If you are working, is your tax code correct?
- Could you work regular overtime?
- Are you entitled to tax credits?
- Are you entitled to housing benefit?
- Are you entitled to council tax benefit?
- If your income has fallen because of sickness or redundancy, check to see whether you have insurance to cover these things. If you qualify, the insurance company should cover certain expenses for a specific period.

Remember that 'monthly' doesn't necessarily mean every 4 weeks. If you receive a payment on the same day of every month, you need only multiply the monthly figure by 12, and then divide by 52 weeks to give a weekly income equivalent. If you receive your payment 4-weekly, then you receive 13 payments a year in total. Divide the 4-weekly amount by 4 to give a weekly equivalent.

³ Blank budget sheets are included for your use at the end of the guide.



Personal budget: expenditure (spending)

Where does the money go? It is important to work out and list what you spend weekly/monthly on basic essentials such as rent, council tax, fuel and food. Include an amount for occasional items such as clothing and repairs. Actual bills and receipts will help you make an accurate assessment of your average spending. Divide quarterly bills by 13 to give a weekly equivalent, or 3 for a monthly equivalent.

At this stage don't include payments that you may already be making on non-priority bills such as credit cards, mail order catalogues and unsecured loans. But do include payments of arrears on priority debts such as rent and council tax.

Remember to add on £2 a week towards the cost of a TV licence; £3 a week towards clothing (particularly for children) per person. Also set aside a little for emergencies and unforeseen events each week. This should also include amounts for birthdays/Christmas, and repairs. Caution - be prepared to justify a high 'sundries/emergencies' figure to creditors - they may challenge it.

Housekeeping should include food, toiletries, cleaning materials, and a small amount for entertainments and miscellaneous household expenditure.

A rough guide would be:

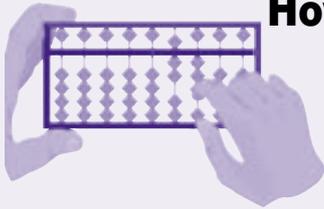
Single person	£30 - £45 a week
Couple	£50 - £75 a week
Each child	£20 - £35 a week

Your personal budget should be a full and accurate guide to your finances. It should give your creditors a complete picture of the money you have to spend. It should also show that all creditors have been treated fairly. Try to remember everything you spend money on. Don't forget things like tobacco, pet expenses and haircuts - these can be included under the 'housekeeping' heading.

When you are satisfied that your income and expenditure details are as accurate as you can make them, total each section, and subtract your expenditure from your income. This will show the amount you have left over to pay your non-priority debts with. This is called your **disposable income**.

You may find (particularly if you are on a very low income) that you don't have any disposable income at all - if so, you should review your expenditure, looking for cutbacks. But remember to be realistic. Cutbacks may only be necessary in the short term until your income rises or some debts are fully repaid. If you genuinely do not have any money left over, you will have to tell your creditors this.





How to calculate

When you know how much **disposable income** you have, you need to calculate what you are going to offer each creditor, or you may need to ask for an up-to-date balance on each account.⁴

When you know exactly how much you owe each creditor, you can work out what you are going to offer them. There is a special formula for working this out, called 'pro rata'. This means that your largest creditor gets the largest percentage of your disposable income, and your smallest creditor gets the smallest percentage. You will need a calculator to work this out.

First, add up all your priority and non-priority debts, to give a total amount owed. **Calculate your priority payments first.** Next, divide each non-priority debt by the total amount owed. Then multiply this amount by your disposable income figure.

The calculation gives each creditor a fair slice of your disposable income. Each debt will be paid off at the same rate and no favouritism will be shown. However, the amounts you repay may bear no relation to your original arrangement with them.

Having calculated how much you can afford to pay, you should put your offer in writing, enclosing a copy of your budget to justify your offer. Where possible you should enclose the first payment as a mark of good faith⁵.

Example

Your non-priority debts	Personal loan	£1,835
	Credit card	£450
	Catalogue	£175
	<u>Total</u>	<u>£2,460</u>

And say you have calculated your **disposable income** at £17.34 a week.

The largest debt is the loan; it represents almost 75% of the total debt.

If you apply the formula, take the largest debt and divide it by the total debts.

So $£1835/£2,460 = 0.7459$

Then multiply this by the amount of your disposable income.

So $0.7459 \times £17.34 = £12.93$

⁴ An example letter is included at the end of this guide.

⁵ A sample offer letter is included at the end of this guide.



The amount of £12.93 a week is the offer you would make to the loan company. Your remaining debts would be dealt with in the same way, so you would offer:

£12.93 a week to the loan company
£3.17 a week to the credit card, and
£1.23 a week to the catalogue
(offers below £1 should be rounded up for simplicity)

When you have made an offer to your creditors, it is vital that you start paying straight away, even before they have accepted your offer, as a gesture of goodwill. If your personal budget is reasonable, most creditors will accept your offer. They are much more interested in collecting their debt than incurring costly recovery expenses. You should also ask creditors to freeze interest payments at this stage. If they don't, write to them again, pointing out that you would prefer all of your payment to reduce the debt, and that freezing the interest will act as an incentive for you to keep on paying.

When you have made an offer of payment, you must keep up your payments regularly. No matter how small your payments and how inconvenient it is to make them, creditors prefer to receive small regular payments than large amounts now and again.

? What happens if . . .?



What if a creditor refuses my offer?

Write to them again. Restate your circumstances. Point out that if they pursue the matter through the court, then the court will review your financial circumstances and will only order you to pay an affordable amount, such as your current offer.

What if my offer is still rejected?

Don't panic and pay more than you can afford. Keep paying at the rate you have already offered. Before starting legal proceedings, most companies will usually use a debt collection agency to try and recover the debt. Restate your offer to the debt collector.

What happens if I do not have enough disposable income to make an offer?

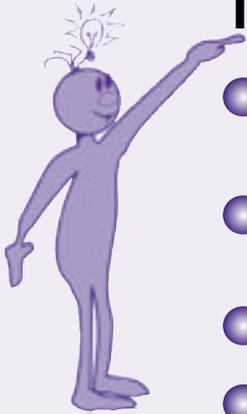
If your priority debt and general living expenses are high, there may be no money available for non-priority creditors at the moment. But when you have paid some of your priority debts, more funds will become available. So it is very important to give clear information about your financial situation, and to tell your creditors when you expect to start payments. Don't make panic offers that you will not be able to keep. Broken agreements will not help your case, and may make creditors less sympathetic in the future. Don't be afraid to ask a creditor to accept a nil payment in the short term, and to suspend action and review your case in 3-6 months' time (by then, you could be in a more promising financial situation). If you think there is likely to be an improvement in your circumstances, say so in your letter. It will help persuade the creditor to accept your offer and not take further recovery action.



What if a creditor decides to sue me in the County Court anyway?

Don't panic! You may not need to attend the hearing. The court will send you a 'Response Pack' to complete on which you can set out your circumstances. Send a copy of your personal budget to court, along with proof of your income and expenditure. It is highly unlikely that the court will order you to pay more than you can afford. In many cases the court will order you to pay the amount you have already offered the creditor. The court can also instruct the creditor to freeze interest and other costs, if this has not already been agreed. Court action usually incurs costs. If you have maintained your offer and the court has ordered you to continue paying the same amount, then ask the court and the creditor to waive the costs, as these will not improve your financial situation.

In summary



- Don't ignore your debts or money problems. They won't go away - they will only get worse!
- Keep in touch with your creditors. Ignoring them and refusing to answer their letters will only annoy them and make them less sympathetic to your cause.
- Investigate ways to increase your income.
- Separate your debts into **priority** and **non-priority**.
- Work out how much you can afford to pay off each **PRIORITY** debt.
- Draw up a **personal budget**.
- Calculate the exact amount of your non-priority debts.
- Make **realistic pro rata offers of payment** from your disposable income, and ensure that you make the payments.
- Always remember to sign and date your letters, and keep copies for yourself.

We hope you have found this guide useful, and wish you luck in resolving your debt problems. If you need further help or advice, please contact:

- your Housing Officer, on (01255) 425501 ext 3135, 3136 or 3137
- your local Citizens Advice Bureau
- National Debtline on 0645 500 511 (calls charged at local rate).



Appendix 1

Personal Budget Form



Tenancy ref:	
Name:	
Address:	

Household composition: Adults		Children	
		Ages	

Income (weekly/monthly)	
Wages/salary	
Wages/salary of partner	
Unemployment Benefit	
Income Support	
Working Tax Credit	
Children Tax Credit	
Sickness Benefit	
Disabled Benefits	
Child Benefits	
Retirement/Works Pension	
Maintenance	
Non dependant contribution	
Other income (specify)	
Total income	

Expenses (weekly/monthly)	
Rent payable	
Council tax	
Life Insurance/Pension	
Contents Insurance	
Gas	
Electricity	
Water rates	
Housekeeping	
TV rental	
TV licence	
Court fines	
Maintenance payments	
Loan repayments	
Travelling expenses	
Catalogue	
School/works meals	
Clothing	
Telephone	
Prescriptions	
Childminding	
Emergencies	
Other-please specify	
Total	

FOR INFORMATION ONLY		
Priority debts	Balance owed	Payment arrangement
Rent arrears		
Council tax		
Gas		
Electricity		
Court fines		
Maintenance		
Tax arrears		
TV licence		
Other - specify		
Total		
Non priority debts	Balance owed	Payment arrangement
Water rates		
Catalogue		
Credit cards		
Overdraft		
Unsecured loans		
Other - specify		
Total		
Total debts		

Total income	
less total expenses	
Available income	

Signed _____

Dated _____

Return the form to:
 Tendring District Council
 Housing Services
 Rent Accounting Section
 Town Hall
 Station Road
 Clacton-on-Sea, CO15 1SE



Appendix 4



Your name
Home address
Date

Creditor's name and address

Dear Sirs

Account Number _____

I am writing to explain that I am suffering financial difficulties and am unable to maintain payment at my usual level.

I would be grateful if you could provide me with full details of my debt to your company. Once I have reviewed my finances, I will then be able to make you a realistic offer based on my current ability to pay.

In the meantime will you please agree to take no further action, enabling me time to restructure my finances, and also freeze the interest to avoid my situation deteriorating any further.

With many thanks for your attention in this matter.

Yours faithfully,

Your signature and name in capital letters

Remember to keep a copy for yourself



Appendix 5



Your name
Home address
Date

Creditor's name and address

Dear Sirs
Account Number _____

I refer to my previous letter.

I enclose a copy of my personal budget showing my income and expenditure, together with my total debts.

As you can see, after my essential expenses have been met, I have only £ _____ of disposable income per week/month left for my debts.

I have calculated that I can afford to pay you £ _____ per week/month. My offer is based on a pro rata repayment programme as approved by the County Court - I have written to all my creditors asking them to accept reduced payments.

I believe that this is a realistic figure which I will be able to afford on a regular basis.

If interest is still being charged, I would be grateful if this could be frozen so that all of my payment is put towards my debt to your company.

I trust this offer will be acceptable to you. Perhaps you could inform me if there is a particular method of payment which you favour.

Thank you for your co-operation, and I look forward to hearing from you in the near future.

Yours faithfully,

Your signature and name in capital letters

Remember to keep a copy for yourself



Personal Budget Form



Tenancy ref:	
Name:	
Address:	

Household composition: Adults		Children		
		Ages		

Income (weekly/monthly)	
Wages/salary	
Wages/salary of partner	
Unemployment Benefit	
Income Support	
Working Tax Credit	
Children Tax Credit	
Sickness Benefit	
Disabled Benefits	
Child Benefits	
Retirement/Works Pension	
Maintenance	
Non dependant contribution	
Other income (specify)	
Total income	

Expenses (weekly/monthly)	
Rent payable	
Council tax	
Life Insurance/Pension	
Contents Insurance	
Gas	
Electricity	
Water rates	
Housekeeping	
TV rental	
TV licence	
Court fines	
Maintenance payments	
Loan repayments	
Travelling expenses	
Catalogue	
School/works meals	
Clothing	
Telephone	
Prescriptions	
Childminding	
Emergencies	
Other-please specify	
Total	

FOR INFORMATION ONLY		
Priority debts	Balance owed	Payment arrangement
Rent arrears		
Council tax		
Gas		
Electricity		
Court fines		
Maintenance		
Tax arrears		
TV licence		
Other - specify		
Total		
Non priority debts	Balance owed	Payment arrangement
Water rates		
Catalogue		
Credit cards		
Overdraft		
Unsecured loans		
Other - specify		
Total		
Total debts		

Total income	
less total expenses	
Available income	

Signed _____

Dated _____

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 Town Hall
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 Clacton-on-Sea, CO15 1SE



Personal Budget Form



Tenancy ref:	
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		Ages	

Income (weekly/monthly)	
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Total income	

Expenses (weekly/monthly)	
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