Factsheet 75

Dealing with debt

August 2023

About this factsheet

This factsheet aims to help you understand how to recognise and deal with debt problems, as well as where to seek advice and assistance. Included is information about:

- the stages of debt advice
- help to resolve debt problems
- how to seek assistance
- organisations that can help.

The information in this factsheet is applicable in England and Wales. If you live in Scotland or Northern Ireland, please contact Age Scotland or Age NI. Contact details can be found at the back of this factsheet.

Note: Most local Age UKs and Age UK Advice are not licensed to give debt advice. Contact details for advice agencies that can offer debt advice can be found in the *Useful organisations* section.

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Glossary

CCJ - County Court Judgment
DMP - Debt Management Plan
DRO - Debt Relief Order
DWP - Department for Work and Pensions
FCA - Financial Conduct Authority
FOS - Financial Ombudsman Service
IMA - Institute of Money Advisers
IVA - Individual Voluntary Arrangement
NI - National Insurance
PPI - Payment Protection Insurance

1 Realising there is a problem

When you start to address debt problems, it can be difficult to know where to start. You may receive telephone calls and letters from creditors that sound very demanding and threatening. The first thing to do is try not to panic.

This factsheet explains the process of debt advice, from the first steps of gathering up paperwork and unopened bills, through reaching an agreement with your creditors or other appropriate solutions. Age UK will always advise you to seek free independent regulated debt advice and to ensure you address the stages shown below:

- contact an organisation in this factsheet for free debt advice
- get organised
- deal with any emergencies
- confirm what debts you are liable for
- work out a realistic budget
- find out if you are entitled to any extra money
- decide your strategy for dealing with your debt.

The key thing is to try to keep calm and to take action that is appropriate to your circumstances.

2 Getting debt advice

If you owe debts to several creditors and are struggling to cope, you should seek advice as soon as possible. Free and independent advice is available through a number of debt advice organisations, see the *Useful Organisations* section.

They can provide face to face, telephone, and online advice. As part of their service, they can talk you through your options to make sure you choose the one that is right for you.

Fee charging debt management and lead generator firms

As well as free debt advice providers, there are companies that offer to negotiate with creditors on your behalf, to reduce the total amount you owe, or re-structure payments to an affordable monthly amount.

They usually do this in return for a percentage of the amount you pay the creditor, or by charging a percentage of the amount of debt written off. They advertise in newspapers, on television, and the internet.

Some companies may act as lead generators for other lenders. They may pass you on to a company that will try to offer you a loan to consolidate your total debt. In general, these options are not a good idea as they usually charge fees and it will possibly increase how much money you owe overall.

3 What does a debt adviser do?

A debt adviser should always work in your best interests. They assess your needs and explore all options available to you. Any emergencies are dealt with and your adviser may ask to see copies of credit or other agreements to confirm you are actually liable for the debt. They do not do anything without your consent.

Note
Many people feel overwhelmed by their debts or feel embarrassed about being in debt. You can be confident that if you seek help from a free independent adviser, they will be non-judgemental and completely confidential.

3.1 Initial contact

During your initial contact with a debt adviser, you have an opportunity to explain your situation. The adviser may need to ask about the length of time you have had the debt, the reasons for getting into debt, and whether you have any insurance such as payment protection insurance. The adviser will want to see letters you have received and to know about any court action or other enforcement action against you. However, do not delay seeking a debt adviser if you cannot find these.

The adviser will ask you for information about your home life. This can include details of people you live with (such as their income and how much they contribute), any illness or disability (including mental health) you or the people you live with have, and other personal details.

Do not be alarmed if the questions seem probing and personal. Your debt adviser needs to get a full picture of your situation to best understand how to support you. The adviser builds a picture of your situation and your needs, so they can advise you on your options and act on your behalf, if you agree.

3.2 Looking at your finances

The adviser can help you complete a financial statement based on the money you have coming in and going out. You must agree a realistic budget with the adviser based on your individual circumstances. This may mean you must cut back on non-essential spending. It ensures you budget enough money for essential items, such as fuel and food, before allocating any money towards your debts. If you do not know what you spend, it may be useful to keep a diary to help work out where your money goes.

Your adviser may carry out a benefit check to work out if you are entitled to any other financial support or benefits. They may help you to search and apply for a grant from a charity or trust if you wish to do so.

3.3 Discussing your options

When you complete a financial statement, your adviser explores with you the options available for dealing with your debts. These options depend on whether you are liable for the debts, whether debts are '*priority debts*', and whether you have money left over after essential expenditure.

The adviser looks at whether your circumstances are likely to change or remain the same as this can affect your options. For example, if you are near retirement, your circumstances are likely to be reviewed once you stop work. A copy of your financial statement is sent to your creditors to show them your financial situation and to justify payment proposals made to them.

3.4 Will my adviser speak to my creditors on my behalf?

Your adviser may negotiate with your creditors if they offer a case-work service. This means making telephone calls, sending letters, and negotiating repayments. They may challenge your liability for debts if they think you are not liable, or the debt is unenforceable. Liability for debts is explained later in this guide.

If you do not have any money to offer your creditors and your situation is not likely to improve in the foreseeable future, your adviser can explore other options, such as a temporary suspension of repayments, bankruptcy, or a debt relief order.

3.5 Are debt advisers qualified?

Your debt adviser must be authorised by the Financial Conduct Authority (FCA) to provide debt advice and negotiate with creditors on your behalf. You can check whether a debt adviser is authorised by checking on the FCA website at https://register.fca.org.uk/s

Some debt advisers may be qualified through the Institute of Money Advisers, although this is not mandatory.

4 How to prioritise debts and get organised

It is important to prioritise certain debts and pay them off before others, as some are more serious. This section helps you organise them into:

- emergency debts
- priority debts, and
- non-priority debts.

If you seek advice from a debt adviser, you are likely to need to provide them with a range of information about all these types of debts, so any advice given and options discussed are based on your particular circumstances.

4.1 Emergency debts

Finding yourself on the receiving end of a threatening phone call or letter demanding payment in full can seem like an emergency – especially if the creditor is demanding a debt be repaid immediately. In reality, there are few things that constitute an emergency debt.

Debt emergencies carry a very imminent threat to your home, freedom, possessions, or an essential service. If your debts fall into this category, seek advice from a debt advice service immediately. Examples of debt emergencies include:

- receiving a liability order from the Magistrates' court (for non-payment of Council Tax)
- bailiff warrant to seize belongings (bailiffs are now called *'enforcement agents'*)
- possession proceedings commenced by either a lender or landlord
- energy supply about to be cut-off.

You should address these debts before doing anything else, because time can make all the difference. You can come back to other debts once you have prevented any immediate emergency or crisis.

Enforcement Agents

If enforcement agents are already pursuing your debts, you should not allow them entry, and secure any external property such as a car. In most cases, an enforcement agent cannot break into your home. You should seek immediate independent advice.

Care Home Fees

Arrears on care home fees should be prioritised. In most cases a resident can eventually be issued with a notice to quit, which can lead to eviction. If you are facing this issue, you should seek specialist advice from an organisation such as Shelter. See the *Useful organisations* section.

Fuel Debts

The cost of fuel and the possible debt caused are a concern for many people. See factsheet 1, *Help with heating costs,* for sources of help. In **Wales**, see Age Cymru factsheet 1w: *Help with heating costs in Wales*.

4.2 Priority and non-priority debts

You may find you do not have enough money to pay all your bills, and deciding which ones to pay is not always easy. Generally, if you do not have enough money to pay all your bills, ask yourself, "*What happens if I do not pay?*"

If the answer is that you could lose your home, a service or item you need, or be sent to prison this is likely to be a priority debt. Priority debts must be paid before non-priority debts.

In contrast, if you miss a payment on your credit card or un-secured loan, your ability to obtain credit in future may be affected, but this can improve over time. The loss of your home, freedom or an essential service would have a much more significant impact.

Priority debts	**Consequence of non-payment**
Rent/mortgage/secured loan arrears	Eviction from your home
Council Tax arrears	Bailiffs/imprisonment (England)
Magistrates' court fines	Bailiffs/imprisonment
Income tax, NI and VAT arrears	Bailiffs/bankruptcy/imprisonment
Fuel debt	Supply cut-off
TV licence	£1,000 fine (Magistrates' court)
Hire purchase for an essential item	Repossession of goods
Non-priority debts	
Credit card/unsecured loan	Bailiffs/court order
Water debt	Bailiffs/court order
Catalogue debt	Bailiffs/court order
Phone bill	Bailiffs/court order

Note
The consequences above are worst-case scenarios – seeking debt advice early gives you a good chance of avoiding them. Bailiffs are now called *'enforcement agents'*.

4.3 Gathering relevant information

Gathering information about your debts before seeking advice can speed up the process. Your first appointment can be spent assessing your circumstances and options for dealing with your debt, rather than asking you to gather more information. An adviser is likely to need:

- bank statements for the last three months
- proof of any income (such as wage slips or benefit award letters)
- a list of everyone you owe money to and balances (estimates will do), including money owed to friends or relatives. You should also include details of any '*Buy Now Pay Later*' purchases as these are debts, including those paid in instalments
- all letters/emails about your debts (including debts you jointly owe with a partner or ex-partner and debts you have acted as guarantor for).

Try to gather as many of these as you can before you go to a debt adviser because you need to complete an accurate financial statement showing your income and expenditure. However, do not delay seeking advice if you cannot find some, or all, of this information.

Cannot find your paperwork?

If you do not have all the information above, ask for it if possible. Some things, like bank statements, may show benefits or income you receive and may be sufficient for your financial statement.

If you are not sure who you owe money to, request a credit report which shows any creditors. There are three credit reference agencies in the UK – Experian, Equifax and TransUnion. You can ask them for a free copy of your credit report which will show details of your debts, your payment history and any defaults or CCJs. Contact details for all three are in the *Useful Organisations* section. They all offer paid subscription services, but you do not need to pay for basic credit reports.

Consider writing to creditors asking them to suspend recovery action and any interest and penalty charges while you seek advice. This is known as a '*holding letter*' and creditors should suspend recovery action temporarily if they know you are seeking advice. See section 8 for a template holding letter.

Note
If creditors refuse to suspend recovery of a debt, seek advice immediately. Do not be pressured into agreeing a repayment you cannot afford until you have got advice or prepared a financial statement. FCA guidance on responsible lending says lenders should suspend active recovery of a debt for a reasonable period where a customer tells them they are seeking debt advice.

Debt collection agencies

If a debt has been owed for a long time, the original creditor may employ another company to contact you, or they may sell your debt to another company.

The companies that buy these debts are debt collection agencies. The letters you get from them will look different, Sometimes, collection agency letters come from solicitors and they may talk about court action. You may get phone calls from the collection agency asking you to pay.

It can be confusing to get letters from new companies about your debts, but the most important thing to remember is the collection agency has no extra legal powers. They are not bailiffs, and they cannot do anything more than the original creditor. They are also regulated by the FCA and they must treat you fairly.

4.4 Debt Respite Scheme

Commonly known as *'Breathing Space'*, the free Debt Respite Scheme is designed to give people time to receive debt advice and prevents creditors from adding interest, fees or taking enforcement action for 60 days.

A specific *'mental health crisis Breathing Space'* is also available to someone who is receiving mental health crisis treatment. This lasts as long as the person's mental health crisis treatment, plus 30 days (no matter how long the crisis treatment lasts).

You can only apply for the scheme via a debt advice agency or a local authority. For more information, contact one of the debt advice services in the *Useful organisations* section, or see official guidance at *www.gov.uk/government/publications/debt-respite-scheme-breathing-space-guidance/debt-respite-scheme-breathing-space-guidance-for-creditors*

5 Liability for debts

There are many factors to consider in relation to your liability for debts. If unsure, always seek free independent debt advice.

5.1 A long time has passed since you acknowledged a debt

Seek advice if it has been many years since you last made a payment towards a debt, or wrote to a creditor or a collection agency acting on their behalf admitting that you owe a debt. Debts are subject to time limits and providing court action has not been taken, the creditor may be barred from taking court action to get it back. A debt in this case is referred to as '*unenforceable*'.

As a general guide, if you have not acknowledged a debt for six years in England and Wales, the debt may be unenforceable.

5.2 Your husband, wife or civil partner has died

If your spouse or civil partner had debts in their sole name before they died, you are not usually liable for them. Their estate remains liable, and any debts must be paid out of this if there is money available. This can extend to jointly owned property. Check if your partner had insurance policies that cover debts in the event of death. For more information, see factsheet 14, *Dealing with an estate*.

If the Council Tax or utility bills are in the name of your late spouse or civil partner, you may be liable even if your name is not on the bill. If your debts are in joint names and you both signed an agreement, you are known as '*jointly and severally liable*' for outstanding debts. This means the creditor can pursue you for the whole amount, not half.

5.3 You are a guarantor for a credit agreement

If you signed a credit agreement as a guarantor to enable someone else to take out credit, you are jointly and severally liable for the debt if they are unable to make payments.

Check your obligations under the terms and conditions of the credit agreement and seek advice if the person who took out the credit agreement is unable to repay. If you make repayments as a guarantor towards their debt, you have a right to claim the money back from them, through the County Court if necessary.

The creditor also has obligations they should have met when you agreed to be a guarantor. For example, they must ensure you were fully aware of what you were signing up to. They must have checked you could afford the loan repayments, if you were required to make them.

Sometimes guarantor lenders do not do what FCA rules state they should. This may mean you can complain and if successful, receive compensation. We would not advise paying a company to pursue a complaint. Raise this yourself or with the help of a free advice agency. See section 7.9 for complaints to the Financial Ombudsman Service.

5.4 Misrepresentation, fraud, and duress

If you feel you do not owe a debt, have been a victim of fraud, or harassed or bullied by someone else to sign something you did not want to sign, seek independent advice straight away.

Common scams include being called and asked about your personal and financial details and a courier coming to your home to request you sign documents about financial products such as private pensions.

5.5 Mental capacity

Creditors have a responsibility to take reasonable steps to establish whether a borrower is known (or reasonably known) to lack the mental capacity to make informed borrowing decisions and understand what they are entering into. However, if you lacked mental capacity to take a form of credit, you may still be liable to repay the debt. Seek advice if this applies to you.

For more information on mental capacity, see section 3 of factsheet 22, *Arranging for someone to make decisions on your behalf*.

6 Income and expenditure

Once you have prioritised your debts and made sure you are liable for them, look at your income and expenditure so you can assess your options for dealing with your debts.

6.1 Increase your income

An important part of dealing with debt is ensuring you receive all the money you are entitled to. There are different social security benefits available depending on your situation.

An easy way to find out is to complete an online benefit calculation tool, such as the Age UK benefit calculator which can be found at: *www.ageuk.org.uk/benefitscheck*

If you do not have access to the internet, visit your local Age UK or another advice agency. In Wales, contact Age Cymru Advice.

Questions to ask yourself

- Are you entitled to Pension Credit, Universal Credit, Housing Benefit or Council Tax Reduction?

  See factsheet 17, *Housing Benefit*; factsheet 21, *Council Tax;* factsheet 48, *Pension Credit* and factsheet 92, *Universal Credit* for more information. In Wales, see Age Cymru factsheet 21w, *Council Tax in Wales*.

- Is there an occupational or private pension that could give you extra income or a lump sum? See factsheet 91, *Pension Freedom and benefits.*
- Do you receive concessionary travel from your local authority?
- Grants – are you entitled to a grant or other support from a benevolent and charitable organisation? Many large employers have benevolent funds or trusts open to current and former employees.

6.2 Creating a financial statement

After making sure you receive everything you are entitled to, make a list of all your income and expenditure. This is called a financial statement and can be used to justify proposed repayment amounts to a creditor. If you have contacted a debt adviser, they can help you.

When listing income and expenditure, it is a good idea to review spending and unnecessary expenditure. Consider cutting back where possible but ensure you budget enough money to cover essential housing costs and food.

Any money left over after covering essentials is called your '*disposable income*'. See section 9 for a blank financial statement.

MoneyHelper have a Budget Planner tool on their website, see: www.moneyhelper.org.uk/en/everyday-money/budgeting/budget-planner

7 Options for dealing with debt

After creating a financial statement, you have an idea whether you have excess money to put towards paying off your debts. Even if you do not, there are options to consider when deciding how best to deal with your debts.

Always seek specialist debt advice before deciding how to deal with your debts, as some options may not be in your best interests.

7.1 Negotiating repayment arrangement with creditors

If you are struggling to make agreed payments or you have missed one, contact your creditors as soon as possible to let them know. It is a good idea to do this in writing or email, so you can keep a record of correspondence. This is when your personal budget sheet/financial statement can prove useful.

When you complete your financial statement, you can see if there is any money left to offer creditors. If there is money left after essential household bills, offer priority creditors some of the money first and if anything is left, offer some to non-priority creditors.

Calculate a fair offer if you have multiple debts

If you have multiple debts and you have some disposable income available, you can divide it equally between creditors on an '*equitable*' and '*pro-rata*' basis. This means each creditor receives a fair portion of spare income, relative to the size of the outstanding debt owed.

7.2 Debt management plan through a third party

If you have disposable income from which you can offer reduced payments to creditors, a debt management plan (DMP) may be an option. A DMP is usually set up with a third-party organisation who manages payments to each creditor on your behalf.

Providing your offers are accepted, you only need to make one monthly payment and speak to one organisation. DMPs are available free of charge from voluntary or charitable organisations and are distinct from fee-charging organisations.

DMPs mean you only need to contact one agency, rather than all your creditors individually, removing some stress. However, many do not deal with priority debts. If you do choose a DMP, the provider should ensure it is in your best interests. For example, the DMP should not run for an unreasonable length of time.

Note
Be wary of organisations charging fees for debt management services, as paying them to manage your debt means it takes longer to pay it off and costs you more money.

7.3 Full and final settlement offer

If you have received, or expect to receive, a lump sum of money (for example through selling your home, a pension, or an inheritance), consider making a reduced offer to your creditors as a full and final settlement of your debt. This is where you make a one-off payment to your creditors, instead of the full amount of debt.

Creditors may accept an arrangement if you do not have regular disposable income from which to offer repayments. Seek independent advice to ensure any offers you make are binding on the creditor.

7.4 Releasing equity from your home

If you have paid off your mortgage or have equity in your home, one option is to release some equity and use it to settle your debts. It is very important to seek advice and thoroughly consider the implications of doing this.

Some plans involve the forced sale of your property when you die or move into a care home permanently.

You must establish a manageable long-term budget to ensure debts do not arise again in the future. For more information, see factsheet 65, *Equity release*.

7.5 No disposable income

If you do not have any disposable income to make an offer to your creditors, you may need to consider one of the following.

Temporary suspension of debt recovery

If you anticipate an increased income in the future, consider asking your creditors to suspend payments for a period of time, usually three to six months, after which your situation is reviewed. This is known as a '*moratorium*'.

This can be useful if, for example, you expect a change of circumstances such as finding employment or the sale of an asset. A moratorium may be appropriate if you are paying off priority debts such as rent arrears and cannot afford to pay anything towards non-priority debts such as credit cards.

If you take this course of action, ask the creditor to suspend any interest and penalty charges too.

Alternatively, you could use the Debt Respite Scheme through a debt advice agency, see section 4.4 for more information.

Token payments

If you have a small number of debts and little disposable income, or if creditors refuse to accept a moratorium or suspension of debt repayments, offer to make token payments towards your debts.

This involves making minimal payments (50p or £1 a month) as a token gesture, which is usually for a set period of time.

This demonstrates to creditors you are making efforts to pay something towards your debts, although this is not a long-term solution. It may not be suitable if you have lots of creditors as it can be very expensive to pay each creditor £1 per month.

Write-off

If your situation has not improved after a moratorium or period of token payments, or is unlikely to improve in the foreseeable future, consider asking creditors to write off some, or all, of the debt.

This may be useful if you have a chronic or long-term illness or disability. You may need to provide evidence from your doctor and/or social services.

7.6 Deductions from benefits to pay essential bills

It is possible for creditors to collect money from social security benefits like Pension Credit and Universal Credit to pay essential bills.

If you missed several payments or have not been able to make acceptable repayment arrangements, creditors may ask the DWP to make deductions to pay arrears and this can include on-going costs.

Only priority bills can be paid off this way and include:

- housing costs excluding mortgage interest (for current address)
- rent arrears and service charges (for current address)
- care home fees
- water and sewerage charges (for current provider)
- fuel costs (for current provider)
- Council Tax arrears
- unpaid fines
- Child Maintenance.

These deductions are known as '*Third Party Deductions*' and should be used only where other repayment arrangements have been unsuccessful.

Usually the creditor, landlord, or local authority discuss this with you before making deductions, although in some circumstances, creditors can apply to the DWP for a payment without your consent.

Limits on how much money can be deducted

There are rules about the total amount that can be taken out of your benefits, depending on your total income and whether you are repaying any loans or advances of benefit to the DWP.

For more information including current deduction rates, contact the Pension Service or your local Jobcentre Plus office.

7.7 Benefit overpayments

If you are overpaid a social security benefit or tax credit, you may be asked to repay the overpayment.

DWP guidance states that when you are challenging a decision that you have been overpaid, no recovery of the overpayment should take place until the outcome of the challenge is known.

You can also ask the DWP or HMRC to use their discretion not to recover the overpayment, although they may not agree to this.

7.8 Frequently asked questions

I am receiving debt advice and my creditors are still calling me to demand payments – are they allowed to do this?

FCA guidance on debt collection states it may be considered unfair and improper for a creditor to refuse to suspend the active pursuit of recovery of a debt for a reasonable period when it is clear you are developing repayment plans or seeking help to do this through a third-party representative. Tell your debt adviser who can help with any complaints.

I have a '*default notice*' from my lender – what does this mean?

A default notice is a formal notice from your creditor, advising you have breached an agreement you entered into with them. It states you have missed agreed payments and what you need to do to put this right.

If you do nothing, they can issue a claim against you in the County Court, which could lead to enforcement, for example, a bailiff (*'enforcement agent'*). If you can afford to, make an offer of payment. Creditors should only pursue court action as a last resort, so make sure you get advice especially if you cannot afford the payment or dispute the debt.

I have rent arrears and Council Tax arrears, and am worried about being evicted from my home – what can I do?

If you are struggling with rent or Council Tax payments, seek advice immediately. These are priority debts and if you do not address them, you could face legal action. Check if you are entitled to Universal Credit, Housing Benefit and Council Tax Support (see section 6.1).

What if I cannot afford a payment that has already been reduced?

If you have an arrangement for reduced payments but you cannot make a payment, do not panic. If you have a debt adviser, let them know as soon as possible. Otherwise, contact the creditor and explain any change of circumstances.

You may need to review your financial statement to make sure your payment arrangements are realistic. Creditors are far more likely to be flexible if you keep them informed of any changes.

I have received a county court claim for a debt I owe – what does this mean?

If you receive a court claim, or if you have already received a County Court Judgment (CCJ), seek advice and act straight away.

The court claim form is a formal declaration to the court that states what the creditor claims you owe and what action the creditor has taken to try to obtain payment. The form asks the court to give a CCJ which confirms you owe the money.

There is an opportunity for you to dispute that you owe the debt or you can propose a repayment arrangement. To do this, it is important you reply to any court claim within the specified time scales.

You will receive a copy of the final CCJ that will tell you what you must do. If you cannot afford to pay the debt at the rate the court has ordered, you can ask that the CCJ be changed.

If you do not do as the court has ordered in the CCJ, the creditor can ask the court for an order to allow them to use methods of enforcement to recover the debt, such as bailiffs (*'enforcement agents'*) to seize goods from your home.

7.9 How can I complain about my creditor?

If you are not satisfied with an aspect of a creditor's conduct or service, you have a right to complain and receive a detailed response within eight weeks. Always request details of their complaints process and follow this until you get a response.

If you are not satisfied with their response to your complaint, consider referring the matter to the free and independent Financial Ombudsman Service (FOS).

Using the FOS can be an effective way of resolving a dispute without having to go to court. They investigate the details of your complaint and provide you with their findings, which may or may not uphold your complaint. If you choose to accept their findings, this is a binding decision on the creditor or business you are complaining about.

If you are not confident to make a complaint on your own, ask an advice agency for help. We would always advise against paying for such a service. If you find it difficult to access free support to raise a complaint, consider using an automated service such as Resolver.

7.10 Insolvency options

Even if any of the options above work, you may wish to look into insolvency. Always seek specialist debt advice as these options have serious consequences, such as difficulty getting credit in the future.

Debt Relief Order (DRO)

A DRO is an alternative to bankruptcy and may be suitable if you have a low income. To qualify, your debts must not exceed £30,000 and you must have less than £75 a month disposable income, after paying essential bills. You must not have assets worth more than £2,000, so homeowners are excluded.

A DRO protects you from enforcement action from creditors for 12 months. After this period, if you still meet the criteria, your debts are written off.

Bankruptcy

In bankruptcy, an Official Receiver from the Insolvency Service investigates your finances and takes control of your income and assets. The Official receiver may order you to make payments or sell assets to pay towards the debts.

You can apply for your own bankruptcy. If you owe more than £5,000, creditors can '*petition*' to make you bankrupt, but this is not common. In either case, seek advice when considering the implications of bankruptcy.

Once you have been declared bankrupt, your creditors should no longer contact you directly regarding your debts and are notified of your bankruptcy. In most cases, your debts are written off in full after 12 months

Individual Voluntary Arrangement (IVA)

An IVA is an agreement between a debtor and their creditors to repay debts over a negotiated length of time. An IVA is authorised by a court once it is registered and is then supervised by a qualified Insolvency Practitioner who works with you to produce a financial statement and offers of repayment to each of your creditors.

IVAs are more suitable for people with assets or larger available income. Your IVA may contain specific conditions about how you manage your money during the period of your IVA.

If you are considering an IVA, ensure you have considered all your options prior to starting the IVA. Some IVA providers are FCA-regulated and therefore should discuss all available options. However, if the provider is not FCA regulated, they are not obliged to discuss all available options with you.

Administration Order

An Administration Order may be appropriate if you have two or more debts which total £5,000 or less, one of which must have a County Court judgment against it. Similar to a debt management plan, you make one regular payment that is distributed by the County Court on a pro-rata basis.

The court can order you to pay back less than you owe. Once an order is granted, any creditors included cannot take further enforcement action without permission of the court.

Credit referencing and insolvency recording

All insolvency options are recorded on your credit file for six years and can make it difficult to obtain credit during this time. A DRO, Bankruptcy and IVA will also be recorded on the *Insolvency Register* for the period that they are in force. This is a public register. Administration orders are entered on the *Register of Judgments, Orders and Fines.*

8 Holding letter template

This letter can be used to send to creditors to request time to sort through your affairs and seek advice. It informs creditors you are dealing with your debts and will be in touch with proposals once you have sought advice. Enter your personal details e.g. address, reference, etc

[Your address]

[Name and address of your creditor]

[Date]

Dear Sir/Madam

Re: Account/Reference Number [Debt reference number/code]

I am writing to tell you that I am seeking assistance from a debt advice agency regarding my current financial difficulties.

Because of this, I would appreciate it if you could hold any action on the above account for a period of at least 30 days.

Also, during this period, can you freeze interest and/or any other charges accruing on the account.

I look forward to hearing from you as soon as possible.

Yours faithfully

[Your name]

9 Budget sheet

Income (weekly/monthly)

Wages/salary	
Pensions	
Benefits	
Other	
Total income	

Outgoings (weekly/monthly)

Rent/mortgage	
Service charges/ground rent	
Insurances (home/life/appliances)	
Council Tax	
Electricity	
Gas	
Water	
Telephones	
Internet	
TV licence	
TV subscriptions	
Food	
Housekeeping	
Childcare	
Pets	
Repairs/maintenance	
Clothing	
Travel (inc tax, MOT, insurance etc)	
Health costs	
Entertainment	
Other	
Total outgoings	

Total income minus total outgoings: £……

Useful organisations

Citizens Advice
www.citizensadvice.org.uk
In England telephone 0800 144 8848
In Wales telephone 0800 702 2020

National network of advice centres offering free, confidential, independent advice, face to face or by telephone.

Equifax
www.equifax.co.uk

Credit reference agency offering information about your credit history.

Experian
www.experian.co.uk
Telephone 0800 013 8888

Credit reference agency offering information about your credit history.

Financial Conduct Authority
www.fca.org.uk
Telephone 0800 111 6768 or 0300 500 8082

Regulator of the debt advice industry.

Financial Ombudsman Service
www.financial-ombudsman.org.uk
Telephone 0800 023 4567

An independent body to settle disputes between consumers and businesses providing financial services.

Gov.uk
www.gov.uk
Wales: www.gov.wales

Official government website with information about public services including money, tax and benefits.

Her Majesty's Revenue & Customs (HMRC)
www.hmrc.gov.uk
Telephone 0300 200 3300

Contact HMRC for information about taxes.

Insolvency Service (The)
www.gov.uk/government/organisations/insolvency-service
Telephone 0300 678 0015 (Insolvency helpline)

Provides information about insolvency and administers bankruptcies and debt relief orders in the UK.

Jobcentre Plus
www.gov.uk/contact-jobcentre-plus

For information about job seeking and welfare benefits, including queries about third party deductions from your welfare benefits.

MoneyHelper
www.moneyhelper.org.uk
Telephone 0800 138 7777 (English)
Telephone 0800 138 0555 (Welsh)

Free money advice on life events, such as pensions and retirement or divorce and separation, and everyday money advice covering basic banking, insurance and offering a range of financial planning tools.

National Debtline
www.nationaldebtline.org
Telephone 0808 808 4000

National telephone helpline for people with debt problems.

Payplan
www.payplan.com
Telephone 0800 280 2816

A free service offering advice across the full range of debt solutions. Including setting up a DMP, IVA, or DRO.

Pension Service (The)
www.gov.uk/contact-pension-service
Telephone 0800 731 0469
State Pension Forecasting Team 0800 731 0175

For details of state pensions, including forecasts and how to claim your pension.

Resolver
www.resolver.co.uk

This is a free and independent issue resolution service.

Shelter
www.shelter.org.uk
Telephone 0808 800 4444

Shelter Cymru
www.sheltercymru.org.uk
Telephone 08000 495 495

Charity providing advice to people with housing problems on tenancy rights, homelessness, repairs and housing benefit.

StepChange Debt Charity
www.stepchange.org
Telephone 0800 138 1111

A free service offering advice across the full range of debt solutions. Including setting up a DMP, IVA, or DRO.

TransUnion
www.transunion.co.uk
Telephone 0330 024 7574 (for queries on your credit report)

Credit reference agency offering information about your credit history.

Turn2us
www.turn2us.org.uk
Telephone 0808 802 2000

Offers free benefit entitlement check and database of charitable grants and other financial help.

Age UK

Age UK provides advice and information for people in later life through our Age UK Advice line, publications and online. Call Age UK Advice to find out whether there is a local Age UK near you, and to order free copies of our information guides and factsheets.

Age UK Advice
www.ageuk.org.uk
0800 169 65 65
Lines are open seven days a week from 8.00am to 7.00pm

In Wales contact

Age Cymru Advice
www.agecymru.org.uk
0300 303 4498

In Northern Ireland contact

Age NI
www.ageni.org
0808 808 7575

In Scotland contact

Age Scotland
www.agescotland.org.uk
0800 124 4222

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The evidence sources used to create this factsheet are available on request. Contact *resources@ageuk.org.uk*

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