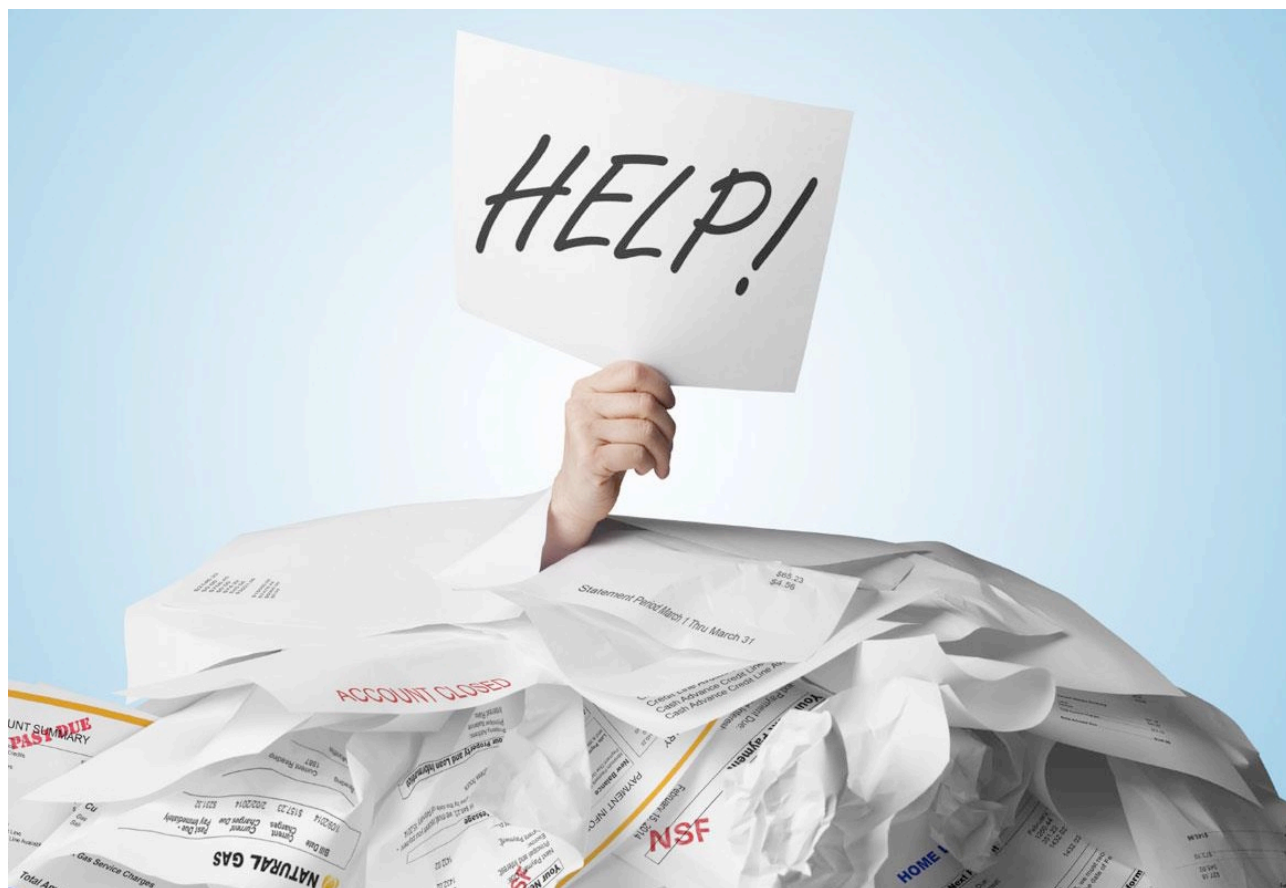


Dalkeith & District Citizens Advice Bureau Debt Self Help Pack



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Dalkeith & District CAB Debt Team

We are here to help whether that means assisting you to help yourself or to act on your behalf with your financial difficulties. Our advice is free, independent, impartial and confidential.

Our Vision: *We aim to provide an information and advice service to individuals and households facing financial difficulties.*

We also work with other advice Agencies, Solicitors and others throughout Midlothian to provide financial education, income maximisation and outgoings reduction.

Our Actions: *Non-discriminatory*

We ensure accessibility standards are met and everyone receives service tailored to their needs.

Everything you tell us will be treated in a strictly confidential manner.



How to use this Debt Pack

The pack will assist you to

1. Assess your debts
2. Consider your options
3. Choose the most appropriate option for you
4. Budget your money better

The pack is designed as an easy to follow, step by step guide.

As you complete each step, you will be advised to continue with the pack, or if it is more appropriate to your needs, to go to your nearest Citizens Advice Bureau for Advice for free, confidential professional advice.

If your home is at risk of repossession, you are being evicted, at risk of utilities being cut off, at risk of wages/bank account arrestment, please contact Dalkeith & District CAB. The Self Help Pack is NOT A Suitable option for you.



Step One: List your Debts

The first step in dealing with a debt situation is to fully understand how much money you owe. This will allow you to regain control of your money.

Types of Debt

It is important that you identify the types of debt that you have. There are 3 types of debt –

- Emergency debt
- Priority debt
- Non-priority debt

Each type of debt must be dealt with differently.

Emergency Debt

Emergency debts are those where none payment has serious consequences and must be dealt with immediately.

If your home is at risk of repossession, you are being evicted or you are having legal problems, this is an emergency debt situation.

Examples of Emergency Debt situations –

- Mortgage arrears
- Rent arrears
- Council Tax arrears
- Court summons
- Wage arrestment
- Bank account arrestment
- Unpaid fines
- Threat of bankruptcy

If you think you are in an emergency debt situation, do NOT continue with this pack. Please contact Dalkeith & District Citizens Advice Bureau for advice.

Priority Debt

Priority debts have serious consequences if ignored. You could be at risk of losing essential services to your home or your car. Examples of priority debts are –

- Missed mortgage payments
- Missed rent payments
- Unpaid gas and electric bills
- Unpaid bills for household goods and services e.g. telephone
- Missed payments on your car/van etc
- Secured loans

Please Note missed mortgage, council tax and rent payments may also be an emergency. If you think you are in an emergency situation, please contact Dalkeith & District Citizens Advice Bureau for advice.

If you have items on conditional sale agreements or hire purchase, you could be in danger of losing them. You will need to read your finance agreement for full information.

Credit Agreements

If you have taken out a cash loan or some other financial arrangement, then you will probably have entered into a credit agreement. This is an agreement that allows you to pay by instalments over a period of time.

Hire Purchase and Conditional Sale Agreements

Hire Purchase and conditional sale agreements are also credit agreements. Hire Purchase is a form of credit, where the borrower agrees to pay for goods, on an instalment basis and does not own the goods until the last payment is made.

Non-Priority Debt

Any other debt you have left is a non-priority debt. Please don't ignore non-priority debts, as not paying them can result in legal action.

Examples of non-priority debt are –

- 1. Catalogue debts
- 2. Credit cards
- 3. Store cards
- 4. Credit agreements
- 5. Debt to family/friends
- 6. Personal loans

Identifying Your Types of Debt

To help you identify the types of debt that you have, look at your completed Current Debt List. The priority box should still be blank. Think about your debts and then complete the priority box by writing 'YES' for a priority debt and 'NO' for a non-priority debt.

How to Deal With Priority and Non-Priority Debt

To help stop your priority debt from becoming an emergency debt, you must contact your creditors and explain your situation. It may be easiest to telephone them initially and follow up any telephone conversation with a letter.

When calling:

1. Ask them what they expect of you in order to stop any further action being taken.
2. Record the full details of your conversation (date, time, person you spoke to, any agreements made).
3. Pay your creditors what you can afford in the meantime.

By writing and explaining your current situation, it could put a temporary hold on further action. A template initial letter can be found at the back of this pack.

Remember to keep a copy of all the letters you send, as they are proof of correspondence between you and your creditors.

Use the Sheet below to record details of your creditors.



Details of Creditor or Debt Collector	Amount owed (£)	Type of Debt	E / P / NP
E.g.: Halifax	£1,000	Credit Card	NP

PLEASE NOTE:

If you have any of the following debts with the Bank that you are currently banking with we suggest that you open a new basic bank account with a bank that you do NOT have any debts with.

- Loans**
- Credit Cards**
- Overdraft**

Step Two: Increase your Income

Lots of people are in debt because they don't receive all the money they are entitled to. Use this simple checklist to make sure you have done all you can to increase your income.

Checklist:

Get benefits and tax credits or Universal Credit.

Make sure you are getting all the benefits, tax credits or Universal Credit that you should. Contact your local Citizens Advice Bureau for a full benefit check. Alternatively, you can try Turn2Us Benefit Calculator and check your benefit entitlement online.

Is your employer paying you at least the minimum wage?

If in doubt contact your local Citizens Advice Bureau

Are you paying too much tax?

Are you getting all the tax reliefs and tax allowances that you can? Check with HMRC when in doubt.

Are others paying you enough?

Should a former partner be paying child maintenance but they are not? There are ways to apply for maintenance – you can check the Child Maintenance Options website for more information. If people are staying with you, are they paying what they should for their keep? Each non-dependant reduces amount of money you get from benefits. Check how much they are really costing you and ask them to help.

Do you have payment protection insurance?

Can you rent a room out or take in a lodger?

Can you get an advance, a budgeting loan or help from the Scottish Welfare Fund?

Staying on at school in Scotland?

You may be able to get help with the costs of your children staying on at school or college.

Can you cut your fuel bills?

Can you save money by using less energy or by switching to a different fuel supplier? Can a trust fund help you with your fuel bill or other costs? [c](#)

Can you cut your fuel bills by adding free insulation and draught-proofing to your home? Can you get help to buy a new boiler? Can you add insulation and heating improvements to your home through the Green Deal scheme or the Energy Company Obligation programme?

Step Three: Prepare Your Budget

Working out a personal budget is important because it helps you:

- See how much money is coming into your household; See how much money is going out;
- See how much money you have left;
- Work out the best way to deal with your debts;
- Work out affordable offers to creditors if you think this is the best way to deal with your debts; and
- Plan your future spending.

Once your personal budget sheet is complete, you will be able to see:

- all the money that you have coming in;
- all the money you have going out;
- a list of all your priority debts and any payments that you need to make towards these debts;
- how much money you have left over to pay your non-priority debts and;
- a list of your non-priority creditors and what you have worked out you can pay to each creditor.

BUDGET DETAILS

1. Your net income (total income you receive after paying tax and national insurance).
2. Total amount of your essential expenditure (please do not include payments to your creditors).
3. Total disposable income (if any).

You must complete your budget on either a weekly or monthly basis. It is best to budget in line with your frequency of pay. If you are paid weekly, budget weekly. If you are paid monthly, budget monthly.



Help On Completing Your Budget Calculations

How To Do Your Budget Calculations On A Monthly Basis

To calculate a one off yearly payment as a monthly payment, divide it by 12.

To calculate a weekly payment as a monthly payment, multiply it by 52 and divide by 12

How To Do Your Budget Calculations On A Weekly Basis

To calculate a one off yearly payment as a weekly payment, divide it by 52.

To calculate a monthly payment as a weekly payment, multiply it by 12 and divide by 52

How To Do Your Budget Calculations If You Are Paid 4 Weekly

To calculate a one off yearly payment as a 4 weekly payment, divide it by 13.

To calculate a monthly payment as a 4 weekly payment, multiply it by 12 and divide by 13.

Working Out Monthly Or Weekly Gas And Electric Costs

Look back over your previous bills for the last year and calculate the average you pay per month or week. It is essential when doing this that your calculations are based on actual meter readings and that you are not using estimated bills.

If your payments are based on estimated bills you will not have a clear picture of you actual usage and in fact could be storing up a debt for the future.

To calculate the average per month, divide the total by 12. To calculate the average per week, divide the total by 52

Use the sheets below to add you income and expenditure figures. Don't forget to add things like window cleaning and children's activities.

You may need to have a hard look at what you spend in order to see were savings can be made.

If, after completing Steps Two and Three, you have no disposable Income you should contact Dalkeith & District CAB Debt Team for further advice.

INCOME:

Please indicate whether paid weekly (W), fortnightly (F), monthly (M), 4 Weekly (4)
Or Quarterly (Q)

	AMOUNT (£)	W/F/M/4/Q*	NOTES
Net wages (Self)			
Net wages (Partner)			
Child Benefit			
Child Tax Credit			
Working Tax Credit			
Industrial Injuries			
Job Seeker's Allowance Contribution - Income-based -			
Employment & Support Allowance Contribution - Income based - Please note components and any premiums in 'notes			
Universal Credit Please note breakdown of all elements of UC required – award letter or print out from journal			
Housing Costs – Universal Credit			
Housing Benefit			
State Retirement Pension			
Private Pension			
Pension Credit			
Carer's Allowance			
Disability Living Allowance / Personal Independence Payment - Please note components and rates in 'notes'			
Attendance Allowance			
Child Support Maintenance received			
DHP (discretionary housing payment)			

EXPENDITURE:

Please indicate whether weekly (W), fortnightly (F), monthly (M), 4 Weekly (4)
Or Quarterly (Q)

	AMOUNT (£)	W/F/M/4/Q	NOTES
Mortgage			
Secured Loan (s)			
Rent			
Council Tax			
Landline			
Mobiles per household			
Electricity			
Gas			
Other Fuel			
Life Insurance			
House Insurance (contents/ buildings)			
Housekeeping (including clothing, alcohol, cigarettes)			
School Meals (Children)			
Pocket Money (Children)			
Child care			
Hire Purchase / Conditional Sale (copy of agreement required)			
Car – Petrol/Diesel			
Car - MOT, service, maintenance, etc			
Car - Road Tax			
Car - Insurance			
Travel costs – bus / train fares			
Dentist/Opticians/Other Health Costs			
TV Rental / Other Appliances Rental / HP			
SKY TV (or similar)			
TV Licence			
Other (Please specify)			

Step Four: Make Payment Proposals

How to Calculate Payments for Creditors Using Disposable Income

Calculating how much to offer each of your creditors is a step by step procedure. The steps are explained in detail on the following pages.

Summary of the Steps

1. Calculate a pro-rata payment for each of your creditors.
2. Complete an Offer of Payment sheet.
3. Send a letter to all your creditors with your Offer of Payment and a copy of your Personal Budget. Start making the payments.
4. If your offers are accepted, continue making the agreed payments. If your offers are not accepted or the creditors do not respond, try not to panic. Please continue to make your original payments and contact Dalkeith & District CAB Debt Team.

Pro-rate Payments

Pro-rata payments are worked out using a specific pro-rata calculation. It's important to calculate the payments one by one, as this will help you.

How to Complete Pro-rata Calculations

It's important to complete your pro-rata calculations on a monthly or weekly basis, or your sums won't work! If you completed a monthly budget, you must complete monthly pro-rata calculations. If you completed a weekly budget, you must complete weekly pro-rata calculations.

To help you, all the figures that you need to complete your pro-rata calculations are on your Current Debt List and your Personal Budget. To work out a pro-rata payment for a creditor - write down the balance owed to the creditor and multiply it by your disposable income and then divide that by your total debt figure.

Step By Step - Do this for each creditor:

1. outstanding balance owed to your creditor
2. multiplied by (x) your total disposable income
3. divided by (÷) your total debt figure
4. equals (=) pro-rata payment offer

Sample Pro-rata Calculations

ABC Ltd £650.00 (total outstanding balance)
x £50.00 (total disposable income monthly)
÷ £3,000 (total debt)
= £10.83 (pro-rata offer)

Pro-rata calculations can also be worked out in a table which you may find easier.

Completing Your Offer of Payment

Your Offer of Payment is the final section of your financial statement. You have already completed the first parts in your Personal Budget.

1. Essential expenditure
2. Income
3. Disposable income

To complete your Offer of Payment, you must have completed pro-rata calculations for all your creditors.

The offer of payment details –

- all your creditors
- the total balance owed to each creditor
- your total weekly or monthly offer to each creditor
- your total of payments to all creditors
- your signature

If Your Pro-rata Payment is Accepted

Continue making the agreed payments. Remember to keep a copy of all the letters you send.

If Your Pro-rata Payment is Not Accepted

Please continue to make your original payments. If you miss a payment please contact your creditor straight away.

Manage Your Money

It's very important that you remain in control of your money and are able to keep making all your payments on time.

Well Done!

You have successfully managed to complete this pack.