



CASTLEMILK
LAW & MONEY ADVICE CENTRE



DEALING WITH DEBT
MONEY ADVICE

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If you're in debt, don't panic. However, it is important to do something about it. The problem won't just go away. Don't ignore calls or letters from the people you owe money to (your creditors). Contact them to explain why you're having problems and follow the steps in this leaflet to help you get back in control of your finances.

If a particular claim is for a debt you've paid, or you don't agree what the creditor says you owe, get advice from an experienced debt adviser straight away. We can also help you negotiate reasonable repayment rates for debts you owe.

Is the money owed?

The first thing to consider is whether the money demanded is actually due. It is possible that it is not. For example, the amount demanded may be wrong, or goods that were bought may have been faulty. If the debt is disputed, contact the Law Centre or another advice agency for advice.

Make a list of your debts

If the debt is due, then act quickly. Make a complete list of your debts. Creditors should be contacted and asked to confirm how much is actually owed.

Some debts need to be dealt with first because the consequences of not paying some types of debt can be more serious than others.

Maximise Income:

Obviously it is important to make sure your income is as high as possible. There are several things to be considered here. For example, it may be that you are eligible for benefits which you haven't claimed. You should claim all the benefits you can. It is best to get a benefit check. The Law Centre or other advice agency can advise on this.



Which debts are most urgent?

You should get advice on which debts to prioritise. For example rent or mortgage arrears might result in you losing your home, or electric or gas arrears could lead to your supply being disconnected. The following debts are particularly important.

1. Rent arrears:

Rent arrears can lead to eviction. It is obviously best to deal with rent problems at an early stage. The Law Centre has housing solicitors who can assist. You should get advice at an early stage but, in many cases where the court or tribunal has granted an eviction order, it might still be possible to stop the removal. So get advice as soon as possible. It is essential to get advice immediately if your landlord threatens to evict you. Tenants in the social sector should receive a notice of proceedings for eviction in the Sheriff Court. Private sector tenants should receive a notice of an application to the Housing Tribunal (known as the Housing and Property Chamber). Get advice from the Law Centre if you are threatened with eviction.

Tenants who are being taken to Court should get advice as soon as possible. It may be possible to delay a Court Action or to have it postponed to make an arrangement to pay. The Law Centre has housing solicitors who can assist. The Law Centre can also represent clients at the Housing Tribunal. You are more likely to be evicted if you do not have legal representation.

2. Mortgage arrears (or other secure loans):

Mortgages are loans secured against a house. If a secure loan is not paid, the lender can apply to the Sheriff Court for authority to eject the homeowner and sell the house. In these circumstances the sale price may be lower than it would have been had it been sold in the normal way. It is important that early contact is made with the lender. Get advice as soon as possible. Law Centre solicitors can represent you if you are taken to court.

3. Unpaid Fines:

If you've been fined, it's important that you give priority to paying it. If you're having difficulty paying your fine because of other financial commitments, you can contact a fines enforcement officer.

Contact details are at <https://www.scotcourts.gov.uk/taking-action/pay-a-fine/feo-role>
Non-payment of fines can result in imprisonment so get advice from a solicitor dealing with criminal law or the Law Centre.

4. Gas and Electricity debt:

Gas and electricity bills are priorities because if you miss payments and fall into arrears your supply could be cut off. In these circumstances help should be sought immediately. The Law Centre can arrange a weekly payment with the supplier or discuss fuel direct (a certain amount deducted from a person's benefit and paid to the supplier).

In general, get advice as soon as you can about your debt. An adviser will help you negotiate a reasonable repayment with your creditors.

You may be able to get a grant to pay some of your gas and electricity charges.

Other types of debt:

Other debts might include council tax arrears, benefit overpayments, unpaid overdrafts, loans, hire purchase, credit cards and catalogue debt, student loans and money borrowed from friends and family. It is important to work out a payment plan which meets your current commitments and makes a reasonable contribution to all your debts.

Work out your budget

Firstly list all the income and expenses for your household. Be honest and make sure that the amounts are realistic. This information should be presented as a 'Financial Statement'. See example financial statement at the end of this leaflet.

List your income first which should include:

- Earning for your partner and yourself
- Any benefits you receive, including child benefit and Universal Credit.
- Maintenance from ex-partner for you or your children. Include any child support paid with the help of the Child Maintenance Service.
- Contributions from other members of your family or any lodgers.
- Any other income which you might have.

Then list all your expenditure putting the most important expenses first:

- Mortgage or rent
- Council Tax
- Housekeeping and Food
- Clothing
- Electricity and gas
- Other expenses mentioned in the Budget Sheet below

Disposable Income

Any money remaining after you have paid your current expenditure is known as your disposable income. You may use this to pay your debts – get advice about setting up a payment plan.

Resolving Debt problems

If you are having difficulty paying problem outstanding debts, the following may be helpful. These procedures, or "debt vehicles", are overseen by a government insolvency service known as the "Accountant in Bankruptcy". Get advice on whether any of them would be suitable for you.

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If you can pay off all your debts over a period of years then you may be able to apply for a Debt Payment Programme under the Debt Arrangement Scheme. The main advantage is that there is an agreed repayment arrangement and your creditors are not entitled to take any enforcement action against you if you are maintaining agreed payments. Also, interest and charges are frozen while the Debt Payment Programme is in operation.

A Debt Payment Programme can only be set up by an approved organisation such as Castlemilk Law & Money Advice Centre.

The Accountant in Bankruptcy put in place provisions for temporary reduced payments due to the Covid pandemic, but debtors are still expected to ultimately pay in full.

Trust Deed

A protected trust deed is a legally binding arrangement in Scotland where you make agreed payments over a number of years. You do have to assign ownership of your property to an insolvency practitioner who acts as a trustee for your creditors. The property may include your home, so you must get independent advice before entering into a trust deed. At the end of a set period, sometimes as short as three years, your debts can be written off if you have maintained agreed payments. The Law Centre does not offer trust deeds, but we can help if payments break down. If you enter into a trust deed, there may be costs involved.



Bankruptcy

Bankruptcy (otherwise known as “sequestration”) is a serious procedure and you must get advice before making an application. You make an application to the Accountant in Bankruptcy. Your creditors may also be entitled to apply for your bankruptcy. If your application is granted your assets are transferred to a trustee. Often the Accountant in Bankruptcy is appointed trustee. Again your home may be included in the bankruptcy so you must get advice before starting the process. During the application process the Accountant in Bankruptcy will assess your assets, income and expenditure and decide whether you have to make any financial contributions to your creditors. Normally you are discharged and your debts written off after one year, though this can vary. Some debts such as student loans and benefit overpayments may not be written off. You may still have to make contributions after you are

discharged. If your assets and income are very low you may qualify for Minimum Assets Procedure – you may not have to make contributions and you can be discharged after six months.

Bankruptcy can be a complicated procedure and it may have substantial consequences. You may lose your home, an award of bankruptcy can disqualify you from certain public offices, such as being a solicitor, and it may prevent you from getting credit in the future. There are other disadvantages, so get advice before embarking on the process.

Information on the Accountant in Bankruptcy and the above debt vehicles can be found at the website at www.aib.gov.uk

Budget Sheet:

As mentioned above all your financial information can be presented in a budget sheet which helps you get a clear picture of your financial situation and can be used to negotiate with creditors. See below for an example of the financial statement.

Income (weekly/monthly)

Wages/salary	£
Wages/salary (partner)	£
Benefits	£
Money from other people	£
Other income	£

Outgoings (weekly/monthly)

Mortgage/Rent	£
Council Tax	£
Housekeeping/Food	£
Clothing	£
Electricity	£
Gas	£
Telephone/TV	£
Maintenance	£
Travel Expenses	£
TV License	£
Life Assurance/Endowment	£
Building/Contents Insurance	£
Mobile	£
Other	£
Total outgoings	£

My total income is

My total outgoings are £

This leaves me an available income of £..... For my creditors.

Name:

Address:

Marital Status:

Number of people in household:



CASTLEMILK LAW & MONEY ADVICE CENTRE

You can find us at:

First floor

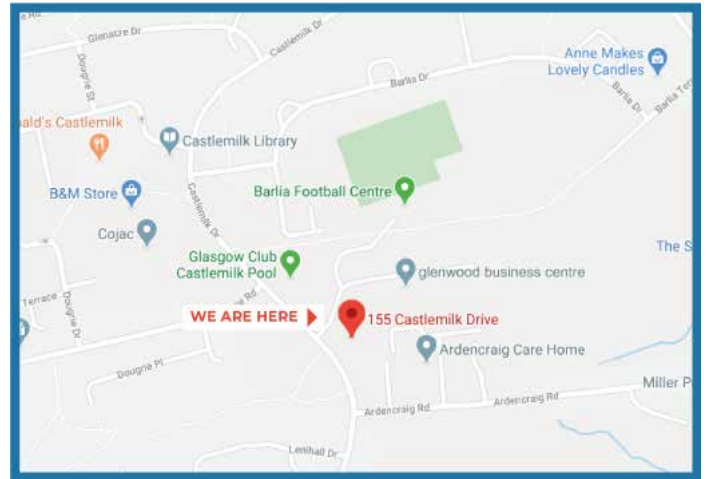
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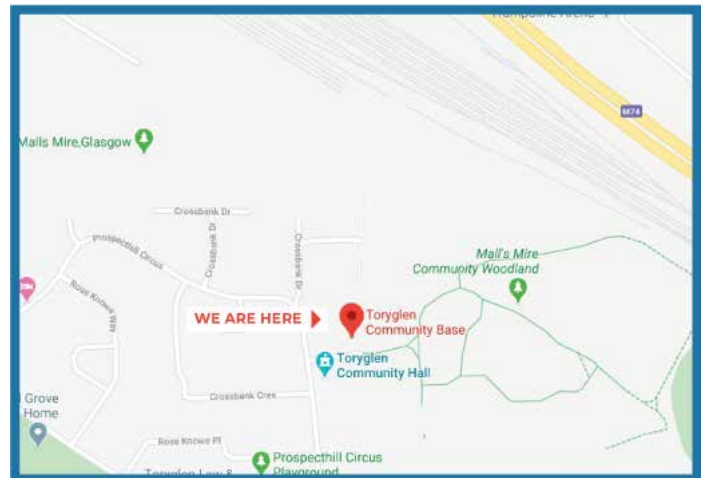
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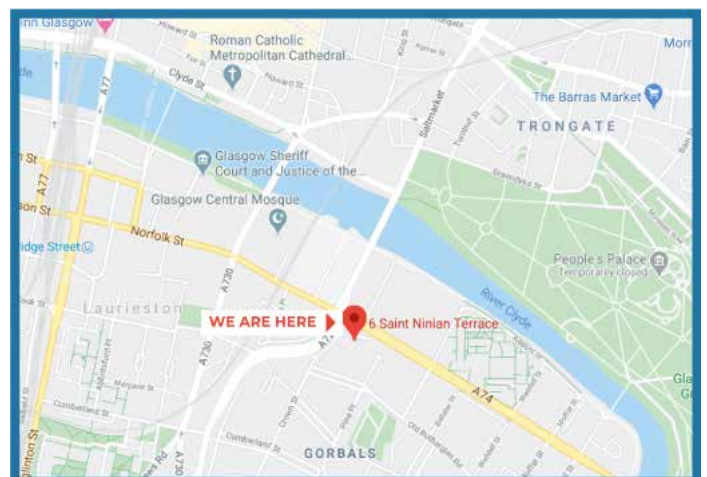


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