



**DUMFRIES & GALLOWAY
CITIZENS ADVICE SERVICE**

PART 1

SELF HELP DEBT PACK





INTRODUCTION TO DAGCAS

Dumfries & Galloway Citizens Advice Service (DAGCAS) has three offices throughout the region, in Annan, Dumfries, and Stranraer, as well as outreach clinics in the Stewartry and various other locations.

- The money advice provided by DAGCAS is impartial, completely confidential and free.
- We can help you to find the best solution for your current situation.
- We do nothing without your permission.

How to contact us:



0300 303 4321



info@dagcas.org



www.dagcas.org



visit one of our offices



HELP WITH DEBT

We understand that when circumstances change or you overstretch yourself, money worries will often follow.

- DAGCAS has prepared this Self Help Pack for people living in Dumfries and Galloway.
- The pack will assist you to –
 - ▶ assess your debts.
 - ▶ consider the options that are available to you.
 - ▶ choose the most appropriate option for you
 - ▶ manage 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 contact your nearest DAGCAS office or outreach for advice.

The Self Help Pack can be used as a source of general information on what can be done and what to expect if you owe more than you can afford to pay. If you are waiting for an appointment with a debt adviser the pack can help you to prepare for your appointment.

In some cases, you may be able to send a first letter to your creditors using the sample letter in the pack. **However, if you have not made any payments to debts for more than five years**, please do not send any letters and contact us for further advice.

You may only want to use the budget sheet, money saving tips, or spending diary.

If you have any difficulties using this pack, please contact DAGCAS for assistance.



SELF HELP PACK

Please seek assistance from DAGCAS if:

- You have mortgage or rent arrears and you are at risk of either:
Having your home repossessed
OR
You are at risk of being evicted
- You have a court summons, summary warrant, charge for payment, statutory demand, court papers you do not understand, or other documents served on you by a Sheriff Officer.
- You are being threatened with bankruptcy (Sequestration)
- You have debts you have not dealt with for several years.

You will be asked to bring or send in evidence of your income and expenditure and to complete a personal budget plan before your appointment.

Do you owe money to a loan shark?

Contact the Scottish Illegal Money Lending unit on **0800 074 0878**.

HOW TO USE THE SELF HELP PACK

This pack comes in 2 parts. If you are missing either part, please contact DAGCAS.

PART 1 – SELF HELP PACK

PART 2 – Blank forms and template letters



TYPES OF DEBT

- Priority debt
- Non priority debt

Each type should be dealt with differently

PRIORITY DEBT

Priority debt has serious consequences if ignored. You could be at risk of losing essential services, your home, or your car.

Always negotiate with your priority creditors first, as they can quickly change to emergencies.

Examples:

Mortgage arrears	Sheriff Court fines
Secured loan arrears	Penalty Charge Notices
Rent arrears	Benefit Overpayments
Council tax arrears	Hire Purchase or Conditional Sale Arrears
Energy - Gas / Electricity / Oil etc	Unpaid Child Maintenance
Unpaid TV Licence	Tax Debt

NON PRIORITY DEBT

Everything else is a non-priority debt.

Examples:

Credit cards	Store cards
Overdrafts	Unsecured loans
Catalogue debts	Doorstep collected loans
Payday Loans	Debts to family and friends
Private parking tickets	Mortgage shortfalls (owed after the sale of a property)

Generally, priority creditors expect the normal monthly payment plus a payment to reduce the arrears.

Negotiate with your priority creditors first. Some will request that the debt is repaid in a specific length of time, so you need to know how much you will need to pay before you can work out what is left for non priority creditors. However, be sure on what you can afford and do not agree to repayments that are not affordable.

The summary budget you will find later on will show creditors what you can reasonably afford once you have completed it. If you have more than one priority debt, share what money you have left between them so they all get an offer.

Put your normal monthly payment in the budget expenditure section, with the amount of arrears and offer for them in the debt section.

Don't be tempted to pay non priority debts first just because they are chasing you the most, but be aware that they still need to be dealt with.

Things to do first:

- If you owe money to your bank, open a new basic account with a bank or building society that you do not owe money to.
- Make a list of all of your debts. It is important that you identify the types of debt you have.
- Check if they are **priority**, or **non priority** debts.
- Send a holding letter to your creditors. If you have not written to or made a payment toward a debt for a number of years, contact us for advice before sending a letter.

It is important to know how much money you owe. In order to regain control of your money, you need to work out your debt total.

If you do not know how much you owe, look through creditor letters, statements or request a credit report from either:

Experian

Equifax

Transunion

You should be able to get a one off credit report for free.

Contact the people you owe money to (creditors) and let them know that you are having problems. You can use the hold action template letter in this pack.

At this point it is worth checking if you could maximise your income. A DAGCAS adviser can help with this – call 0300 303 4321, or you could call Citizens Advice Money Talk Team on 0800 085 7145.

Personal budget:

Complete a personal budget. There is a blank budget sheet in part 2 of the pack, that you can send to your creditors. If you need assistance, DAGCAS, like any other advice agency, will expect you to complete a full budget before discussing options with you, and your creditors will also ask you for one.

Gather wage slips, benefit, pension, and bank statements, and utility bills.

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

You must complete your budget on a weekly or monthly basis. If you mix up weekly and monthly figures, your budget will not work out.

Please see sample provided.

A personal budget will help you to calculate if you have any money left after you have made all of your essential payments.

Remember to make sure you have listed all of your expenditure, and do not over estimate how much money you have left each month.

Keep a spending diary for at least one month and check the budget you have set is adequate.

If you have any money left, this is called your 'disposable income' and can help you pay off your debts.

If you have no disposable income, try not to worry. Go through your budget sheet again and see if you can reduce your expenditure. Check if you can save money by switching: your gas and electricity supplier; mobile contract; broadband, and satellite tv package for example.

If you still have no disposable income, please visit DAGCAS for further advice.

Use our budget planner to help you manage your money. There is also an online tool at www.citizensadvice.org.uk/scotland under debt and money.

If you have enough disposable income to pay off your creditors in a reasonable amount of time, please contact DAGCAS to discuss other options and visit www.aib.gov.uk/das

If you have some disposable income, but not enough to pay off your creditors in reasonable length of time, you can continue with the following.

1. Calculate a pro rata payment for your creditors
2. Complete an offer of payment sheet
3. Send this to all of your creditors with a letter explaining your circumstances.
4. Start making the payments
5. If a creditor has involved a debt collection agency, the letter, personal budget, offer of payments, and the payments should be sent to the debt collector.
6. If your offer is not accepted, or the creditor / debt collector does not respond, visit DAGCAS for further advice.

If your offer of payment is accepted, continue to make the agreed payments. Creditors will normally contact you every 3 – 6 months asking for a review. If your circumstances have changed, update your personal budget and the offer of payment.



SAMPLE BUDGET

Income		
Total Wages		£1500.00
Total benefits and tax credits		£
Total Pensions		£
Total Other income		£
	Income total	£1500.00
Expenditure		
Rent		£425.00
Factor / service charges		£
Mortgage		£
Other secured loans		£
Mortgage endowments/PPI		£
Buildings and contents Insurance		£11.00
Life Insurance		£6.00
Council tax		£98.00
Gas		£80.00
Electricity		£45.00
Coal/logs/calor gas		£
TV Licence		£13.84
Sheriff court fines		£
Child support		£
Hire Purchase		£
Adult / Childcare costs		£
Other essential costs		£
	Total essential costs	£678.84
Total Phone costs	Mobile contract	£42.00
Total travel costs	Bus to work	£120.00
Total Housekeeping costs	*(see notes on next page)	£350.00
Total other costs	** (notes on next page)	£175.00
	Total	£687.00
	Total for all expenditure	£1365.84
	Amount left for creditors	£134.16

Priority Debts			
Creditor		Amount owed	Monthly offer
Dumfries & Galloway Council		£690.00	£57.00
		£	£
		£	£
		£	£
	Total Owed	£690.00	
		Total Monthly Offer	£57.00
Non Priority Debts			
Creditor		Amount Owed	Monthly Offer
Royal Bank credit card		£1500.00	£45.84
Capital One Credit Card		£300.00	£9.17
Littlewoods catalogue		£250.00	£7.64
Argos store card		£175.00	£5.35
Next store card		£300.00	£9.17
	Total Owed	£2525.00	
		Total Monthly Offer	£77.17

* *Housekeeping costs include:* Food & Milk, cleaning and toiletries, newspapers, cigarettes, tobacco, sweets, alcohol, clothing & footwear, nappies & baby items, pet food

** *Other costs include:* Health, dentist, house repairs, hairdressing, cable/satellite tv, broadband, school meals and meals at work, hobbies & leisure, gifts, vet bills & Insurance

DOING CALCULATIONS ON A MONTHLY BASIS:

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

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

DOING CALCULATIONS ON A WEEKLY BASIS:

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

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

DOING CALCULATIONS IF YOU GET PAID FOUR WEEKLY

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

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

WORKING OUT WEEKLY OR MONTHLY GAS AND ELECTRICITY COSTS

Look back over your previous bills for the last year and calculate the average you pay per month or week.

To calculate the average per month, divide the total by 12

To calculate the average per week, divide the total by 52

HOW TO WORK OUT PRO RATA PAYMENTS

It is important to work out the payment offer on a weekly or monthly basis.

If your budget has been done on a weekly basis, then the pro rata offer should be done on a weekly basis.

If you completed a monthly budget then the offer should be worked out on a monthly basis.

Step by step – Do this for each creditor

1. Outstanding balance owed to each creditor
2. Multiplied by (x) your total disposable income
3. Divided by (\div) your total debt figure
4. Equals (=) pro rata payment offer

For example:

Total disposable income = £50

Total debt = £3000

You owe ABC £650 (Total outstanding balance)
 X £50 (Total disposable income monthly)
 ÷ £3000 (Total debt)
 = £10.83

Or use a table:

CREDITOR	OUTSTANDING BALANCE		DISPOSABLE INCOME		TOTAL DEBT		OFFER
ABC	£650	X	£50	÷	£3000	=	£10.83

Do this calculation for each of your creditors and add the information to the offer of payment sheet

MAKING PAYMENTS

If your pro rata offer is accepted, continue to make the agreed payments. Remember to keep a copy of all the letters you send.

IF YOUR OFFER IS NOT ACCEPTED

Continue to make your payments and visit DAGCAS for further assistance.

IF YOU MISS A PAYMENT PLEASE CONTACT YOUR CREDITOR STRAIGHT AWAY.

DEBT SOLUTIONS

Think about your whole situation, and the debt solutions available to you. Make sure you consider the advantages and disadvantages of each.

If you are at risk of further action being taken against you by a creditor, you can apply to the Accountant in Bankruptcy for a moratorium, which will give you protection for a specific period of time.

DEBT SOLUTIONS – Informal	Self Help
Token payments	When creditors are non priority. Where there is little to no money left for creditors.
Pro Rata offers	When creditors are non priority. Where there is more than a token amount available for creditors.
Debt write off	In cases of physical or mental ill health that is unlikely to change, or a very low income that is unlikely to change. Creditors will usually ask for proof of your situation like medical evidence
Charitable Grants	Some charities will assist with priority debt payments, like rent arrears. They may also assist in other ways - See www.turn2us.org.uk
Final Settlement offers	Using a lump sum of money (from the sale of an asset for instance) to make a part payment toward the debt with the balance written off.

DEBT SOLUTIONS – formal	
Debt Arrangement Scheme (Cannot include student loans)	Where there is enough money left to repay your debt in a reasonable amount of time. Will give protection from creditor action. You should not be charged a fee. Payments can be varied. DAGCAS has approved money advisers that can make an application for you.
Trust Deed (Insolvency) (Cannot include Student loans, fines, maintenance orders made by the court, debts built up through fraud)	Most debt can be included. Debt needs to be more than £5000 You need to have money available to pay into the trust deed. Your assets will be included and could be sold to repay the debt (including your home) If your circumstances improve, you could be asked to pay more. DAGCAS Money Advisers can discuss and refer to an Insolvency practitioner if suitable
Bankruptcy – FAB (Full administration bankruptcy)	Formal money advice is required before an application can be made. Bankruptcy can stop most creditor action. Most debts are included. You must owe at least £3000. You may have to pay a fee You may have to pay a monthly contribution dependant on your circumstances. DAGCAS Money Advisers can assist with an application
Bankruptcy – MAP (Minimal asset Process)	Formal money advice is required You must owe at least £1500 but no more than £25,000 (This is subject to change) You may have to pay a fee You cannot own any land or buildings Your total assets cannot be worth more than £2000 Any single asset cannot be worth more than £1000 (except for a car that is reasonably required – can be valued up to £3000)

MANAGE YOUR MONEY

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

Budget on a weekly or monthly basis as you prefer.

If you get paid weekly, budget on a weekly income

If you get paid monthly budget on a monthly basis

Money Advice Scotland and Citizens Advice Scotland have an online web tool which is very helpful.

A bill payment account running alongside your bank account can be useful. Ask your bank for assistance.

Remember missed payments can result in charges to your account and / or a bank charge.

SAVINGS

Try to save a little on a regular basis for unexpected expenses and don't forget to treat yourself occasionally.

Shop around for cheaper deals on:

- Gas / electricity
- Mortgages
- Insurances
- Credit cards
- Bank loans
- Phone and internet
- Mobile phones – pay as you go and contract

Money saving tips:

- Look for bargains
- Price check with other stores
- Avoid store cards as the interest is very high
- Don't go food shopping when you are hungry
- Make a list and only buy what you need
- Check if you can save money by switching energy suppliers. You may be able to save on other expenses too: Telephone and broadband, Insurance etc.
- Learn to say no – to demanding children as well as your self.
- Avoid impulse buys.
- Only buy what you will actually use and avoid food waste
- Do you use your gym membership? If the answer is no, cancel it.
- Give up or reduce smoking. If you smoke 20 cigarettes a day, you will save approximately £300+ per month.
- By pass the 3 for 2 deals. Unless you really need the items, you are spending more than you need to.
- Claim the benefits you are entitled to – contact DAGCAS for a benefit check if you think you may be able to make a claim.
- Avoid extended warranties, especially on items that would not last. Would you really claim on insurance for a £10 toaster?
- Take a packed lunch – to school, or work
- Use a calculator in the supermarket to avoid nasty surprises at the till.
- Switch off electrical appliances rather than leave on standby



A pink piggy bank is partially submerged in blue water. The water is clear with many bubbles of various sizes. The piggy bank's head is above the water, and its body is below. The background is a light blue gradient.

MYTH BUSTERS:

- You cannot be sent to prison because you cannot afford to pay your debt.
- You can still have a bank account if you are bankrupt. Make sure you are with a bank you do not owe any money to.
- Sheriff Officers cannot force their way into your home unless they have an exceptional attachment order, and these are very rare.
- You are not automatically liable for your husband's, wife's, or partners debts. Some debts are different, like council tax, or if you have signed an agreement to be a guarantor
- Debt collectors do not have the same powers as Sheriff Officers.
- There is no 'blacklist' of people who cannot afford to pay their debt.
- Creditors can pass or sell your debt to a debt collector or debt buyer company

PART 2

BLANK FORMS AND TEMPLATE LETTERS

Keep them here in this handy pocket!

D₂

E₁

B₃

T₁

E₁

L₁

P₃

M₃

DOUBLE
LETTER
SCORE

DOUBLE
LETTER
SCORE

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