

Managing Debt

Welcome to Advice Direct... the written information service from Guild Advice.

This leaflet is designed to help you identify what your debts are, ways in which you can manage your debts and sources of help.

The majority of students at University will be studying on a tight budget. However well prepared you are, it can only take one **unexpected cost** to disrupt your budget and create financial difficulties, e.g. losing your part-time job. As a consequence, it may be that you do not have enough money to pay for your costs and creditors may be approaching you.

The most important thing is **not to ignore your debts**, try to deal with the problem and **seek advice early**. Whatever the seriousness of your debt, there is always a way to improve the situation and work towards resolving it.

What is debt?

A **debt** is where you owe money to another party (a creditor) and have an obligation to repay it. Before identifying the different types of debt, it is important that you identify whether you are actually **liable for the debt**. You should check to see:

- If the contract is valid?
- Are you solely liable (could you have joint liability with someone else)?
- Are you covered by payment protection insurance (some loans are)?

Types of Debt

There are a number of debts that individuals may have. These can normally be categorised into **Priority debts** and **Non-Priority (or Secondary) debts**.

Priority debts are not necessarily the largest debts that you may have, they are the ones where failure to make a payment leads to serious action. For example, a mortgage or a rent payment is a priority debt as failure to pay it may lead to legal action by your lender or landlord to take possession of the property. Other forms of priority debt could be your utility bills – as a failure to pay could lead to disconnection of your services, or tax owed to HMRC – as failure to pay could lead to legal action again.

Non-Priority debts may not lead to the loss of your home but could be enforced via the County Court and lead to a county court judgment being granted. These usually include credit card or store card debts, bank overdrafts, and money from friends or family.

What You Need To Know:-

- Contact creditors as early as possible about your difficulties
- Confirm your liability for any debts
- Make realistic offers of repayment, dealing with priority debts first

Don't panic – you can't go to prison for ordinary debts, you are not a criminal

Don't borrow to pay off your debts without seeking independent advice first

Where do I go from here?

Don't Ignore The Problem - It won't go away! This is a common reaction and unfortunately, the debt and fear of it, only gets worse as creditors continue to badger you and interest continues to accrue in some cases. Once, however, you acknowledge that you are in difficulty; debt can be dealt with effectively.

Contact Your Creditors Early - It is important to let your creditors know as soon as you realise you are having financial difficulties. If you don't they will think you are **refusing to pay** and are choosing to breach your agreement with them, **rather than being unable to pay**. They will continue to chase you with bills, letters and ultimately court action of some form, which for example in the case of rent arrears, could result in you losing your home.

You must telephone your creditor **immediately**, explain you are having problems and ask for time to prepare a repayment offer and for interest to be frozen. They will normally agree to this for a short period. If they refuse to discuss the matter with you or say they will not accept offers then **seek further advice**. Always remember to do the following:-

- **Keep** a record of all calls and take the name of anyone you talk to
- **Always** use your reference number / code when communicating with a creditor
- Send letters **recorded delivery** and keep a copy

Sources of Help

Guild Advice, Guild of Students

Email: thearc@guild.bham.ac.uk

Visit the website at: <http://www.guildofstudents.com/support/thearc/>

Guild Advice Opening Hours (Term Time)*

Monday - Friday

Drop In Clinics

Saturday & Sunday

10am — 4pm

12-2pm

CLOSED

***Vacation Periods**

12 noon – 2pm

Funding Graduation and Awards

Tel: 0121 414 7391

Counselling & Guidance Service

3 Elms Road

Tel: 0121 414 5130 or <http://www.as.bham.ac.uk/studentlife/counselling/index.shtml>

Community Money Advice Centre

Offers free, confidential and independent financial advice to anyone who lives within Birmingham City boundaries. The Money Advice Centre has a Community Legal Service Quality Mark and provides specialist help in both debt and welfare benefits.

Tel: 0121 248 3000 or Website: www.birminghamsettlement.org.uk

National Debtline is a national telephone helpline for people with debt problems in England, Wales and Scotland. The service is free, confidential and independent.

Tel: 0808 808 4000 or www.nationaldebtline.co.uk

Citizens Advice Bureau

For free, impartial and confidential advice or to find out where your nearest bureau is visit: www.citizensadvice.org.uk / www.adviceguide.org.uk

Disclaimer: The information on this leaflet only provides general guidance on financial support and the law. The leaflet should not be regarded or relied upon as a complete or authoritative statement of the law. Guild Advice will not accept any liability for any claims or inconvenience as a result of the use of information on this leaflet. If you think you have a legal problem you should seek further advice.

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