

**Debt Pack Information:**

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Last Updated: December 2020



**1. Money Advice Service Debt Agreement**

Our service is free and confidential. This document sets out what we will do and what we expect from you in return.

When we have agreed on the best strategy for you we will set this out for you in writing.

**We will:**

* Look at your income and help you to increase it if possible (eg by claiming benefits).
* Help you to prepare a statement of income, outgoings and all debts.
* Advise you of the options available to you.

**We expect you:**

* To come to appointments or let us know in advance if you can’t make it.
* To tell us all the relevant details of your circumstances and your income and expenditure so we can give you appropriate advice.
* To supply us with details of all the people you owe money to, with relevant paperwork, addresses, account numbers etc.
* To tell us if your circumstances change.
* Not to do your own deals with creditors.
* NOT TO TAKE OUT FURTHER CREDIT as this may mean we are unable to continue dealing with your case.

**You should be aware:**

* Payments of rent/mortgage, council tax, gas and electricity are the most important. You should make it a priority to keep up with these.
* Paying less than you originally agreed to your creditors will almost certainly affect your credit rating. You will probably not be able to obtain credit again for several years.

**There is an extremely high demand for this service. Please agree that you will attend appointments and co-operate fully with us by providing information we ask you for, by the date we say. If you don’t do this and don’t tell us why you can’t comply, we will close your case. If this happens and you wish to come back to us for advice, you may have to wait to see a specialist debt worker.**



2. How we use your personal information

We collect and use information about you to help solve your problems, improve our services and tackle wider issues in society that affect people's lives.

We always let you decide what you're comfortable telling us, explain why we need your information and keep it confidential. When we keep something you tell us, we:

* only access it when we have a good reason
* only share what is necessary and relevant
* don’t sell it to commercial organisations

**How will you use my data?**

First and foremost your information will be used to provide you with advice. We also use information in a way that doesn’t directly identify you to understand how different problems are affecting society and to take action to tackle these problems. As this is used for research it is kept separate from your case record.

Where you have given us your permission and contact details, we, or in some instances a trusted research partner, may contact you to ask you for feedback on the service you received and your overall experience of Citizens Advice.

**Do I have to give my consent for you to use information about me?**

You can decide exactly what information you are happy to tell us. We’ll use the information because we have a ‘legitimate interest’ to do so for the purpose of providing you with advice and carrying out research.

When we ask for more private information about you, like any health conditions or ethnicity, we will need to get your consent. This is because this information is treated in a special way by the law. You can always withdraw this consent and request we remove what you told us.

Some of our specialist services, such as our Money Advice service, are provided on the basis of your consent. We will ask your consent to use your personal information with these services.

**Where will you store my data?**

The record of your case will be stored securely in an electronic case management system used jointly by all of the Citizens Advice service. We are all responsible for keeping it safe. As part of solving your problem, we might also make written notes, download copies of your case or send emails containing your information. We will make sure any information is stored securely and only accessed when there’s a good reason by staff and volunteers of the Citizens Advice service.

**How long do you keep records for?**

We keep records for 6 years. We may keep records for 16 years if the advice given could have serious consequences if it was not stored for a longer period.

**Why might you share my information? Who will you share it with?**

We will generally not share information without your permission, unless required to do so by law or in some very limited situations, like to protect you or someone else from serious harm.

If a particular service involves sharing your information without permission, we will always let you know upfront that it isn’t confidential.

**What if I have a question about how my information has been used?**

You can contact us and ask us:

* what information we've stored about you and get a copy to keep
* to change or update your information
* to delete your information from our records or withdraw your consent
* to stop using your information

You can read more detailed information about how some of our services use information on our national site: [citizensadvice.org.uk/privacy-policy](http://citizensadvice.org.uk/privacy-policy)

If you’re not happy with how we have used your information, you can contact us at: [www.citizensadvice.org.uk/about-us/contact-us/Contact-us-form](https://www.citizensadvice.org.uk/about-us/contact-us/Contact-us-form)

You can also contact the Information Commissioner's Office to raise a concern about how we have used your information.

[ico.org.uk/](https://ico.org.uk/) 0303 123 1113

**3. What to bring on your local Citizens Advice visit**

When you visit your local Citizens Advice, it's important that the adviser you speak to has as much information about your case as possible. If you don't bring the necessary paperwork with you, you may have to come back another time. This means it could take you longer to get the help you need.

This page gives you an idea of the kind of information it's useful to bring with you. If you haven't got everything that's shown, don't worry - bring as much as you can find.

It's sometimes important to get help as soon as possible because you may only have a short amount of time to take certain action.

**Debt and money problems**

**IT IS ESSENTIAL YOU BRING 2 FORMS OF ID WITH YOU TO YOUR APPOINTMENT, IF POSSIBLE ONE OF THESE SHOULD BE PHOTO ID EG DRIVING LICENCE OR PASSPORT**

* details of your income - wage slips, benefit letters, tax credits
* bank statement - latest copy
* details of all those that you owe money to and how much - bring the latest statements and demands for payment
* copy of original loan agreements
* copy of any court papers
* details of your household expenditure - how much you spend on food, transport, phone and energy bills etc
* copy of the latest correspondence you have received - e.g. letters from bailiffs.

**Problems with benefits**

* all letters from government departments, such as the Department for Work and Pensions (DWP) e.g. Jobcentre Plus, Pension Service, or the local authority
* decision letters that you are not happy with or wish to challenge - this is essential
* your national insurance number
* proof of your income - wage slips, benefit letters, tax credits
* bank statement - latest copy
* details of any savings
* tenancy agreement or mortgage details.

**Welfare benefit check**

If you would like an adviser to check that you are receiving all the benefits and tax credits you're entitled to, bring the following information for everyone who lives in your home:

* dates of birth
* if employed or self-employed - number of hours worked
* gross income from employment for the last tax year - April 6 to April 5  - a P60 form will provide this, or if self employed, last year’s accounts
* gross income for this year - payslips or estimate if self-employed
* if you are currently receiving benefits, bring all the benefit award letters
* child care costs - details of childcare provider and how much you pay
* investment income - details of investments and latest interest payments. Bank statements may be the best way to show this
* tenancy agreement or current mortgage repayment details
* council tax bill.

**Housing problems**

* tenancy agreement, letters from your landlord - if you're renting
* mortgage details - if you have a mortgage
* any court papers
* title deeds - if you own your home
* proof of your income - wage slips, benefit letters, tax credits.

**Employment problems**

* copy of your employment contract
* details of any disciplinary, grievance or dismissal issues
* any recent letters from your employer
* staff handbook
* copy of employment tribunal applications - if you have made any
* proof of your income - wage slips, benefit letters, tax credits.

**Family and personal issues**

* any paperwork or letters relating to the issue
* court documents or legal agreements
* proof of your income - wage slips, benefit letters, tax credits
* copy of divorce papers.

**Consumer problems**

* full details of the goods or services causing the problem
* copy of any contracts or credit agreements
* any recent letters about  the problem
* proof of purchase - such as receipt or credit card slip
* proof of your income - wage slips, benefit letters, tax credits.

**Immigration or asylum problems**

* all letters from the Home Office
* passport and details of any visas or permits
* proof of your income or NASS support - wage slips, benefit letters, tax credits.

**Other problems**

Any paperwork, letters or other correspondence relating to the issue

**4. What happens if I can’t pay my debts?**

A ‘creditor’ is someone you owe money to. This guide tells you what can happen when you have difficulties with your payments and what creditors can do to recover money owed.

If you miss a payment, or pay less than you agreed, this could mean that:

* your credit rating is affected for up to 6 years - this can make it harder, or more expensive for you to borrow money in future. If you’ve got a payment deferral that has paused or reduced your payments because of the impact of coronavirus, this will not directly affect your credit rating, but lenders may be able to see that you’ve deferred and this might make it harder to obtain credit in future
* your creditor contacts you more often asking you to pay and may ask a debt collector to collect the debt
* your creditor can still take action and add charges so the amount owed can increase, even if you’re getting money advice or have agreed to make reduced payments. If you’re paying reduced payments and the debt is getting bigger, let your adviser know
* your creditor takes court action to recover money owed from you

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| **Don’t ignore your creditors**  It’s important to read letters from your creditors so you know what they’re going to do. They are less likely to take action if you get in touch with them.  If you’ve had no contact with your creditors for a few years, please let your adviser know so they can check whether any time limits may apply |

**Priority and non priority debts**

The action a creditor can take depends on the type of money that’s owed.

Debts are usually split into two categories; priority and non priority.

A debt is a priority debt if the creditor can take particularly serious action, such as taking possession of your home, disconnecting essential services or having you sent to prison.

Non-priority debts are generally less serious. Creditors can take county court action to get a County Court Judgment (CCJ) that orders you to pay.

In some cases, a non-priority debt might have unusually serious consequences for you, for example:

* if you’re behind in your childcare costs
* if deductions from your benefits are unusually high
* you owe money to family or friends or there’s a guarantor loan and this could cause you personal problems

Please talk to your adviser as this could be given a higher priority than your other non priority debts.

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| Priority debts - what your creditor can do | |
| **Mortgage or secured loan arrears**  Take you to court to repossess your home.  Register default on your credit file. | **Rent arrears**  Take you to court to repossess your home.  Some landlords may register default on your  credit file. |
| **Council tax arrears**  Take money from your benefits or wages.  Use bailiffs to take your goods to sell.  Secure the debt on your home.  Make you bankrupt.  As a last resort, have you sent to prison  (England only). | **Gas and electricity arrears (current**  **suppliers)**  Deduct money from ongoing benefits.  Install a prepayment meter.  As a last resort, disconnect your supply.  Register default on your credit file. |
| **Child support or child maintenance**  **arrears**  Take money from your benefits, wages or  bank account without a court order.  Get a liability order which allows them to:  Use bailiffs to take your goods to sell.  Use the county court to secure the debt on  your home, this will affect your credit rating.  Ask the magistrates’ court to remove your  driving licence or passport.  As a last resort, have you sent to prison. | **Income tax arrears, class 2 and class 4 NI**  **contributions**  Use bailiffs to take your goods without a court  order.  Take money from a bank account if you have  over £5,000 in your account.  Adjust your tax code to recover from your  wages.  Apply to make you bankrupt.  As a last resort, have you sent to prison. |
| **Telephone, mobile phone or telecom**  **package arrears (essential services)**  Disconnect the service.  Take court action to recover the balance.  Register default on your credit file. | **Hire purchase, Personal Contract Purchase**  **(PCP) or conditional sale (essential goods)**  Repossess the goods. If you’ve paid more than 1/3 of the total or the goods are on private property, they need a court order to do this.  Register default on your credit file. |
| **Bill of Sale arrears (essential goods)**  Repossess goods without a court  order. | **TV licence - if you don’t have one or it’s in**  **arrears**  Issue a fine - see Magistrates’ Court Fines |
| **Magistrates’ Court fines**  Deduct money from your benefits or wages.  Use bailiffs to take your goods.  Make a clamping order.  Make an order for supervision, short local  detention or unpaid work.  Recover in the high court or county court.  As a last resort, have you sent to prison. | **Tax credit overpayments**  Deduct money from your benefits or wages  without a court order.  Collect the money as a tax debt - see Income  Tax. As a last resort have you sent to prison.  If the HMRC have passed the debt to the DWP  to collect, this will be treated as a benefit  overpayment, see below |
| **Fixed penalty notices for crimes like littering, speeding, or keeping an uninsured**  **vehicle - this doesn’t include parking penalties issued by a local authority**  Prosecute you for the offence.  In some cases register the fixed penalty notice as a fine - see Magistrates’ Court fine above. | |

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| **Non Priority debts - what your creditor can do**  Most creditors will register default on your credit file making it harder to get credit | |
| **Credit cards, store cards and overdrafts**  Take you to the County Court to get a CCJ. | **Unsecured, guarantor and payday loans**  Take you to the County Court to get a CCJ.  Where applicable, ask the guarantor to pay. |
| **Catalogues and mail order debts**  Take you to the County Court to get a CCJ. | **Personal debts, eg friends and family**  Take you to the County Court to get a CCJ. |
| **Benefit overpayments, social fund loan,Universal Credit Advance Payment**  Deduct money from ongoing benefits or  wages without a court order.  If you’re not working or receiving benefits,  take you to the County Court to get a CCJ. | **Non criminal penalty charges like:**   * NHS penalties * parking penalties * penalty fares   (but not parking fines issued in the  Magistrates’ Court - these are priority debts)  Take you to the County Court or Traffic  Enforcement Centre (TEC) to get a CCJ. |
| **Water charge arrears**  Deduct money from ongoing benefit. For UC  deductions the arrears must be to your  current supplier. For other benefits  deductions can be made where 6 months  arrears or more is due to current or previous supplier.  Take you to the County Court to get a CCJ.  Transfer to the High Court to ask High Court  bailiffs to take your goods. High Court fees  are higher than County Court fees | **Non essential goods and services:**  Hire purchase: Repossess the goods. If  you’ve paid more than 1/3 of the total or  the goods are on private property, they need a court order to do this.  Telephone, mobile phone or telecom package arrears: Disconnect the service.  Take you to the County Court to get a CCJ for  any money outstanding. |

**County Court Judgments (CCJs)**

If your creditor gets a CCJ against you this will be registered on your credit file for 6 years and might make it harder for you to get credit. If you don’t pay, your creditor can ask the court to:

* take money from your wages
* take money from a bank account
* ask bailiffs to take and sell goods to repay the money
* secure the debt on your property - this is called a ‘charging order’. For CCJs issued after 1 October 2012, creditors can do this even if you haven’t missed a payment under the CCJ. If the creditor has a charging order, as a last resort, the court can make an order for the sale of your property
* The creditor may ask you to provide information, under oath, about your financial circumstances
* creditors could try to make you bankrupt if you owe them more than £5,000 which could have a serious effect on you, for example, if you own your home.

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| **Don’t ignore any court forms or letters from a court**  If you receive any forms, notices or letters from a Magistrates’, County Court or High Court, for example, a statutory demand, please contact your adviser immediately as there could be a time limit involved. |

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**5. Making the most of your money**

        Tips on how to increase your income and reduce your spending

**Increasing your income**

You may be able to increase your income in the following ways:

* Check that you are claiming all the benefits that you are entitled to; see [our website here](https://www.citizensadvice.org.uk/benefits/benefits-introduction/what-benefits-can-i-get/) or [Turn to Us here](https://benefits-calculator.turn2us.org.uk/AboutYou).
* Find out if you able to claim disability or ill health benefits at [www.citizensadvice.org.uk](https://www.citizensadvice.org.uk/benefits/sick-or-disabled-people-and-carers/)
* Check whether you are able to apply for a grant from a charity at [www.turn2us.org.uk](https://www.turn2us.org.uk/Find-Benefits-Grants/Grants-Guides?_ga=2.140943474.1308379956.1512644567-1292174465.1510666069)
* You can check whether you can get a tax [refund on our website here](https://www.citizensadvice.org.uk/debt-and-money/tax/tax-refunds-claiming-back-overpaid-tax/tax-refunds/) or claim any [allowances here](https://www.citizensadvice.org.uk/debt-and-money/tax/income-tax-how-much-should-you-pay/income-tax-allowances-and-amounts/#h-marriage-allowance---if-you-re-married-or-in-a-civil-partnership) (includes marriage allowance)
* You can find out how to go about claiming child support [on our website here](https://www.citizensadvice.org.uk/family/children-and-young-people/child-maintenance/)
* Can members of your household who are staying with you help you with the bills?
* Can you access any help with school costs?  See [our website here](https://www.citizensadvice.org.uk/family/education/school-education/help-with-school-costs/) and [insert information about any local schemes]
* Are you able to claim any help with health costs including optical, dentist and travel to hospital; [see here](https://www.citizensadvice.org.uk/health/help-with-health-costs/help-with-health-costs/).
* Can you sell items of value via places such as [Ebay,](https://www.ebay.co.uk/) [Gumtree](https://www.gumtree.com/) or [Cex](https://uk.webuy.com/)?
* Can you find a job or increase your hours?  Find out [how your salary could change here](https://www.thesalarycalculator.co.uk/)
* Are you able to access your pension pot if you are over the age of 55?  There is more [information about this here](https://www.citizensadvice.org.uk/debt-and-money/pensions/nearing-retirement/what-you-can-do-with-your-pension-pot/) with contact details for [Pensionwise](https://www.pensionwise.gov.uk/en)
* Could you rent out a spare room to a lodger?  There is information about what you should think about first [on our website here](https://www.citizensadvice.org.uk/housing/renting-a-home/subletting-and-lodging/lodging/taking-in-a-lodger-what-you-need-to-think-about-first/)
* Are you able to claim compensation for a personal injury, mis-sold payment protection insurance or other claims? Are you about to receive payments from a redundancy or backdated benefit?

**Cutting down on your bills and spending**

Housing costs:

* Can you cut down your mortgage costs?  There is information [here on our website](https://www.citizensadvice.org.uk/debt-and-money/mortgage-problems/how-to-sort-out-your-mortgage-problems/cutting-down-your-mortgage-costs/)
* Can you reduce your rent costs?  This includes help from your local authority’s Discretionary Housing Payment scheme.  There is more [information about this here](https://www.citizensadvice.org.uk/housing/renting-privately/private-renting/get-help-with-renting-costs/) and [insert local information here]
* Are you able to reduce your council tax bill and are you entitled to any discounts?  There is [more information about this here](https://www.citizensadvice.org.uk/housing/council-tax/council-tax/).
* You can ask your local authority to spread the cost of your council tax over 12 months instead of 10 (you can [find your local authority here](https://www.gov.uk/find-local-council))

Gas, electricity and water:

* Are you paying the best rate?  Could you claim any grants or discounts?  Can you use less energy by cutting your use or making your home more energy efficient?  There is information [on our website here](https://www.citizensadvice.org.uk/consumer/energy/energy-supply/get-a-better-energy-deal/save-money-on-your-gas-and-electricity/), [money saving](https://www.moneysavingexpert.com/energy/) [expert](https://www.moneysavingexpert.com/energy/) and the [Energy Saving Trust](http://www.energysavingtrust.org.uk/home-energy-efficiency)
* Can you get extra support from your energy supplier because of a health issue?

There is more information about the [priority services register here](https://www.citizensadvice.org.uk/consumer/energy/energy-supply/get-help-paying-your-bills/getting-extra-support-from-your-energy-supplier/).

* Check the [Consumer Council Water website](http://www.ccwater.org.uk) to see if you’d save money by changing from a water meter to a fixed rate and see [our website here](https://www.citizensadvice.org.uk/consumer/water/water-supply/problems-with-paying-your-water-bill/help-with-paying-your-water-bills/) for other ways of reducing your water costs [insert details of your local scheme here]

Insurance:

* Shop around to [get the best insurance deals](https://www.moneysavingexpert.com/insurance/) for all of your insurance including your house (building and contents), life, car, travel and health.

Landline, TV, internet and mobiles:

* Can you switch your telephone, TV, internet or mobile provider for a better deal?  See [information here](https://www.citizensadvice.org.uk/consumer/phone-internet-downloads-or-tv/switch-broadband-phone-or-tv-provider/) on what to think about before changing your provider.  Also see guides on the [money saving expert website here](https://www.moneysavingexpert.com/utilities/) to help you save money.

Travel:

* If you travel by train, can you get a [refund for a cancelled or late train](https://www.citizensadvice.org.uk/consumer/holiday-cancellations-and-compensation/getting-a-refund-for-a-cancelled-or-delayed-train/)?  Can you get [cheaper train tickets](https://www.moneysavingexpert.com/travel/cheap-train-tickets) by splitting tickets or can you cut your travel costs [in other ways](https://www.moneysavingexpert.com/travel/)?
* You can reduce the cost of travel if [you are disabled](https://www.citizensadvice.org.uk/benefits/sick-or-disabled-people-and-carers/help-for-disabled-travellers1/help-with-transport-costs/help-with-the-cost-of-transport-if-youre-disabled/)
* There are other ways you can [reduce your travel costs](https://www.moneyadviceservice.org.uk/en/articles/cut-your-car-and-train-costs), such as searching for the cheapest petrol or diesel prices, changing your driving style to use less fuel, car sharing, car clubs and travelling by bicycle or walking.

Budgeting:

* Do you know where your money goes?  There are lots of tools and calculators that can help you keep track of your money.
  + You can use our budgeting tool, [on our website here](https://www.citizensadvice.org.uk/debt-and-money/budgeting/budgeting/work-out-your-budget/)
  + The money saving expert website has a [budget planner here](https://www.moneysavingexpert.com/banking/Budget-planning)
  + The Money Advice Service website has a [budget planner, budgeting guides](https://www.moneyadviceservice.org.uk/en/categories/budgeting-and-managing-money) and [lots of calculators](https://www.moneyadviceservice.org.uk/en/categories/tools-and-calculators) to help you manage your money.  Calculators include, a savings calculator, having a baby, or planning for Christmas.
  + You can use apps such as [Spendee](http://www.spendee.com/) & [Splitify](http://www.splitifyapp.com/) and apps created by [local Citizens Advice](https://www.citizensadvice.org.uk/about-us/how-we-provide-advice/our-prevention-work/education/education-resources/financial-capability-resources/financial-capability-resource-support/local-citizens-advice-resources/).  Check how the app will store and use your data before you download.
  + O[ur budgeting pages here](https://www.citizensadvice.org.uk/about-us/how-we-provide-advice/our-prevention-work/education/education-resources/financial-capability-resources/financial-capability-resource-topics/) have lots of other resources to help you, like spending diaries and top tips
  + Search the internet for life hacks that can save you money, such as these on the [money saving expert website here](https://www.moneysavingexpert.com/family/life-hacks)
  + You might also find it useful to think about how you spend money.  There is more information on the [Money Advice Service website here](https://www.moneyadviceservice.org.uk/en/videos/where-do-we-learn-money-habits-from)

**Impartial and free sources of information:**

There are other tips on saving money such as; buying own brands in the supermarket, entertain at home, cook rather than takeaway plus more, on the websites below.  There is also lots of information available to help you keep track of your money, shop around and pay less.

* Citizens Advice [financial capability resource topics](https://www.citizensadvice.org.uk/about-us/how-we-provide-advice/our-prevention-work/education/education-resources/financial-capability-resources/financial-capability-resource-topics/)
* The Money Advice Service - [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)
* Martin Lewis’ Money Saving Expert - [www.moneysavingexpert.com](http://www.moneysavingexpert.com)
* The consumer service Which and their money pages - [www.which.co.uk/money](http://www.which.co.uk/money)

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Information in England

**Last updated:** 5 August 2016

**6. Checking your options for getting out of debt**

**Before you start: deal with any urgent priorities**

Before you start choosing a strategy for getting out of debt, you should check whether you have a more urgent problem that needs to be dealt with straight away. If any of the following is happening to you, you need to deal with it before you start thinking about a longer-term plan to deal with your debts:

* **bailiffs** are coming to your home or business premises
* you're behind on your **rent** or **mortgag**e, or about to be **evicted**
* you've behind on your **gas or electricity payments**, or your energy supply is about to be **disconnected**
* you're behind on your **council tax** payments
* you're behind on your **television licence** payments
* any of your essential goods are about to be **repossessed** because you've missed payments on a **hire purchase** agreement
* someone is trying to make you **bankrupt**
* someone is taking **court action** against you to make you pay money.

If you can answer yes to any of these, you need to prioritise dealing with this problem before you start thinking about choosing a longer-term formal debt solution.

**Getting started**

Before you start choosing a debt solution, it's important you have a realistic understanding of your debt situation. Make sure you have a good idea of:

* how much money you owe and to whom
* which debts are the most urgent ones to pay off
* how much spare money you have each month, after paying all your bills.

Knowing this information will help you narrow down your options. It doesn't matter if you don't have exact figures -  you can make a final choice when you've got the right numbers.

**Not sure if you've got any spare money?**

If you're not sure whether you've got any money left over each month to put towards your debts, you can find out by doing a budget. This can take a bit of time, but will give you a true picture of the shape of your finances.

# 7. Stopping bailiffs at your door

* [Get proof of who they are](https://www.citizensadvice.org.uk/debt-and-money/action-your-creditor-can-take/bailiffs/stopping-bailiffs/stopping-bailiffs-at-your-door/#h-get-proof-of-who-they-are)
* [Check if the bailiff can force entry](https://www.citizensadvice.org.uk/debt-and-money/action-your-creditor-can-take/bailiffs/stopping-bailiffs/stopping-bailiffs-at-your-door/#h-check-if-the-bailiff-can-force-entry)
* [If your client has been told bailiffs will come back with a locksmith](https://www.citizensadvice.org.uk/debt-and-money/action-your-creditor-can-take/bailiffs/stopping-bailiffs/stopping-bailiffs-at-your-door/#h-if-your-client-has-been-told-bailiffs-will-come-back-with-a-locksmith)
* [If the bailiff isn't allowed to force entry](https://www.citizensadvice.org.uk/debt-and-money/action-your-creditor-can-take/bailiffs/stopping-bailiffs/stopping-bailiffs-at-your-door/#h-if-the-bailiff-isn-t-allowed-to-force-entry)
* [If your client doesn't have anything of value in their home](https://www.citizensadvice.org.uk/debt-and-money/action-your-creditor-can-take/bailiffs/stopping-bailiffs/stopping-bailiffs-at-your-door/#h-if-your-client-doesn-t-have-anything-of-value-in-their-home)
* [If you’ve broken a ‘controlled goods agreement’](https://www.citizensadvice.org.uk/debt-and-money/action-your-creditor-can-take/bailiffs/stopping-bailiffs/stopping-bailiffs-at-your-door/#h-if-you-ve-broken-a-controlled-goods-agreement-)

If a bailiff says they're evicting you instead of collecting a debt you'll need to get different advice.

[Check what to do if a bailiff says they’re evicting you](https://england.shelter.org.uk/housing_advice/eviction/what_happens_when_bailiffs_evict_tenants) on Shelter’s website.

Bailiffs (also called ‘enforcement agents’) visiting your home can be a stressful experience but you have rights and you shouldn’t be bullied.

Bailiffs are only allowed to try to come into your home between 6am and 9pm.

You shouldn't let a bailiff into your home - it’s always best to try to sort out your debt by keeping them outside and speaking through the door or over the phone.

Make sure your doors are locked and your windows are closed - bailiffs are allowed to come in through unlocked doors. If you have a porch with a lockable door you should lock this too.

Depending on the kind of debt you owe, the bailiff will sometimes have the right to force entry by asking a locksmith to open your door if you won’t let them in. It’s very unlikely they’ll do this - you should still have the chance to pay without them coming in.

Call 999 if you're being physically threatened by a bailiff - don't let them into your home.

Before you speak to a bailiff, [check the extra rules they should follow](https://www.citizensadvice.org.uk/debt-and-money/action-your-creditor-can-take/bailiffs/how-bailiffs-should-treat-you/how-bailiffs-should-treat-you-if-youre-vulnerable/) if you:

* are disabled or seriously ill
* have mental health problems
* have children or are pregnant
* are under 18 or over 65
* don’t speak or read English well
* are in a stressful situation like recent bereavement or unemployment

**Get proof of who they are**

The first thing to do when a bailiff arrives is to ask for proof of who they are and why they’re visiting.

If they say they're a 'debt collector' tell them to leave. They don't have the same powers as bailiffs and they have to go if you ask them to.

If they say they’re a bailiff or enforcement agent, ask them to show you a badge, ID card or ‘enforcement agent certificate’. All registered bailiffs have to carry proof of who they are.

They’ll also need to tell you which company they’re from and give you a telephone contact number for the head office.

Tell them to pass the documents through your letterbox or show you at a window. Their proof of identity will show their name and what kind of bailiff they are.

To check their identity you should either:

* [check the certificated bailiffs register](http://certificatedbailiffs.justice.gov.uk/) - if they say they’re a certificated enforcement agent
* [check the directory](https://www.hceoa.org.uk/members/authorised-members-directory) - if they say they’re a high court enforcement officer
* [contact the court that sent them](https://courttribunalfinder.service.gov.uk/) - if they say they’re a county court bailiff, family court bailiff or a civilian enforcement officer

Tell them to leave if they can’t prove who they are. Say you’ll report them to the police if they don’t go. If they won’t leave you should call 999.

**Check if the bailiff can force entry**

The bailiff could have the right to force entry to your home or business if they’re collecting:

* unpaid magistrates court fines, for example if you were given a fine for not paying your TV licence
* tax debts for HM Revenue and Customs, for example if you owe income tax

They’ll need to show you proof of what you owe and a 'warrant' or a document called a ‘writ’ from a court. Check any documents are signed and in date and have your correct name and address.

They aren't allowed to break down your door - they have to use 'reasonable force'. This means they'll have to come back with a locksmith who will unlock the door.

It’s very unlikely they’ll do this - you’ll usually still have time to make an offer to sort out the debt.

It’s best to [contact your local Citizens Advice for help](https://www.citizensadvice.org.uk/about-us/contact-us/contact-us/contact-us/) if the bailiffs say they’re getting a locksmith to force entry to your home.

**If your client has been told bailiffs will come back with a locksmith**

The bailiff is only allowed to do this if the type of debt they're collecting gives them the right to force entry using 'reasonable force'.

There should still be time to negotiate - bailiffs will usually prefer to make a payment agreement instead of forcing entry.

[Contact the Expert Advice team](https://www.citizensadvice.org.uk/cablink/Archived/expert-advice-team/Citizens-Advice-Expert-Advice-team/expert-advice-team-consultancy-service/ask-the-expert-consultancy/) to find out the best way of negotiating with the bailiffs.

**If you let the bailiff into your home**

If you decide to let them in and you can’t afford to pay what you owe straight away you’ll normally have to make a 'controlled goods agreement'. This means you'll agree to a repayment plan and pay some bailiff fees.

Check how to [make a controlled goods agreement with bailiffs](https://www.citizensadvice.org.uk/debt-and-money/action-your-creditor-can-take/bailiffs/what-bailiffs-can-take/making-a-controlled-goods-agreement/).

If you don’t make an agreement the bailiffs could remove your things to sell and pay off your debt. Read more about what happens if [bailiffs say they'll sell your belongings](https://www.citizensadvice.org.uk/debt-and-money/action-your-creditor-can-take/bailiffs/what-bailiffs-can-take/if-bailiffs-say-theyll-sell-your-belongings/).

**If the bailiff isn't allowed to force entry**

If the bailiff is collecting any other kind of debt they aren't allowed to force entry.

This includes if they're collecting:

* council tax arrears
* credit card or catalogue debts
* unpaid parking tickets
* money you owe to energy or phone companies

You have the right to keep them outside and talk through the closed door. Make sure everyone else in your home knows not to let them in.

Ask for a full breakdown of the debt they’re collecting and who the ‘creditor’ is - this is the person or company they say you owe money to. Tell them to pass any documents through the letter-box or under the door.

Check that any documents they give you are still in date and have your correct name and address.

If it’s someone else’s debt, say you’ll contact the bailiff’s head office to explain and tell them to leave. Check how to [prove it’s not your debt](https://www.citizensadvice.org.uk/debt-and-money/action-your-creditor-can-take/bailiffs/stopping-bailiffs/stopping-bailiffs-if-you-dont-owe-the-debt/).

If it’s your debt, tell the bailiff to leave and say you’ll speak to their head office to make arrangements to pay.

The bailiff might say you have to pay them on the doorstep or you have to let them in - you don’t. They aren’t allowed to force their way into your home and they can’t bring a locksmith to help them get in.

They’ll normally leave if you refuse to let them in - but they’ll be back if you don’t [arrange to pay your debt](https://www.citizensadvice.org.uk/debt-and-money/action-your-creditor-can-take/bailiffs/stopping-bailiffs/negotiating-your-debt-with-bailiffs/). It's important to do this as quickly as you can, otherwise the bailiffs can add fees to your debt.

You can [complain if the bailiff won't leave](https://www.citizensadvice.org.uk/debt-and-money/action-your-creditor-can-take/bailiffs/how-bailiffs-should-treat-you/complaining-about-bailiffs/) and you think they're harassing you.

**If your client doesn't have anything of value in their home**

If your client can prove they have nothing of value to the bailiff it could mean they’ll stop chasing the debt and pass it back to the creditor. They'll still have the debt but they won’t have to pay any bailiff’s fees and they won’t come back to their home.

It’s really important to check what bailiffs can take before advising your client to do this.

[Check what bailiffs can take with your client](https://www.citizensadvice.org.uk/advisernet/debt-and-money/bailiffs/what-bailiffs-can-take/check-what-bailiffs-can-take/) and make sure they don't have anything that could be taken by a bailiff. You could advise them to move or hide anything the bailiff could take.

If you're still unsure about whether bailiffs could take something [contact the Expert Advice Team](https://www.citizensadvice.org.uk/cablink/advice-and-education/expert-advice-team-who-we-are-and-how-we-can-support-advisers/) for more help.

**If you’ve broken a ‘controlled goods agreement’**

You might get a letter called a 'notice of intention to re-enter' if you've broken a 'controlled goods agreement'. This means the bailiff has the right to enter your home using 'reasonable force'. They'll have to use a locksmith to unlock your door - they aren't allowed to break it down.

There could still be time to renegotiate your controlled goods agreement and stop the bailiffs from visiting - you should act quickly.

Freephone **0808 808 4000**

[www.nationaldebtline.org](http://www.nationaldebtline.org/)

 England & Wales edition



Ways to clear your debt

### Fact sheet no. 35 EW Ways to clear your debt

April 2019

Use this fact sheet to:



**Extra advice:**

**Scottish debts**

This fact sheet only applies to you if you live in England and Wales. If you live in Scotland please [use the Scottish version of **Ways to clear your debt**.](http://factsheets.moneyadvicetrust.org/S/factsheets/Pages/ways-to-clear-your-debt-scotland/debt-advice.aspx)

see the different ways you can deal with your debt and how each one works;

find out what advantages and disadvantages each different way has; and

help you to decide which way meets your needs.

Key facts for each way tell you:

how big or small your debts would have to be; what type of debt could be repaid; and

how long you could expect to wait before you would be clear of your debt.

The sample letters mentioned in this fact sheet can be filled in on our [**website**](http://factsheets.moneyadvicetrust.org/EW/sampleletters/Pages/default.aspx).

The detailed sections that follow tell you how that option works, its advantages and disadvantages.

# Informally negotiated arrangement

## Key facts

**How much debt must I owe?** There is no minimum or maximum level of debt.

**What type of debt?** Use this option for credit debts only, after you have dealt with priority debts.

**How long will it last?** There is no time limit. You may be paying for many years.

## How it works

Normally, you work out your offers of payment based on a pro­rata distribution of your available income, after you have worked out what you have to pay on any priority debts and your essential household outgoings. This means that all your creditors are offered a fair share of what you can afford to pay. You also need to ask that any interest and charges are frozen.

Creditors have to treat you fairly if you are in financial difficulties. They should consider your offer of payment and consider freezing interest and charges if you ask them.

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[www.mymoneysteps.org](http://www.mymoneysteps.org/)

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You may need to offer no payments if you have no available income. This is called a ‘moratorium’. You may prefer to make token offers of payment of **£1** each month to each creditor. Creditors are only likely to accept this for a short time.

## Advantages

Fair and transparent method of distributing payments. Recognised by courts and widely accepted by creditors.

You can alter payments if circumstances change. You do not need an advice agency to negotiate these payments for you. Our budget tool [**Your budget**](https://tools.nationaldebtline.org/yourbudget/)shows you how to draw up your own personal budget and make offers to creditors. You can use [**sample letters**](http://factsheets.moneyadvicetrust.org/EW/sampleletters/Pages/default.aspx)when negotiating with your creditors.

Through an advice agency you can use the Standard Financial Statement.

## Disadvantages

Creditors may refuse your offers (although it is always worthwhile asking them to reconsider).

Creditors may refuse to freeze interest and the debt will grow. (Again, it is worthwhile asking them to reconsider.) You will have to pay your debts off in full. This may take a long time.

[Creditors may refuse offers unless made through an advice agency. (You can complain to the **Financial Ombudsman Service** if this happens.)](https://www.financial-ombudsman.org.uk/consumer/complaints.htm)

Creditors may take court action. This is a particular risk if you have larger debts and own your own home, as it may be possible for the creditor to get a charging order on your home. A charging order is a court order which secures the debt against your home like a mortgage.

You are responsible for administering all the payments yourself and keeping your creditors up to date with your circumstances.

Many creditors will often accept reduced offers for a limited period only and may ask for regular reviews. Your ability to get further credit will be affected.

# Free debt management plan (DMP)

## Key facts

**How much debt must I owe?** No minimum or maximum level of debt. You will need to be able to pay at least **£5** each month to each debt.

**What type of debt?** Use this option for credit debts only.

**How long will it last?** You will usually have to be able to repay your debts in less than **10 years**.

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**How it works**

You need to have at least **£5** each month to pay each of your non­priority debts after you have paid your essential outgoings and any priority debts. You usually have to be able to repay your debts in less than **10 years**.



**See our fact sheet:** [**Debt management plans (DMPs)**](http://factsheets.moneyadvicetrust.org/EW/factsheets/Pages/debtmanagementplans/dmpadvice.aspx)

You make the agreed monthly payment to a debt management company which distributes the payments among your creditors for you.

Make sure you use a debt management company that does not charge you any fees for their services. **Contact us for advice.**

## Advantages

This is a fair and transparent method of distributing payments.

The debt management company will help you work out how much you can afford to pay using the Standard Financial Statement.

The debt management company will negotiate with creditors on your behalf. This means that offers are more likely to be accepted and interest frozen.

You can increase your payments if your circumstances improve.

You may be able to reduce your payments if your circumstances get worse.

The debt management company administers all payments to your creditors. You just make one monthly payment to the debt management company. They should pass your payments on within five working days.

The debt management company should review your plan with you every year and give your creditors regular updates.

## Disadvantages

You will have to pay your debts back in full. This could take a long time.

The debt management company cannot force creditors to accept offers, or freeze interest, so a DMP cannot guarantee that all creditors will take part.

Creditors may still take court action against you. Your ability to get further credit will be affected.

It is very important to make sure you use a free debt management company. It is not always easy to tell if the service is free when you look at their website. **Contact us for advice.**

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**Individual voluntary arrangement (IVA)**

**Key facts**

**How much debt must I owe?** Because of the costs involved, it is better if you owe **£10,000** or more.

**What type of debt?** Most types of debt can be included, except: secured debts (unless your lender agrees), rent, student loans, magistrates' court fines, maintenance payments or maintenance arrears ordered by a court, Child Support Agency or Child Maintenance Service arrears.

**How long will it last?** There is no time limit, but they usually last **five years**.

## How it works

An individual voluntary arrangement (IVA) is an alternative to bankruptcy. It is a formal arrangement to pay an agreed amount off your debts over a shorter period, such as five years, or through raising a lump sum. The rest of the balance you owe on those debts which are included in the IVA is written off.



**See our fact sheet:** [**Individual voluntary arrangements (IVAs)**](http://factsheets.moneyadvicetrust.org/EW/factsheets/Pages/individual-voluntary-arrangements/iva-advice.aspx)

You will need an insolvency practitioner to set up an IVA. They will charge fees for preparing and running your IVA. The

arrangement has to be agreed by the majority of your creditors (**75%** by value of those who vote).

National Debtline can help you to set up an IVA by referring you to an insolvency practitioner from a list of providers who follow good practice guidelines under the IVA Protocol. **Contact us for advice.**

## Advantages

Repayments stop at an agreed date and you will usually pay less than the full amount you owe. You may be running a small business which would be difficult to keep going if you were bankrupt.

You may be in a profession where you could lose your job if you go bankrupt, such as accountancy, the police or the armed forces. But be careful, in some professions your employment may be affected by an IVA. Check with your professional body and check your contract of employment.

You may have access to a large lump sum and want a formal arrangement with your creditors to accept the lump sum and write off the rest of the debts.

You will not automatically lose your house or other assets.

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**Disadvantages**

If you do not keep to the terms of the IVA then the insolvency practitioner (IP) or your creditors can take further action against you, for example by making you bankrupt.



**Extra advice:**

**bank accounts**

Check the terms and conditions of your bank account to make sure that it cannot be affected by an IVA in any way.

If creditors do not accept the IVA proposal, you are back to square one and your creditors can carry on trying to pursue you for your debts.

If you paid an up­front fee for your IVA and it is not accepted, then you will have lost the fee and may be in a worse position than when you started.

If you own your house, you may need to re­mortgage your home as part of the IVA. If you are unable to do this you may have to pay extra into the IVA, or in rare cases you may lose your home.

If you rent your home, check the terms and conditions of your tenancy agreement. It may say that your landlord can end your tenancy if you enter into an IVA. Even if your tenancy agreement does say this, your landlord may choose not to end your tenancy, especially if you are up to date with your rent payments.

There is a risk that the IVA is agreed on the basis of monthly payments that you cannot afford over a long time. You must be very careful that the payments are set at a realistic amount in the first place.

If your circumstances change and you can no longer afford the payments, your IVA may end if the IP cannot persuade the creditors to accept a new agreement.

The IVA will be recorded on your credit reference file for **six years** and can affect your ability to get further credit.

When you set up an IVA, you will need to open a basic bank account which is separate from all your debts. A basic account does not offer any credit facilities, such as an overdraft. Some banks may not allow you to continue to operate a basic bank account whilst you are in an IVA. **Contact us for advice.**

# Bankruptcy

## Key facts

**How much debt must I owe?** A creditor can only issue a bankruptcy petition if you owe **£5,000** or more. You can make yourself bankrupt however much you owe.

**What type of debt?** Most types of debts can be included. The main exceptions are student loans, magistrates' court fines, maintenance payments or maintenance arrears ordered by a court, Child Support Agency or Child Maintenance Service arrears, debts you build up through fraud and debts you owe as a result of a personal injury claim against you.

**How long will it last?** Most people are discharged from all their debts after **one year** (but there are exceptions to this). If you have spare income you may have to make payments for **three years**.

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[www.mymoneysteps.org](http://www.mymoneysteps.org/)

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**How it works**

You can apply for your own bankruptcy or a creditor can make you bankrupt. Your financial affairs will be dealt with by the official receiver.



**See our fact sheet:**

[**Bankruptcy**](http://factsheets.moneyadvicetrust.org/EW/factsheets/Pages/bankruptcy/how-to-go-bankrupt.aspx)

Valuable assets are usually sold to raise money to pay your creditors.

At the end of your bankruptcy most debts are written off. Bankruptcy may be a good option, particularly where you rent your home and have no assets.

## Advantages

It relieves stress and anxiety.

It allows you to make a fresh start after a year. Your debts are written off if you have no assets.

Most creditors cannot take further action against you unless the debts are secured on your home. There are some exceptions to this.

You may need to make monthly payments for a maximum of **three** years.

You may be able to avoid selling your home if your partner or a relative can buy out your share of its value.

## Disadvantages

Bankruptcy will affect your ability to get further credit. If you have equity you could lose your home.

Secured creditors can still take action against you.

You have to find the money for the fee and the deposit. Your assets may be sold by the official receiver.

Not all your debts are written off.

Your employment may be affected. Check your contract.

If you run your own business, you may find it difficult to continue to trade.

Details of your bankruptcy will be held in the public Individual Insolvency Register and published in the London Gazette.

You may have a ‘bankruptcy restrictions order’ made against you for dishonesty or ‘unfit conduct’.

In some cases the official receiver can take criminal action against you: for example, if you have committed fraud.

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**Debt relief order (DRO)**

**Key facts**

**How much debt must I owe? £20,000** or less.

**What type of debt?** Most types of debt except: student loans, magistrates' court fines, maintenance payments or maintenance arrears ordered by a court, Child Support Agency or Child Maintenance Service arrears, money owed under a criminal confiscation order, debts you build up through fraud, debts resulting from certain personal injury claims and budgeting or crisis loans.

**How long will it last?** You will be discharged from your debts after **one year**.

## How it works

You can apply to the official receiver for a DRO on a special online application form with the help of a money adviser who has been appointed as an approved intermediary.



**See our fact sheet:**

[**Debt relief orders (DROs)**](http://factsheets.moneyadvicetrust.org/EW/factsheets/Pages/debtrelieforders/droadvice.aspx)

You will be eligible if: you are unable to pay your debts; you have **£50** or less spare income each month after you have paid your normal household bills; your total debts are **£20,000** or

less; your total assets are worth **£1,000** or less; and, if you own a car, this is worth below **£1,000**. You cannot apply if you have had a DRO in the last **six years**. If you do not live in England or Wales (or have not lived or run a business in England or Wales in the last **three years**), you cannot apply.

If your application is successful, most types of debt will be written off after **12 months**. A DRO could be a good option if you rent your home, have few assets and little spare income.

## Advantages

It relieves stress and anxiety. There is no court hearing.

It allows you to make a fresh start after a year.

Your debts are written off if they were included in the DRO.

Most debts can be included in the DRO, including priority debts such as energy debt and council tax.

Creditors included in the DRO cannot take further action without the court's permission, once you have a DRO.

You have to find an application fee, but you can pay this in instalments and this is much cheaper than **bankruptcy**. You do not have to make monthly payments on your debts while you have a DRO.

## Disadvantages

You cannot apply if you own your home as this would be counted as an asset. Not all types of debt are written off.

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If you forget about a debt, you cannot add it in later.

Details of your DRO will be kept in the Individual Insolvency Register.

The DRO will be recorded on your credit reference file, which will affect your ability to get further credit. You may have a ‘debt relief restrictions order’ made against you for dishonesty or ‘unfit conduct’.

In some cases the official receiver can take criminal action against you: for example, if you have supplied false information.

# Administration order

## Key facts

**How much debt must I owe? £5,000** or below.

**What type of debt?** Use this option for credit debts and some priority debts.

**How long will it last?** You can ask for a ‘composition order’, which means the debts may be written off after a shorter time such as **two or three years**. Otherwise, there is no time limit. You may be paying for many years.

## How it works

You must have a county court or high court judgment. Your debts must be no more than **£5,000**. You must have at least two debts.



**See our fact sheet:**

[**Administration orders**](http://factsheets.moneyadvicetrust.org/EW/factsheets/Pages/administration-orders/what-is-an-administration-order.aspx)

An application is made to your local County Court on a form

[**N92**](http://hmctsformfinder.justice.gov.uk/HMCTS/GetForm.do?court_forms_id=651).

An administration order (AO) is a county court order which allows you to make a single payment every month to the court. The court divides this between your creditors on a pro­rata basis.

## Advantages

None of the creditors listed on the AO application can take further action against you without the court’s permission. The court deals with your creditors and makes the payments for you.

Interest and other charges are stopped.

There is no up­front fee, although the court takes **10p** from every **£1** paid in.

You can apply to make payments for a time­limited period such as **three** years using a ‘composition order’. You can increase payments where your circumstances improve.

You can apply to the court to make reduced payments if your circumstances get worse.

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[www.mymoneysteps.org](http://www.mymoneysteps.org/)

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**Disadvantages**

You must have total debts below the **£5,000** limit.

Creditors can make objections to the court and ask to be left out of the order (although the court may not agree with this).

Your ability to get further credit will be affected.

If you do not maintain your payments, the AO can be revoked and the creditors can pursue you again.

# Debt consolidation and credit

## Key facts

**How much debt must I owe?** There is no minimum or maximum level of debt. It will depend upon what the lender is prepared to lend.

**What type of debt?** Any debts that your lender allows you to include.

**How long will it last?** It will last the length of time it takes you to repay the loan.

## How it works

Apply to a lender for a loan to clear debts. These are often advertised as ‘consolidation loans’. The lender may want to secure the new loan on your house if you own property.



**See our fact sheet:** [**Debt consolidation and credit**](http://factsheets.moneyadvicetrust.org/EW/factsheets/Pages/debtconsolidationandcredit/debtconsolidationandcredit.aspx)

It is very important that you shop around for the best deal from high street and internet lenders. If you are viewed as a poor credit risk, it is possible that a good deal may not be available to you.

## Advantages

Paying off your debts with a consolidation loan is less likely to have a negative impact on your ability to get further credit.

You will be making one monthly payment on one loan, rather than many payments to different creditors. Your new monthly payment should be lower, but you must check that you can afford the new payments.

## Disadvantages

If you are viewed as a poor credit risk you may not be able to take out a consolidation loan, or you may be offered one on worse terms and conditions, for example at a higher interest rate.

If the loan is secured on your house, then it could be repossessed if you do not keep up with the payments.

Interest rates often change over the loan period, making it impossible to work out what the total cost of the loan will be.

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Check if the interest is ‘fixed’ or ‘variable’. If it can change, you could end up paying much more than you expected.

Loans are often offered over a longer time than your original loans. This means that, even if the interest appears reasonable, the length of time you have to repay can increase the overall cost of the loan significantly. This means that in the end you pay more.

If you don’t clear all your existing borrowing, then you may struggle to make the payments. If you keep your credit cards, it may be tempting to use them again.

If you did not use [**Your budget**](https://tools.nationaldebtline.org/yourbudget/)to make a full budget, listing your income and outgoings, you may not have worked out if you can realistically afford the new payments.

# Full and final settlement offer

## Key facts

**How much debt must I owe?** There is no minimum or maximum level of debt.

**What type of debt?** Use this option for credit debts usually.

**How long will it last?** A short time, unless payment is in instalments.

## How it works

If you have a lump sum available that will pay off part of your debts, you can ask your creditors to accept a part payment and write the rest off.



**See our fact sheet:** [**Full and final settlement offers**](http://factsheets.moneyadvicetrust.org/EW/factsheets/Pages/fullandfinalsettlementoffers/lumpsumoffers.aspx)

You may get creditors to agree to you making monthly payments for a set period and then writing the rest off.

## Advantages

You clear your debts in full but only pay part of the debt back. It relieves stress and anxiety.

It allows you to make a fresh start.

This gives you a goal and means you are more likely to make the payments.

## Disadvantages

You lose your lump sum or asset which you could have used elsewhere.

It is vital to get agreement in writing from your creditors before paying the lump sum to them. You may need to ask for help from relatives or friends.

The debts will still show up on your credit file and affect your ability to get credit in the future, but your file should be marked to show you have made a ‘partial settlement’.

A creditor could refuse your offer and try to recover the whole debt by taking court action.

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# Write off debt

## Key facts

**How much debt must I owe?** There is no minimum or maximum level of debt.

**What type of debt?** You would usually use this option for credit debts.

**How long will it last?** Debts would be cleared at the time that they are written off.

## How it works

It may be possible to ask your creditors to write off the debts if you have no available income to make any payments and have no savings or assets.



**See our fact sheet:**

[**Write off debt**](http://factsheets.moneyadvicetrust.org/EW/factsheets/Pages/write-off-debt/write-off.aspx)

You need to convince the creditors that your circumstances are unlikely to improve in the future.

Your circumstances may need to be exceptional; for example, you have a severe illness. You need to convince your creditors that it is not worthwhile trying to collect the debt.

We have a [**sample letter**](http://factsheets.moneyadvicetrust.org/EW/sampleletters/Pages/Write-off-the-debt-(sole-name).aspx)that you can use to ask your creditors to write off your debts. If they do not agree at first, we have a further [**sample letter**](http://factsheets.moneyadvicetrust.org/EW/sampleletters/Pages/Write-off-the-debt-second-request-(sole-name).aspx)that you can use to ask them to reconsider their decision.

## Advantages

It relieves stress and anxiety where you are in an exceptionally difficult situation. It allows you to make a fresh start.

Your creditors accept that it is not appropriate to take any further action because of your situation.

## Disadvantages

Creditors do not normally agree to write off the debt.

It will still show up on your credit file and affect your ability to get credit in the future. Some creditors choose not to pursue the debt but do not put this in writing.

There is no guarantee they won’t chase you for the debt in the future. Some creditors may refuse whilst others agree.

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**Equity release**

**Key facts**

**How much debt must I owe?** There is no minimum or maximum level of debt. However, it’s more likely to be a suitable option if you have debts that you can’t afford to clear through your existing regular income.

**What type of debt?** You can use this option to clear any type of debt.

**How long will it last?** There is no time limit. Different equity release schemes can give you money in different ways and at different times. For example, some may give you a cash lump sum. Others may give you regular payments over time.

## How it works

You consider all options to deal with debts and raise funds. You identify that you would like to release money from your property to help clear debt.



**See our fact sheet:**

[**Equity release**](http://factsheets.moneyadvicetrust.org/EW/factsheets/Pages/equity-release/equity-release-schemes.aspx)

You get independent financial advice and independent legal advice to help you understand the advantages and disadvantages of equity release.

There are two main types of scheme available.

Lifetime mortgages give you funds in a single lump sum or smaller instalments over time, or a combination of both. You remain the owner of your home. The lifetime mortgage is repaid when you die or go into long­term care.

Home reversion plans allow you to sell part, or all, of your property to a home reversion company. They give you a lump sum or regular smaller payments. When the property is sold, the home reversion company gets their share of the sale proceeds.

## Advantages

Equity release can give you a cash lump sum or regular monthly payments. This can help with regular bills, home improvements, care costs and so on.

You can usually stay in your property for as long as you need to.

You may be able to move, as long as the new property is acceptable to the equity release firm. You can set aside part of your property value as an inheritance for your family members.

You do not have to pay rent to the equity release provider.

For lifetime mortgages, you may be able to choose whether to pay back interest or let it build up. The loan is usually only paid back when you die or when your property is sold.

For some lifetime mortgages, interest rates are either fixed or can’t rise above a set level.

For some equity release schemes, there is a guarantee that the total amount you owe cannot be greater than the value of your property.

You will not have to pay tax on the equity released from your main home.

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## Disadvantages

Your equity immediately becomes less.

You may leave a smaller inheritance to other people when you die.

A lifetime mortgage means that you are securing further borrowing against your home.

For home reversion schemes, home reversion companies will usually pay a lot less than the full market value of their share of your property. Also, you will no longer be the sole owner.

If you die or sell your home shortly after taking out an equity release scheme, you could lose money. There may also be early repayment charges if you decide to repay what you owe within a short time of taking out the deal.

If house prices fall, you may owe a greater percentage of your home’s value.

With a lifetime mortgage, if you live long enough, you could end up owing 100% of your property’s value. The money you get from equity release could affect the amount of benefits you are entitled to.

You may need the provider’s permission for someone else to move in, such as a relative or carer. You usually need to get your provider’s permission to move to another property.

You usually have to pay costs for arranging the transaction, for your property to be valued and for legal fees.

You will still be responsible for paying all the usual bills such as council tax, gas and electricity. You may also need to pay for buildings insurance.

You will usually be responsible for repairs and maintenance. So you may need to regularly set aside some money for this.

# Pension freedoms and debts

## Key facts



**Warning:**

**think carefully**

Think very carefully about whether you use your pension fund to pay off your debts or not. Making a hasty decision could mean that you lose a lot money because of the tax or benefit rules. Taking money from your pension pot now will reduce

your income later in retirement and might reduce the amount of benefits, tax credits or financial support from your local council in the future.

**How much debt must I owe?** There is no minimum or maximum level of debt.

**What type of debt?** Any kind of debt

**How long will it last?** This depends on how much money you take from your pension fund and how often you take it.

## How it works

The rules governing [**defined contribution pensions**](https://www.pensionwise.gov.uk/en/pension-types), sometimes called ‘pension funds’ or ‘pension pots’, have changed. If you are **55 or over**, you now have access to your

pension fund. This affects many personal and workplace pensions, but not defined benefit pensions such as final salary schemes. If you are considering moving money from a final salary scheme pension or a defined benefit pension, get specialist pension advice from an independent financial adviser first.

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If you have a defined contribution pension, you might be able to use some of your pension fund to deal with your debts. You can choose to take up to 25% as a single, tax­free, lump sum.



**See our fact sheet:**

[**Pension freedoms and debts**](http://factsheets.moneyadvicetrust.org/EW/factsheets/Pages/pension-freedoms-debts/pension-freedoms.aspx)

You can do this in five different ways: buy an annuity;

get an adjustable income (called 'drawdown'); take cash in chunks;

cash in the whole pension fund in one go; and mix any of the options.

You can also decide to leave your pension fund untouched. Creditors should not pressurise you to use your pension to pay off debts. Contact [**The Pensions Advisory Service**](https://www.pensionsadvisoryservice.org.uk/)on 0800 011 3797 for free, impartial information and guidance about your pension choices.

You may be able to get a Pension Advice Allowance of up to **£500** from your pension fund to help pay for financial advice about your pension options. You will need to write to your pension provider to make the request. Not all pension providers will offer this. The allowance is paid directly to a [**regulated financial adviser**](https://directory.moneyadviceservice.org.uk/en). It is not given to you. You can get an allowance up to three times, but not more than **once** in any tax year.

## Advantages

Using the money in your pension fund might make it possible for you to deal with your debt in a way that otherwise you could not afford.

If a creditor issues a statutory demand and is threatening to make you bankrupt, you may prefer to use money from your pension to deal with this instead of trying other options, like offering a charge on your property.

You will not have to take out credit that you cannot afford to deal with your debt.

## Disadvantages

Taking money from your pension now will reduce the money you and your family can get from your pension fund later.

If you are getting any benefits or tax credits, or if you get financial support from your local council, you should inform the Department for Work and Pensions (DWP), HM Revenue & Customs or your local council of any money that you take from your pension fund, so that you are not overpaid. Your benefit may be reduced or stop once you have done this.

If you take money from your pension fund, the DWP, HM Revenue & Customs and the local council will consider whether you have spent the money to try to get more in benefits or tax credits later. If they decide that you have done so, you may be given less in benefit or tax credits than you would otherwise have received.

You may need to pay for advice about what option to take.

If you take money from your pension fund without getting advice, you could lose a lot of money. Your pension provider may charge you a fee for leaving your pension early.

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Taking a lump sum greater than the tax­free amount from your pension would mean that some of the money would be taken in tax.

If you take money from your personal pension, it may affect whether you are able to use some other options for dealing with your debts.

If you take money from your pension while you are in some other debt options, it may be taken off you.

# Selling assets to clear debt

## Key facts

**How much debt must I owe?** There is no minimum or maximum level of debt. It’s more likely to be a suitable option if you have debts that you can’t afford to clear through your regular income.

**What type of debt?** You can use this option to clear any type of debt.

**How long will it last?** There is no time limit. It may take you longer to sell some assets than others. It depends on the asset and the method you use to sell it.

## How it works

You consider all available options and decide that you want to sell an asset to help clear your debt. **Contact us for advice** before making this decision.



**See our fact sheet:**

[**Selling assets to clear debt**](http://factsheets.moneyadvicetrust.org/EW/factsheets/Pages/selling-assets-to-clear-debt/selling-assets.aspx)

You choose which assets you want to sell and how you want to do this. You explore all the costs involved in the method of sale you choose.

There are many ways of selling assets yourself, such as online auctions and advertising in local newspapers. There are also legally binding ways of using assets to pay debts, such as entering into an individual voluntary arrangement.

You consider how you want to use the money you raise. If you cannot pay all your debts off, you could consider making smaller offers to settle each debt and ask the creditors to write off any remaining amounts. It is important to take into account how you can treat creditors fairly. This is because if you consider some other options to deal with your debt in the future, how you have previously treated creditors can be taken into account when deciding whether further restrictions should be applied to you.

## Advantages

It can help to relieve pressure from creditors who may be chasing you for payment or threatening legal action. It can help to stop priority creditors taking legal action to take away an essential service or an essential item.

You may be able to pay off those creditors who charge interest at a higher rate so that your other debts are easier to manage.

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**Disadvantages**

You would have less financial security for the future. For example, depending on which assets you sell, it may mean you have less money and security for your future and retirement.

You may leave less inheritance to other people when you die.

If emergencies occur in the future, you may be less likely to have the funds to deal with them.

In some situations, you could still be treated as having money you have used to clear debts when the Department for Work and Pensions or your council look at your benefits.

You may need to get professional advice to make sure that selling your assets does not affect your tax position.

# Help from charitable organisations

## Key facts

**How much debt must I owe?** There is no minimum or maximum level of debt.

**What type of debt?** It depends on the charity, but usually priority debts.

**How long will it last?** Debts would be reduced or cleared by the payment.

## How it works

Apply for financial help from a suitable charity through the Turn2us website [**www.turn2us.org.uk**](https://www.turn2us.org.uk/).



**See our fact sheet:** [**Help from charitable organisations**](http://factsheets.moneyadvicetrust.org/EW/factsheets/Pages/charitable-payments/trust-funds.aspx)

Get information about trust funds you can apply to for financial help by going to the Auriga Services website [**www.aurigaservices.co.uk**](https://www.aurigaservices.co.uk/). Click on the link **Download booklet Help with Water and Energy** at the top of the page.

## Advantages

It relieves stress and anxiety where you are in an exceptionally difficult situation. A charitable payment may pay off a particularly urgent or pressing debt.

## Disadvantages

Most charities are unlikely to be able to help with large credit debts.

You must fit the charity rules to apply in the first place, so it may be hard to find a suitable charity.

Charities are only likely to help with an emergency or priority debt, not the whole problem (assuming you have more than one debt).

You will normally have to fill in a detailed application form or find an advice agency to apply for you.

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