

# Debt advice

Information for council tenants



A fresh approach to people, homes and communities

[www.berneslaihomes.co.uk](http://www.berneslaihomes.co.uk)

## Introduction

Our main aim is for people to be able to pay their rent. We want to help you avoid getting behind with your payments.

Many people suffer difficulties with money at some time in their lives. Money problems may happen if you lose your job, suffer an illness, your income falls or your relationship breaks down.

Struggling with money can be a very worrying and lonely experience. Many people do not talk openly about money or debt, which means it can be easy to feel like you're the only one having problems.

This booklet gives advice on how to tackle your debts and shows you:

- how to work out your personal budget;
- how to explain your money problems to the people you owe money to (your creditors);
- how to decide which debts to deal with first (your priority debts);
- how to make offers that you can afford; and
- what action creditors can take.

For some problems, this booklet may not be detailed enough and you may need advice from a specialist. There is a list of contacts at the back of this booklet.

Please don't ignore the problem. It won't go away and the longer you leave it, the worse it will get.

## How to deal with your debt

- Get in touch with your creditors.
- Prepare a personal budget.
- Work out your income.
- Work out your spending.
- Work out what money you have left over for your creditors.
- Separate your priority debts from your other debts.
- Divide money left over between your other non-priority debts.
- Write to your creditors.

## Get in touch with your creditors

Get in touch with your creditors straight away and explain your money problems to them. If the first person you speak to is unhelpful, ask to speak to someone more senior who may be able to agree to what you want.

Make sure you deal with your priority debts first – these are the debts that can mean that you lose your home, have your gas or electricity cut off, or go to prison. Don't make offers to pay your non-priority debts until you have sorted out paying your priority debts.

If you receive a court summons, fill in the forms and give the court all the facts. You should send them a copy of your personal budget. Go to court hearings and take a copy of your personal budget with you. Most court hearings are private.

Always answer letters or phone calls from your creditors. Don't give up trying to reach an agreement, even if they are being difficult.

The law gives creditors a range of different ways to get their money back. So, some debts are more important than others. Below is a list of debts and what can happen if you cannot reach an agreement with your creditors.

Debt	What can happen
Rent and mortgage arrears	You can lose your home
Service charge arrears	You can be evicted from your home
Council Tax	Your personal goods could be taken by bailiffs and sold to repay your debts or you could be sent to prison
Water charges	You may have to go to court
Gas or electricity	Your supply could be cut off
Magistrates' court fines	You could be sent to prison
Child maintenance	You could be sent to prison
Tax	Your personal goods could be taken by bailiffs and sold to repay your debts or you could be sent to prison
Phone	Your phone could be disconnected

## Prepare a personal budget

To prepare your personal budget, you should:

- set aside some time when you know you won't be disturbed;
- collect details of what you owe;
- collect details of your living expenses; and
- get a calculator and some blank paper.

When you fill in your personal budget, make sure that all your income and expenses are converted into amounts for each calendar month. You can do this by making the following calculations.

- To convert weekly amounts to calendar monthly amounts: multiply the weekly amount by 52 and divide it by 12.
- To convert four-weekly amounts to calendar monthly amounts: multiply the four-weekly amount by 13 and divide it by 12.

## Work out your income

When you work out your income, you need to work out the 'net' amount you are paid. This is the amount you are paid, less any deductions for tax, National Insurance and pensions. Do not include overtime (unless it is regular), commission, or bonuses unless they are guaranteed. If you receive money for things like maintenance payments or Council Tax, you will need to add these amounts to your net income.

If you receive Attendance Allowance do not include this as income. For your personal budget, Disability Living Allowance should be included as income and included as an expense as well.

You should see if you could increase your income. Here are a few suggestions.

- Check you are not paying too much tax.
- Check whether you can claim any benefits.
- Ask members of your household to pay more towards day-to-day expenses.
- Take a part-time job. This may affect any benefits you can claim.

Will your income change in the near future? If anyone owes you money, what are the chances of getting it back?

## Work out your spending

Work out how much money you pay out each calendar month on basic living expenses. Do not include any debts or credit payments. Use this checklist to help you.

<b>Debt</b>	<b>What you should do</b>
Rent and service charges	Check whether you can claim Housing Benefit.
Council Tax	Check whether you can claim Council Tax Benefit or a discount (or both). Ask if you can pay your Council Tax every week or over 12 months instead of 10.
Water charges	Ask if you can pay each week or each month instead of every six months.
Gas or electricity	Work out the cost of your bills over a year and divide the total by 12. Ask the gas or electricity company if you can pay by budget scheme or have a pre-pay meter installed.
Housekeeping	If you are not sure about how much you spend, allow £125 a month for each person who lives with you. If anyone has a special diet or other special needs, you will need to increase this amount. You should explain this in any letters you write to creditors. You may find that some of your creditors may ask you if you need to spend so much on cigarettes or leisure items. See if you can cut down, but be realistic.
TV and video rental	If you are paying for satellite or cable television, include the cost of subscriptions. Some of your creditors may ask you to cancel them.
TV licence	Consider the 'cash easy entry scheme' which allows you to spread your payments over a year. You can also pay for your TV licence in 12 instalments by direct debit.
Clothing	Look at how much you spend on clothing for your household over a year. Remember to include school uniforms. As a rough guide, allow £20 for each person every month.

If you are on Income Support, you may be able to get help with school uniforms and meals. Contact your local education authority. If you are self-employed, you might need to include other things like income tax and National Insurance contributions and insurance. Is there any way you can cut down on your spending? Will the amount you spend change in the near future?

## Work out what money you have left for your creditors

To find out how much money you can offer your creditors, take away your total spending from your total income. See if you can cut down on any of your expenses, but don't cut down on basics like food, gas or electricity. You must try to make your spending less than your income, or your debts will continue to grow.

If your income is more than your spending, you will have money left over for your creditors.

Some debts are more important than others. Talk to your creditors about how much you can reasonably pay them each month. Then, if you have any other money left, use a formula to work out what you should pay each month.

## Separate your priority debts from your other debts

Make sure you tackle your priority debts first – these are the debts that can mean that you lose your home, have your gas or electricity cut off, or go to prison. Don't offer to pay your other debts until you have sorted out paying these debts.

### Rent, service charge and mortgage debts

Offer to pay your landlord or lender an amount you can afford each month from your available income. Use your personal budget sheets to support your offer.

If you get Housing Benefit, you can offer to have it paid direct to your landlord.

If you get Income Support, you can have a set amount taken from your benefit and paid direct to your landlord or mortgage lender.

If you are on a very low income, do not be frightened to offer a small amount if that is all you can afford.

### Council Tax

Contact your Council Tax department to make them an offer you can afford.

Generally, the council will expect you to clear your debt before your next council tax bill is due, but you may be able to arrange to make payments over a longer period. Send them a copy of your personal budget. Get more help if you cannot agree a payment plan.

## Water charges

Your water company will normally expect you to pay what you owe them before they send you the next bill. If you don't pay, the company will send you a county-court notice for the money you owe.

If you get Income Support and still owe at least half the year's water bill, you can ask the Benefits Agency to take an amount from your Income Support to cover the amount you usually pay and a set amount towards your debt. The Benefits Agency will pay this direct to your water company.

## Gas and electricity

You will usually have to agree a payment plan with your gas or electricity company to stop them cutting off your supply.

You may be offered a key or card meter, but be aware that this may not be the cheapest way to pay. Ask them about a budget-payment card, which allows you to pay money off your next bill at the post office.

If you get Income Support, you can ask the Benefits Agency to take an amount from your Income Support to cover the amount you usually pay and a set amount towards your debt. The Benefits Agency will pay this direct to your supplier.

## Divide money left over between your other non-priority debts

After you have arranged to pay your priority debts, there may be nothing left to pay other creditors. If you have nothing left, say so. Send your creditors a copy of your personal budget. Ask them not to take any action against you until your circumstances improve. Offer them a token payment of £1 a month.

Your debt will increase if your monthly offer of payment is less than the interest you are being charged. Ask your creditors to stop charging you any more interest.

If you have money left after you have arranged to pay your priority debts, contact all your creditors to find out how much you owe each one. Add up each debt to find out how much you owe in total. Work out the monthly amount you can offer to each creditor by using the following formula.

$$\begin{array}{l} \text{Money left each month} \\ \text{multiplied by how} \\ \text{much you give a} \\ \text{creditor divided by} \\ \text{the total amount you} \\ \text{owe} \end{array} = \text{Your offer} \\ \text{to the} \\ \text{creditor}$$

Don't worry if this seems complicated – see the example of a personal budget later in this booklet.

Don't worry if your offer looks very small. Your creditors would prefer you to pay a small amount regularly than make promises you can't keep.

If a creditor refuses to accept your offer or to stop charging you interest, explain your situation in more detail. If other creditors have accepted, say so. Point out that if they take you to court, the court is likely to stop your creditor from charging you interest.

## Write to your creditors

Write to your creditors to explain your situation and send them a copy of your personal budget. At the end of this booklet there are some examples of letters and a personal budget. You can use these when you write to the creditors.

### a Monthly income

Include all the income you and your partner receive. If you receive a wage or salary, you should write your net income (the amount you take home) and how much you get from any state benefits you get. If you have any attachment of earnings (that is, you receive maintenance payments or money towards your Council Tax), you must add these amounts to your net income.

Write monthly amounts on your budget sheets.

### b Monthly spending

Include all your basic essential spendings. To work out the monthly cost of future bills, divide the amount you paid last year by 12 (for a monthly average).

If your house is used as security for a loan, for example, for your mortgage, you should treat this as priority debt.

### c Priority debts

These are your most important debts but they may not always be your largest debts.

## d Non-priority debts

Write the names of all your creditors (the person or company you owe money to), such as:

- catalogues,
- store cards, and
- overdrafts.

## e To work out payment offers for credit cards

Divide each debt by the total of all your debts. Then multiply this amount by the amount you have left for other non-priority debts. See the table below for an example.

## What happens next?

If your circumstances change, contact your creditors immediately. Explain your situation and make a new personal budget with a new offer. If the situation has improved, send a new personal budget showing an increased offer.

If things get worse, get advice immediately from your local citizens advice bureau.

After six months, your creditors will usually ask you for an update of your situation. You must reply even if your circumstances have not changed.

Do not borrow more money – it will only make things worse.

Do not arrange to make payments that you cannot afford.

Visa card divided by	£596
Total debt multiplied by	£2246
Money left equals	£122
Offer	£32

# An example of a personal budget

Your name

Your address

How many people live in your household? Adults  Children

## a Monthly income

Your wages or salary	£840.00
Your partner's wages or salary	£461.00
Jobseeker's Allowance	
Income Support	
Tax credits	
Pension	
Child Benefit	£112.02
Incapacity Benefit	
Child maintenance	
Contributions from non-dependant	
Other (please give details)	
<b>Total</b>	<b>£1413.02</b>

## b Monthly spending

Rent, mortgage and service charges	£182.00
Council Tax	£56.00
Water charges	£25.00
Gas	£35.00
Electricity	£40.00
Magistrates' court fines	
Maintenance payments	
Buildings and contents insurance	
Life insurance and pension	£15.00
Housekeeping	£325.00
TV licence and cable or satellite TV subscriptions	£29.10
Phone	£35.00
Hire purchase	£130.00
Travel expenses	£158.00
School meals	£60.00
Clothing	£65.00
Laundry	
Childminding	£40.00
Prescriptions	
Other (please give details)	
<b>Total</b>	<b>£1195.10</b>

### c Priority debts

Debt	The amount owed	My monthly payment
Rent	£500	£40
Council Tax	£250	£15
Gas	£100	£10
Electricity	£150	£10
Court fines	£350	£20
<b>Total</b>		<b>£95</b>

Total monthly income (a)	£1413.02
Less total monthly spending (b)	£1195.10
<b>Money left over</b>	<b>£217.92</b>
Less priority debts (c)	£95
<b>Money left for other non-priority debts</b>	<b>£122.92</b>

### d Non-priority debts

Debt	The amount owed	My monthly payment
Visa	£596	£32.62
Store card	£850	£46.52
Overdraft	£800	£43.78
<b>Total owed</b>	<b>£2246</b>	
<b>Total monthly payment</b>		<b>£122.92</b>

This is an accurate record of my financial position.

Signature

Date

## More information

### Harassment

Creditors should not:

- threaten you;
- mislead you about the action they can take;
- phone you at unreasonable times;
- keep phoning you at work;
- contact your friends, neighbours or employer; or
- give anyone else your personal information without your permission.

If you feel that you are being harassed by a creditor, contact your local citizens advice bureau.

Creditors do have the right to send you reminder letters saying how much you owe.

### Hire purchase

If you have hire-purchase or conditional-sale agreement, you do not own the goods until you have made the final payment. If you miss payments and have paid less than a third of the total price, the company can take back your goods. If you have paid more than a third, the company must get a court order before they can take back your goods.

Not all the goods you buy on credit are hire purchase. There are many different types of credit agreement. With most agreements, you own the goods and your creditor has to start court action to get their money back.

Only the person who signs the credit agreement is responsible for the debt. A husband and wife are not responsible for each other's hire-purchase debts unless they both sign the agreement.

### Bank accounts

If your bank account is overdrawn, you should consider having your wages or benefits paid into an instant-access account with another bank or building society. You will not be able to have a chequebook or go overdrawn, but most instant-access accounts offer standing-order and direct-debit facilities.

If you are seriously overdrawn, you will be paying high bank charges. Your bank can limit how much you can take out, or refuse to pay direct debits and standing orders. It is important that you have control over all your income. By changing accounts, you will have this control. You can then deal with your bank in the same way as you deal with your other non-priority creditors.

Remember to cancel any direct debits and standing orders you have on your previous bank account. Your bank will still charge you for unpaid direct debits and standing orders and your overdraft will increase.

## Letters and forms for you to use

This is an example of a letter you could send to your creditors to make them an offer.

Your name  
Your address

Date

Account number

Dear Sir or Madam

I am currently having financial difficulties because.....

I have included my personal budget which shows my current financial situation.

I cannot afford my monthly payment to you, so I hope you can accept (amount) which I can afford to pay each month.

I hope you will consider this offer and that you will stop charging interest on my account so that my debt does not increase. I will tell you about any changes in my circumstances, and will write to you in six months with a new personal budget.

If you accept this offer of payment, please send me a payment book.

Thank you for your help in this matter.

Yours faithfully

This is an example of a letter you could send to your creditors to tell them you cannot make them an offer.

Your name  
Your address

Date

Account number:

Dear Sir or Madam

I am currently having financial difficulties because.....

I have included my personal budget which shows my current financial situation.

As you can see from my personal budget, I cannot afford to make any payment at the moment.

Under the circumstances, would you be prepared to accept no payments on the account and to stop charging interest for six months, after which time I will write to you with a new personal budget?

If my circumstances change significantly before this time, I will write to you immediately with a new offer of payment.

Thank you for your help in this matter

Yours faithfully

This is an example of a letter you could send to your creditors after six months to tell them you would like to change your offer.

Your name  
Your address

Date

Account number:

Dear Sir or Madam

Following our agreement for reduced payments on the above account, I am writing to you with details of my current financial situation.

I have included an updated personal budget showing my revised offer of (amount) a month.

I hope that you will accept this offer and that you will continue not to charge interest on my account.

I will write to you in six months to tell you of any further changes in my circumstances.

Thank you for your help in this matter.

Yours faithfully

This is an example of a letter you could send to your creditors after six months telling them your situation has not changed.

Your name  
Your address

Date

Account number:

Dear Sir or Madam

Following our agreement relating to my account, I am writing to you with details of my current financial circumstances.

As you can see from the personal budget I have included, there has been no change in my circumstances, so I would be grateful if you could extend our previous arrangement for another six months.

I will write to you in six months to tell you of any further changes in my circumstances.

Thank you for your help in this matter.

Yours faithfully

# An example of a personal budget

Your name

Your address

How many people live in your household? Adults  Children

## a Monthly income

Your wages or salary	<input type="text"/>
Your partner's wages or salary	<input type="text"/>
Jobseeker's Allowance	<input type="text"/>
Income Support	<input type="text"/>
Tax credits	<input type="text"/>
Pension	<input type="text"/>
Child Benefit	<input type="text"/>
Incapacity Benefit	<input type="text"/>
Child maintenance	<input type="text"/>
Non-dependant contributions	<input type="text"/>
Other (please give details)	<input type="text"/>
<b>Total</b>	<input type="text"/>

## b Monthly spending

Rent, mortgage and service charges	<input type="text"/>
Council Tax	<input type="text"/>
Water charges	<input type="text"/>
Gas	<input type="text"/>
Electricity	<input type="text"/>
Magistrates' court fines	<input type="text"/>
Maintenance payments	<input type="text"/>
Buildings and contents insurance	<input type="text"/>
Life insurance and pension	<input type="text"/>
Housekeeping	<input type="text"/>
TV licence and cable or satellite TV subscriptions	<input type="text"/>
Phone	<input type="text"/>
Hire purchase	<input type="text"/>
Travel expenses	<input type="text"/>
School meals	<input type="text"/>
Clothing	<input type="text"/>
Laundry	<input type="text"/>
Childminding	<input type="text"/>
Prescriptions	<input type="text"/>
Other (please give details)	<input type="text"/>
<b>Total</b>	<input type="text"/>

### c Priority debts

Debt	The amount owed	My monthly payment
Rent		
Council Tax		
Gas		
Electricity		
Court fines		
<b>Total</b>		

Total monthly income (a)

Less total monthly spending (b)

**Money left over**

Less priority debts (c)

**Money left for other non-priority debts**


### d Non-priority debts

Debt	The amount owed	My monthly payment
Visa		
Store card		
Overdraft		
<b>Total owed</b>		
<b>Total monthly payment</b>		

This is an accurate record of my financial position.

Signature

Date

# Notes



# BERNESLAI HOMES

**A fresh approach to people, homes and communities**



If you need help understanding this information, please ask one of our staff, or contact Customer Services by phoning 01226 772720

আপনার যদি এই তথ্য বোঝার জন্য সাহায্যের প্রয়োজন হয়, তবে অনুগ্রহ করে আমাদের কোন একজন স্টাফকে জিজ্ঞাসা করুন, অথবা গ্রাহক পরিসেবায় যোগাযোগ করুন, টেলিফোন 01226 772720

अगर आप इस जानकारी को समझने में सहायता चाहते हैं तो कृपया हमारे किसी कर्मचारी से पूछें, या उपभोक्ता सेवा, टेलीफोन 01226 772720 पर सपर्क करें

Jeśli nie rozumieją Państwo tych informacji i potrzebują pomocy, mogą Państwo poprosić o pomoc kogoś z naszych pracowników lub zadzwonić pod numer telefonu: 01226 772720 (Biuro Obsługi Klienta)

Если вам требуется помощь в понимании этой информации, обратитесь к нашим сотрудникам или позвоните в Отдел обслуживания клиентов по телефону 01226 772720.

اگر برای درک این مطالب نیاز به کمک دارید، از یکی از کارکنان ما کمک بخواهید، یا با بخش خدمات رسانی به مشتریان ما تماس بگیرید، شماره تلفن 01226 772720

اگر آپ کو ان معلومات کو سمجھنے کے لئے مدد کی ضرورت ہے، تو براہ مہربانی ہمارے عملے کے کسی رکن کو پوچھیں، یا کسٹمر سروسز سے رابطہ کریں، ٹیلیفون 01226 772720

إذا كنت بحاجة للاستفسار عن هذه المعلومات، رجاء اطلب المساعدة من أحد الموظفين أو اتصل بخدمات الزبائن على الرقم 01226772720

如果您需要协助，以便更好地了解该信息，请与我们联系，或致电客户服务：01226 772720。



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