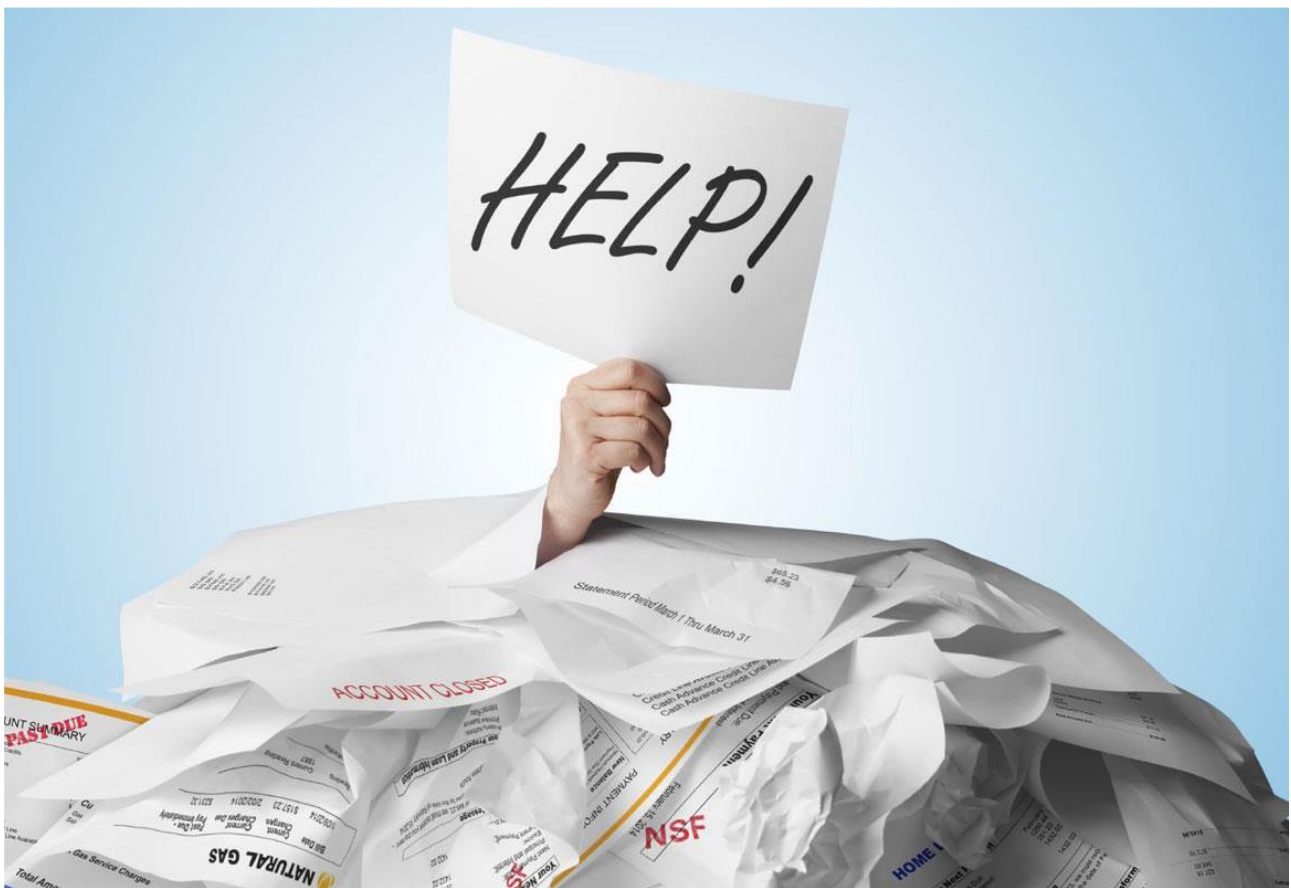


Dalkeith & District Citizens Advice Bureau



Debt Self Help Pack



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Authorised and regulated by the Financial Conduct Authority to provide debt advice. FC ref. no. FRN 617446

Dalkeith & District CAB Debt Team

Dalkeith & District Citizens Advice Bureau (Dalkeith CAB) Debt Team is here to help whether that means assisting you to help yourself or to act on your behalf with your financial difficulties. Our advice is free, independent, impartial and confidential.

Our Vision: We aim to provide an information and advice service to individuals and households facing financial difficulties.

We also work with other advice Agencies, Solicitors and others throughout Midlothian to provide financial education, income maximisation and outgoings reduction.

Our Actions: We are committed to non-discriminatory practice.

We ensure accessibility standards are met and everyone receives service tailored to their needs.

Everything you tell us will be treated in a strictly confidential manner.



How to use this Debt Pack

The pack will assist you to:

1. Assess your debts.
2. Consider your options.
3. Choose the most appropriate option for you.
4. Budget your money better.

The pack is designed as an easy to follow, step by step guide.

As you complete each step, you will be advised to continue with the pack, or if it is more appropriate to your needs, to go to your nearest Citizens Advice Bureau for free, confidential professional advice.

Please note:

- If your home is at risk of repossession,
- You are being evicted,
- You are at risk of having utilities being cut off, or
- There is a risk your wages or bank account will be arrested.

Please contact Dalkeith & District CAB directly, as soon as possible.

Tel. 0131 660 1636, Email: bureau@dalkeithcab.org.uk

This debt pack is not a suitable option for you.

Step One: List your Debts

The first step in dealing with a debt situation is to fully understand how much money you owe. This will allow you to regain control of your money.

What are the types of debt?

It is important that you identify the types of debt that you have. There are 3 types, and each must be dealt with differently.

Emergency Debt

Priority Debt

Non-Priority Debt

Emergency Debt

Emergency debts are those where non-payment has serious consequences and must be dealt with immediately.

If your home is at risk of repossession, you are being evicted or you are having legal problems, it is an emergency debt situation. These are examples of Emergency Debt:

- Mortgage arrears
- Rent arrears
- Council Tax arrears
- Court summons
- Wage arrestment
- Bank account arrestment
- Unpaid fines
- Threat of bankruptcy

If you think you are in an emergency debt situation, DO NOT continue with this pack. Please contact Dalkeith & District Citizens Advice Bureau directly for advice.

Priority Debt

Priority debts have serious consequences if ignored. You could be at risk of losing essential services to your home or losing your car. Examples of priority debts are:

- Missed mortgage payments
- Missed rent payments
- Secured loans
- Unpaid gas and electric bills
- Secured loans
- Unpaid bills for household goods and services e.g. telephone
- Missed payments on your car, van or other vehicle.

Please Note: missed mortgage, council tax and rent payments may also be an emergency. If you think you are in an emergency situation, please contact Dalkeith & District Citizens Advice Bureau directly for advice.

If you have items on conditional sale agreements or hire purchase, you could be in danger of losing them. Please read your finance agreement for full information.

Credit Agreements - If you have taken out a cash loan or some other financial arrangement, then you will probably have entered into a credit agreement. This is an agreement that allows you to pay by instalments over a period of time.

Hire Purchase and Conditional Sale Agreements - Hire Purchase and conditional sale agreements are also credit agreements. Hire Purchase is a form of credit, where the borrower agrees to pay for goods, on an instalment basis and does not own the goods until the last payment is made.

Non-Priority Debt

Any other debt you have left is a non-priority debt. Please don't ignore non-priority debts, as not paying them can result in legal action. Examples include:

- Catalogue debts
- Credit cards
- Store cards
- Credit agreements
- Debt to family/friends
- Personal loans

Identifying Your Types of Debt

To help identify the types of debt that you have, look at your completed Current Debt List. The priority box should still be blank. Think about your debts and then complete the priority box by writing 'YES' for a priority debt and 'NO' for a non-priority debt.

How to Deal With Priority and Non-Priority Debt

To help stop your priority debt from becoming an emergency debt, you must contact your creditors and explain your situation. It may be easiest to telephone them initially and follow up any telephone conversation with an email or letter.

When calling:

1. Ask them what they expect from you to stop any further action being taken.
2. Record the full details of your conversation (date, time, person you spoke to, any agreements made).
3. Pay your creditors what you can afford in the meantime.

By writing and explaining your current situation, it could put a temporary hold on further action. A template initial letter can be found at the back of this pack. Remember to keep a copy of all the letters you send, as they are proof of correspondence between you and your creditors.

Use the sheet on the next page to record details of all your creditors.



Your Current Debt List

Details of Creditor or Debt Collector	Amount owed (£)	Type of Debt	E/P/NP*
<i>Example: Halifax</i>	1,000	Credit Card	NP
TOTAL of all Debts			

* **E** = Emergency **P** = Priority **NP** = Non-Priority

Please note: If you have any of the following debts with the Bank that you are currently banking with we suggest that you open a new basic bank account with a bank that you do NOT have any debts with. **Dalkeith CAB can advise how to do this.**

✓ Loans

✓ Credit Cards

✓ Overdrafts

Step Two: Increase your Income

Many people are in debt because they don't receive all the money they are entitled to. Use the checklist below to see if there are ways you can increase your income.

- ✓ **Get benefits and tax credits or Universal Credit.** Make sure you are getting all the benefits, tax credits or Universal Credit that you should get. Contact Dalkeith CAB for a full benefit check. Alternatively, you can try the Turn2Us Benefit Calculator (<http://benefits-calculator.turn2us.org.uk>) to check your benefit entitlement online.
- ✓ **Is your employer paying at least the minimum wage?** Contact the CAB if doubt. www.gov.uk/government/publications/minimum-wage-rates-for-2022
- ✓ **Are you paying too much tax?** Are you getting all the tax reliefs and allowances that you can? Check with HMRC (www.gov.uk/income-tax-rates) if in any doubt.
- ✓ **Are you due Child Maintenance?** Should a former partner be paying you child maintenance? Find out how to apply for maintenance here: www.gov.uk/making-child-maintenance-arrangement/arrange-child-maintenance-yourself
- ✓ **Is anyone staying with you who should be paying for their keep?** If someone who is not a dependent lives with you, it can reduce the amount of money you get in benefits. Find out how much their upkeep costs and ask them for help.
- ✓ **Do you have payment protection insurance?** You may not need it, and may be entitled to a refund for what you have already paid. Contact the CAB for advice.
- ✓ **Can you rent out space in your home?** You may wish to look into taking on a lodger or renting out storage space (e.g. a garage) that you do not need yourself. Check your mortgage or rental agreement and home insurance policy first.
- ✓ **Can you get an advance, a budgeting loan or help from the Scottish Welfare Fund?** Further information available here: www.mygov.scot/scottish-welfare-fund
- ✓ **Staying on at school in Scotland?** You may be able to get help with the costs of your children staying on at school or college. Find out more from Dalkeith CAB.
- ✓ **Can you reduce your home fuel bills?** There are a number of options including switching to a different supplier, schemes for adding insulation, draught-proofing, a new boiler (free or getting help with the costs) or a grant to help with fuel costs.

Dalkeith CAB can help with information on all of the above.

Step Three: Prepare Your Personal Budget

Working out a Personal Budget is important because it helps you:

- See how much money is coming into your household;
- See how much money is going out;
- See how much money you have left;
- Work out the best way to deal with your debts;
- Work out affordable offers to creditors if you think this is the best way to deal with your debts; and,
- Plan your future spending.

Once your Personal Budget sheet is complete, you will be able to see:

- All the money that you have coming in;
- All the money you have going out;
- A list of all your priority debts and any payments that you need to make towards these debts;
- How much money you have left over to pay your non-priority debts and;
- A list of your non-priority creditors and what you have worked out you can pay to each creditor.

Information you need to write your Personal Budget

1. Your **net income** – that is the total income you receive from all sources, after paying tax and employee's national insurance contribution.
2. Total amount of your **essential expenditure** (please do not include payments to your creditors).
3. Total **disposable income**. To get this figure, use the following calculation:

$$\text{Net Income} - \text{Essential Expenditure} = \text{Disposable Income}$$

Complete your budget on either a weekly or monthly basis. It is best if you are paid weekly, to budget weekly. If paid monthly, budget monthly.

Remember to include ongoing bills you do not currently pay, but will need to pay, like Council Tax. Check if you qualify for Council Tax reduction or exemption. The Turn2Us online benefit calculator can help <http://benefits-calculator.turn2us.org.uk>

Help With Completing Your Budget Calculations

How to Do Your Budget Calculations on A Monthly Basis

- To calculate a one-off yearly payment as a monthly payment, divide it by 12.
- To calculate a weekly payment as a monthly payment, multiply it by 52 and then divide by 12.

How to Do Your Budget Calculations on A Weekly Basis

- To calculate a one-off yearly payment as a weekly payment, divide it by 52.
- To calculate a monthly payment as a weekly payment, multiply it by 12 and divide by 52

How to Do Your Budget Calculations If You Are Paid 4 Weekly

- To calculate a one-off yearly payment as a 4-weekly payment, divide it by 13.
- To calculate a monthly payment as a 4-weekly payment, multiply it by 12 and divide by 13.

Working Out Monthly or Weekly Gas, Electric and other Utility Costs

Look back over your bills for the last year and work out the average you paid per month or week. It's essential that your calculations are based on actual meter readings, not estimated bills, or they will not give a clear picture of usage or costs.

To calculate the average per month, divide the total paid during the year by 12. To calculate the average per week, divide the total paid in the year by 52.

Remember! Make sure the expenditure in your Personal Budget truly reflects what you spend and includes all of your outgoings. Before you can consider making any savings, you need to be sure you can pay for all your essential needs on an ongoing basis.

If, after completing your Personal Budget (Steps 2 and 3 above), you find you have no disposable income (income that's not needed to cover essential, regular costs) contact Dalkeith CAB Debt Team for further advice.

Personal Budget - INCOME:

Income Source	Amount (£)	W/F/M/ 4/Q*	NOTES
Net wages (Self)			
Net wages (Partner)			
Child Benefit			
Child Tax Credit			
Working Tax Credit			
Industrial Injuries			
Job Seeker's Allowance Contribution -			
Employment & Support Allowance Contribution - Income based - Please note components and any premiums in 'notes'			
Universal Credit Please note breakdown of all elements of UC required – award letter or print out from journal			
Housing Costs – Universal Credit			
Housing Benefit			
State Retirement Pension			
Private Pension			
Pension Credit			
Carer's Allowance			
Disability Living Allowance / Personal Independence Payment - Please note components and rates in 'notes'			
Attendance Allowance			
Child Support Maintenance received			
DHP (discretionary housing payment)			
TOTAL Net Income			

* Please indicate if paid weekly (W), fortnightly (F), monthly (M), 4 Weekly (4) or Quarterly (Q)

Personal Budget - Essential EXPENDITURE:

Expenditure for:	Amount (£)	W/F/M/ 4/Q*	NOTES
Mortgage			
Secured Loan(s)			
Rent			
Council Tax			
Landline			
Mobiles per household			
Electricity			
Gas			
Other Fuel			
Life Insurance			
House Insurance (contents/ buildings)			
Housekeeping (including clothing, alcohol, cigarettes)			
School Meals (Children)			
Pocket Money (Children)			
Child care			
Hire Purchase / Conditional Sale (copy of agreement required)			
Car – Petrol/Diesel			
Car - MOT, service, maintenance, etc			
Car - Road Tax			
Car - Insurance			
Travel costs – bus / train fares			
Dentist/Opticians/Other Health Costs			
TV or Other Appliances Rental / HP			
SKY TV (or similar)			
TV Licence			
Other (specify)			
TOTAL Essential Expenditure			

Net Income minus Essential Expenditure = Disposable Income

* Please indicate if paid out weekly (W), fortnightly (F), monthly (M), 4 Weekly (4) or Quarterly (Q)

Step Four: Make Payment Proposals

Steps to Calculate Payments to Creditors Using Disposable Income

1. Calculate a pro-rata payment for each creditor on your Current Debt List on page 8 of this document (see how to do this below.)
2. Complete an Offer of Payment sheet for each creditor.
3. Send a letter to each creditor with an Offer of Payment sheet and a copy of your Personal Budget (pages 12 and 13).
4. Start making the payments to each creditor once you have ensured their bank details are correct.
5. If a creditor accepts your offer, continue making agreed payments to them. If a creditor does not accept your offer, or does not respond **continue** making your original payments to them and also **contact Dalkeith CAB team for assistance**.

Pro-rata Calculations and Payments

Use the specific calculation below for each creditor. All the figures that you need are on your Current Debt List (on page 8) and in your Personal Budget (Pages 12-13).

If you completed a monthly Personal Budget, you must complete monthly pro-rata calculations. If you completed a weekly Personal Budget, you must complete weekly pro-rata calculations. If you calculate on a different basis, your sums won't work!

Work out a pro-rata payment using the following process for each creditor.

1. Write down the outstanding balance owed to the creditor.
2. Multiply (x) this amount by your total disposable income.
3. Divide (÷) this figure by your total debt figure (bottom of page 8.)
4. The result (=) is your pro-rata payment offer to that creditor.

Example of a Pro Rata Payment Calculation (on a monthly basis)

	£ 650.00	Total outstanding balance owed to ABC Ltd.
x	50.00	Your total monthly disposable income
÷	<u>3,000.00</u>	Your total debt
=	£ 10.83	Your pro rata offer to ABC Ltd. Each month

It may be easier to calculate pro rata payments using the table on the next page.

Example:

Creditor Name	<i>ABC Ltd.</i>			
Outstanding balance due to creditor	<i>650.00</i>			
Times (x) your total monthly * disposable income	<i>50.00</i>			
Divided by (÷) your total debt	<i>3,000.00</i>			
Your pro-rata offer to the creditor	<i>10.83</i>			

* or weekly, if you calculated on a weekly basis.

Completing Your Offer of Payment

Your Offer of Payment is the final section of your Financial Statement. You have already completed the first parts in your Personal Budget with the following:

✓ Your income ✓ Your essential expenditure ✓ Your disposable income

You will also need the pro-rata calculations for all creditors (see above) including:

- ✓ The total balance you owe to each creditor.
- ✓ The total monthly or weekly pro-rata payment you are offering each creditor.
- ✓ The total of all pro-rata payments you are making to all your creditors.
- ✓ Your signature.

If your pro rata payment is accepted by a creditor:

Continue making the agreed payments to the creditor and keep copies of all correspondence you send to or receive from them.

If your pro rata payment is not accepted, or the creditor doesn't reply:

Continue making the regular payments for priority debts and **contact Dalkeith CAB Debt Team for advice and assistance**. If you miss a payment, contact that creditor straight away to tell them.

Manage Your Money

It is very important you remain in control of your money and that you can afford to keep making the regular payments. If your situation changes, and you can no longer afford the payments, contact the creditor straight away with a new, lower offer.

Dalkeith CAB's Debt Team can help you with this.