

Debt



This is quick advice about debt problems, when you owe money you can't pay. It tells you how to avoid debt and how to get help if you do get into money trouble.

Fact: In November 2004 the Bank of England announced that the amount of money borrowed by people in the UK had reached 1 trillion pounds.

That's £ 1,000,000,000,000

That's the same as if every man, woman and child in the UK owed £17,000

We live in a society where borrowing money is seen as a normal thing to do.. Credit companies can offer you more and more credit so that you borrow more money. They don't often think about whether you will be able to pay it back. If you get into trouble with money by borrowing more than you can pay back, you may find you cannot get a loan in the future, for example, if you wanted to borrow money to buy a house or flat, that is, get a mortgage..

Newspapers and TV often make it look as if people get in debt because they spend money carelessly and buy too much on credit cards Sometimes this is true. Advertising makes you want to wear the right clothes or have the latest gadgets. Or sometimes friends will make you want to keep up with the latest trends.

Borrowing money can lead to problems if you don't know exactly what you are getting yourself into. In fact it is people with plenty of



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money who borrow the most. But people with less money are more likely to get into problems because they are often charged more to borrow money.

In most cases, the main reason people get into debt is because their situation has changed and they can no longer keep up the repayments on what they have borrowed.

This could be because you have less money coming in, or because you are having to pay out more. This can happen for example, if you lose your job, get made redundant, become ill or have an accident, if you are pregnant, or if a relationship with a partner breaks down or someone dies.

The most important debts

Some things can cause a very serious problem if you owe money on them.

These are things like:

- rent or mortgage
- gas and electricity
- council tax.

If you do not pay your rent or mortgage you could lose your home. Or if you owe too much money for electricity it could be cut off. So it is important that if you have these kind of debts they should be paid as soon as possible, even before other kinds of debts..

If you owe money on a credit card or on a bank loan (for something other than your home), it can still lead to a serious problem if you do not pay



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The next sections tell you about what can happen if you do not pay money you owe. So it is always best to ask for help at an early stage if you have a problem. There are details of where you can get help at the end of this information sheet.

Reminders

If you have missed a payment, you will usually get a reminder letter after about a couple of weeks. A reminder is often printed in red. It will give you a second chance to pay within around 7 days. If you pay within that time nothing further will happen. However, you should make sure you make the next payment at the right time.

Debt collectors

If someone has sent you several reminders but you still have not paid the debt, they may send the information to a debt collection agency, an organisation that gets people to pay what they owe.

The agency will write to you to say you must pay. Each time they write there will be a charge, so that in the end you will owe more. Debt collectors sometimes visit people at home to talk about how they will pay. They must not harass people or try to frighten them. If they do this you can report them to Trading Standards. You may be able to agree a plan for paying the debt with the debt collectors, for example, to pay it a bit at a time. If you cannot agree any plan to pay, they may take further action in a court of law. At the end of this information sheet we tell you where you can go to get help before things go this far.

Court action



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If you have not paid the debt after all the reminders, you can be told to appear in a court. The court can decide to tell you that you must pay the debt, which might mean you have to pay a small amount each week or month until you have paid it all. This is called a County Court Judgement. If you have a County Court Judgement against you it can make it much more difficult for you to borrow money in future. If you still do not pay, the court can tell the bailiffs to visit you.

Bailiffs

Bailiffs have authority to recover money you owe if a court judgement has been made. If you are the person who owes the money, they will usually visit you at home to arrange repayment. They may have the right to enter your home even if you do not want them to.. If you are not able to arrange to pay the debt, they can take things that belong to you, such as furniture or a TV, and sell them. The money from the sale will be taken off the amount you owe.

Credit rating

When you ask to borrow money from a bank, building society or other lender they check your credit rating. The credit rating is a score which gives points to various bits of information such as your age, your job, if you are a home-owner, and your credit history, that is if you have owed money in the past. If you have a poor credit rating the bank may refuse to lend you money. It could even affect your chances of getting a job as some employers will ask for this information.

If a bank, building society or other lender refuses to lend you money, they do not have to tell you the reason, but they should tell you if it is because you have a poor credit rating. They should also tell you which



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credit reference agency they have used to find out about your credit rating. Credit reference agencies are organisations that hold information about people who have borrowed money, and whether they have paid it back on time.

It is very important that the information the credit reference agencies hold is correct. Everyone has a right to see the information that is held about them. There is a small charge for getting a copy of that information. If you ask for a copy, the credit reference agency must tell you how you can ask them to put right any wrong information they have about you.

There are three credit reference agencies in the UK. They are:

Callcredit PLC

Consumer Services Team
PO Box 491
Leeds
LS3 1WZ
Helpline: 0870 060 1414
www.callcredit.plc.uk

Equifax PLC

Credit File Advice Centre
PO Box 1140
Bradford
BD1 5US
Tel: 08705 143700
www.equifax.co.uk

Experian Ltd



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Citizens Advice consumer service on 08454 040506.

Consumer Help Service

PO Box 8000

NOTTINGHAM

NG1 5GX

Tel: 0870 241 6212

www.experian.co.uk

Some companies advertise a service that offers to put right a bad credit rating – called ‘credit repair’. However, there is no need to pay for this kind of advice. If your credit record is wrong, you can sort it out yourself, or get help to do it, and there is no charge. Your local Citizens Advice can help you put right any mistakes in your credit record.

Bankruptcy

If your debts get out of control and you cannot find any way to sort it out, you can be made bankrupt. This means that a court decides to hand over control of your finances to another person or organisation (called a trustee). You can apply for bankruptcy yourself or your creditors (the people you owe money to) can ask for you to be made bankrupt.. There are lots of problems relating to bankruptcy and it can affect your finances for a long time.

Where to get help

Citizens Advice offers free, confidential advice and can help you deal with your debts. If you have any questions, or need some help or advice to deal with debts, phone or visit your local branch. You can find out how to contact them from the phone book, or from your local information centre, community centre or library.



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Other organisations you can ask for advice

Direct Debtline telephone 01323 481111

www.directdebtline.com

National Debtline telephone 0808 808 4000

www.nationaldebtline.co.uk

Financial Services Authority

www.fsa.gov.uk



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