

DEBT MANAGEMENT PLAN

This is a brief summary of the steps you should take to manage your debts. If you have problems with any of these steps come and see your local CAB.

Step 1

Divide your debts into priority and non priority. Priority debts include rent, council tax, mortgage, secured loans, fines and utility bills. Non – priority debts are the rest.

Step 2

Make two checklists. One for priority and one for non priority debts. Each entry should include the amount owing, payments to be made, name of the creditor and the account number.

Step 3

Contact your priority creditors and if possible agree realistic payment arrangements with them. Put the details on your checklist.

Step 4

For each non priority creditor on your checklist

Suspend payments. This includes cancelling any direct debits or standing orders.

Send a holding letter telling them of your financial difficulties and asking for up to date account details to help you draw up a financial statement. You should also ask for interest charges to be waived or suspended.

If one of you non priority creditors is your bank or building society you should open a new account at a different bank or building society and have your income paid there. Any standing orders or direct debits to priority creditors should be paid from the new account. Only then should you send a holding letter to the original bank.

Step 5

When you have all your non priority creditor balances you will need to prepare a financial statement. You should list all your income and all your outgoings including your payments to priority creditors.

The amount left over when your outgoings have been taken away from your income is your disposable income. This should be divided between the non priority creditors in proportion to the amounts you owe them. If you have no disposable income you should make a token offer of £1 per month.

Step 6

Write to each non priority creditor making your offer of payment. Include a copy of you financial statement.

Step 7

When a creditor has accepted your offer make and maintain the payments you have offered.

If creditors reject you offers and start harassing you come to the CAB for assistance.