



Worried about... debt?

Step 4: Making a plan to pay your debts

You should deal with the most important debts first - these are called 'priority debts'.

Priority debts mean you could lose your home, have your energy supply cut off, lose essential goods or go to prison if you don't pay. They include things like:

- rent and mortgage
- gas and electricity
- council tax
- court fines

Check if you have any priority debts before dealing with your credit debts

If you're struggling to pay debts like credit cards, store cards or payday loans you can ask to make lower monthly repayments. Paying less than it says you have to in your contract might make it harder for you to get credit in the future.

You should normally only ask to make lower payments for non-priority debts. These include:

- credit card and store card debts
- payday loans and other unsecured personal loans
- catalogue debts
- overdrafts

You'll need to contact the people or organisations you owe money to - these are your 'creditors'. Write to your creditors to tell them you're trying to sort out your debts. Ask them to:

- stop asking you for payments while you work out what to do
- stop adding interest and charges so the debt doesn't get any bigger

We have template letter you can use.

Work out what you can afford to pay

Work out a budget so you know how much you have left each month after paying your essential bills and priority debts. This is called 'available income'.

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Make sure you save a copy of your budget - you'll need to refer to this later. You'll also need to send a copy to your creditors when you ask to make lower payments. It will show them that what you're offering to pay is fair.

Try and be as accurate as you can. Before you start, find your most recent:

- bank statements
- payslips
- debit and credit card statements and bills
- receipts for things you pay for in cash

Use a budgeting tool to work out your budget. You'll create a 'financial statement' - your creditor will know what this is.

If you need help working out a budget talk to an adviser and if you haven't already, check if you can increase your income.

If you can't pay your non-priority debts

Write to your creditors if you've no money left each month after paying your essential bills and priority debts. Explain that you're dealing with your debts and ask them to freeze interest and charges while you do this. This means that your debts won't increase.

You can use our sample letter. You should also send a copy of your financial statement.

One of our team can help you look at other ways of paying off your debts.

Work out how much to pay each creditor

Check the 'non-priority debt' section of your financial statement. It will tell you how much to offer each creditor.

The amount each creditor gets depends on how much you owe - this is known as a 'pro rata' offer. It's a way of treating all your creditors equally. You must do this or they might refuse your offers.

Example

You've got 2 debts - a credit card and a store card.

You owe twice as much on the credit card as you do on the store card, so your offer to the credit card company should be twice as much.

You have £90 left each month to pay off your debts.

Creditor	Total Debt	Your offer
Credit card	£2,000	£60 a month
Store card	£1,000	£30 a month

Write to your creditors

Write to each creditor with your repayment offer and include a copy of your budget. This will show creditors you're only spending money on essential living costs and that the offer you're making is fair.

Make sure you:

- explain why you're in debt - for example, because you've lost your job
- say that you're sorting out the situation
- explain how much you can afford to pay each week or month
- ask them to freeze any interest and charges as long as you continue to pay the amounts you're suggesting

Use our sample letter to write to your creditors with your offers. Make sure you keep a copy of everything you send.

Stay in touch with your creditors

You're responsible for making the agreed repayments and for keeping your creditors up to date about your circumstances.

You should contact your creditors every few months to let them know your circumstances haven't changed. This will show them you're serious about dealing with your debt.

Your creditors can still take court action against you after you've agreed a repayment plan. Find out what to do if a creditor takes you to court for debt.

Even if you've agreed repayments with your creditors, there might be other ways you could deal with your debts. Check your options for getting out of debt.

Further help and information:

National Debtline: Telephone: 0808 808 4000 or webchat with an adviser: www.nationaldebtline.co.uk

Stepchange: Telephone: 0800 138 1111 or webchat with an adviser: www.stepchange.org

Payplan: Telephone: 0800 716 239 or web chat with an adviser: www.payplan.com



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Project funded and supported by:

