

Taking the steps to regain control

Congratulations! Just reading this means you are taking the most difficult single step in dealing with debt problems – facing them head on and finding out what you can do next.

This Debt Free Direct self help plan is designed for people who want to take back control of their finances. The pages that follow will help you to manage your finances, deal with the people you owe money to (your creditors) and show you how to cut down your monthly payments by switching providers across a range of services. Soon you will be able to start paying back what you can comfortably afford every month.

Easy to complete and manageable sections will guide you through a proven process, step by step. By the end, you will understand your income and expenditure better and be in a far better position to deal with the challenges you're facing. There is even a letter template for you to use when you are persuading creditors to agree to realistic repayment plan.

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Remember:

- You are not on your own don't feel guilty – over 2 million people have similar debt problems.
- Deal with your finances, don't ignore the problem – it won't go away.
- Be realistic don't offer to pay more than you can afford.

Moneyextra.com – Making your money go further

Bringing down your monthly payments can be a struggle so we have teamed up with leading suppliers to bring you cost savings across a range of services like insurance, banking and utilities.

Here are just a few of the ways in which we can help bring down your monthly payments. To find out how much you could save simply visit www.Moneyextra.com.



Cut the cost of your fuel bills

Fuel prices are rising. But that doesn't mean you need to suffer the price hike. Things are very competitive and you can change supplier with very little effort. Your new supplier will take care of the formalities

We can help: Go to www.Moneyextra.com find out how much you can save on your gas and electricity.



Heating cover

Get peace of mind against the worries of high bills and no heating or hot water if your boiler breaks down.

We can help: We'll help you find the plan that's best suited to your own individual household needs.



Save on motor insurance

Motor Insurance can be a costly outgoing. With premiums rising, there is always a better deal available and this is one of the areas where it's worth checking every year.

We can help: To see if we can save you £££'s and make your money go miles further, go to



Pay less on home phone & mobiles

Whether we'd like to admit it or not, most of us are lost without our phones. It's always worth checking out the best deals because new ones are launched all the time.

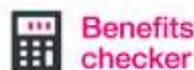
We can help: We may be able to find you a package that's much more manageable for you.



Reduce the cost of digital TV & broadband

With the switchover to digital TV happening very soon, now is the time to look for great deals. While you're at it, why not check out the best deals for broadband?

We can help: Go straight to www.Moneyextra.com and find out how much you can save on Digital TV & Broadband.



Make sure you are claiming your benefits

Benefits are available for people of working age, for pensioners, for families and children, and for disabled people and their carers. Make sure you are claiming what you are rightfully entitled to.

We can help: To find out if you are eligible for benefits such as working tax credits and child tax credits visit www.entitledto.co.uk.

Visit www.Moneyextra.com for savings.

Step 1: Your personal budget

Working out your personal budget is the first important step to managing and reducing your debts. The income and outgoings statement you are about to complete (see the tables on the next page) is very important. It shows you what you can realistically afford to pay each month to the people you owe money to.

Remember, any payments you have to make on secured loans, such as your mortgage or car hire purchase, must be included in the outgoings summary (table B).

MAKE A COPY of the following page first so you can do some rough figures. You will eventually need to produce a final version that you sign at the bottom and send to your creditors.

(A) Your income

Table A brings together all of your sources of income, including your take home monthly wages or salary, any benefits, allowances or maintenance that you may receive – and any payments received from a pension.

You need to calculate these figures as accurately as possible. Knowing exact amounts is vital if you want to know exactly how much spare money you'll have left over at the end of a month.

If you don't know exactly how much you receive each month then check a recent bank statement. That will help you to spot every individual source of income you have.

(B) Your outgoings

The outgoings section (table B) covers all of your spending including monthly mortgage or rent payments, council tax, utility bills, housekeeping, clothing, child care and more.

Accuracy is essential here too. It's by using exact figures in this section and the first section that you will know how much spare money you have each month.

As before, if you don't know exactly how much you pay out each month then check a recent bank statement. It will help you list each individual amount.

(C) Money for creditors

Now use table C to work out how much money you have left over to pay your creditors. Just take away your total outgoings from your total income. If your income is more than your outgoings, you'll have some money left over to repay to creditors.

Important:

This is your personal budget, so figures need to be based on what's actually happening. They also need to be complete. If you miss any extra expenses, you may find it difficult to stick to a long-term repayment plan – and that could mean difficulties ahead.

Dealing with Debt

(A) Your income	
Wages or Salary (take home)	£
Partner's wages or salary (take home)	£
Jobseekers Allowance	£
Income Support or Pension Credit	£
Tax credit (working & family tax credits)	£
Retirement or works pension	£
Child benefit	£
Incapacity benefit	£
Maintenance	£
Non – dependents contribution	£
Other (including pensions)	£
Total monthly income	£

(B) Your outgoings	
Mortgage	£
Mortgage endowment policy	£
Second mortgage	£
Rent	£
Council tax	£
Water rates	£
Ground rent / service charge	£
Buildings and contents insurance / life insurance / car insurance	£
Gas	£
Electricity	£
Car fuel	£
TV licence	£
Magistrate's court fines	£
Maintenance payments	£
Vehicle hire purchase	£
Other hire purchase	£
Travelling expenses	£
Household food and toiletries	£
Clothing	£
Mobile phone	£
Broadband / home phone / Sky package	£
Prescription and health costs	£
Child minding	£
Other (including pensions)	£
Total monthly outgoings	£

(C) Money left for your creditors	
Total income (from table A)	£
Total outgoings (from table B)	£
Income minus outgoings	£

I certify that the above figures are true and accurate to the best of my knowledge.

Name(s)

Address

Signature(s):

Now make a rough copy of the chart on the following page and fill in the details of your unsecured creditors. When you're happy that the details are accurate, you will need to complete a final, signed copy. You should include all of the following:

- The name of each creditor.
- Your account number / reference.
- The outstanding balance (what you still owe to them).

Remember, this list should include only unsecured creditors. Don't include debts that are secured on your home or your car.

When you have finished, add up all of your outstanding balances and put the total at the bottom of the chart. This is your total unsecured debt.

Once you have calculated your total unsecured debt, you will be able to fill in the final right-hand column, with proposed new payments to your creditors.

See step 3 for instructions on how to do this.

Jargon buster

APR

APR stands for Annual Percentage Rate. It shows the overall cost of a loan each year, taking into account the term, interest rate and other costs.

Arrears

This is the amount of money that should have been paid to the creditors but which has not been paid.

Creditor

A creditor is someone you owe money to.

Unsecured creditor

This is someone who has lent you money without security for the money owed (unlike a mortgage, for example).

If your circumstances change and you would like to discuss your situation with us again, please call **0800 954 6374**

To find out how much we can cut down your bills by each month
visit www.Moneyextra.com

Based on what you have done in step 2, you should have a list of your unsecured creditors and what you owe to them. You can now work out what you are going to propose as a new monthly payment to each creditor.

The number that you put in the right hand column is calculated as follows, using the total you worked out in step one, table C (your total unsecured debt):

$$\text{Proposed payment to each creditor} = \frac{\text{Outstanding balance}}{\text{Your total unsecured debt}} \times \text{Your total monthly disposable income}$$

To help you with this calculation, there are two practical examples below. These examples are based on someone who owes £4,472.71 and who has a monthly disposable income of £250.00.

Example 1

Monthly disposable income: £250
Total unsecured debt (all creditors): £4,472.71
Outstanding Barclaycard balance: £983.76

Monthly payment to Barclaycard:

$$\frac{\pounds 983.76}{\pounds 4,472.71} \times \pounds 250 = \pounds 54.99 \text{ per month}$$

So you would enter £54.99 into the right hand column for your proposed payment to Barclaycard

Example 2

Monthly disposable income: £250
Total unsecured debt (all creditors): £4472.71
HSBC overdraft: £801.00

Monthly payment to HSBC:

$$\frac{\pounds 801.00}{\pounds 4472.71} \times \pounds 250 = \pounds 44.77 \text{ per month}$$

So you would enter £44.77 into the right hand column for your proposed payment to HSBC.

Once you have completed the table, you are ready to write to your creditors – go to step 4.

Step 4: Writing to your creditors

Dealing with creditors is one of the hardest parts of managing debt problems and at the end of this pack there is an example letter you can use to send to your creditors. Copy the blank letter as many times as you need to.

With each letter, you'll need to enter the creditor's address, your account or reference number and your proposed monthly payment from step 3. You will also need to copy and send a number of other documents to each creditor (see the list below).

Remember to keep a copy of every completed letter for your own records.

What you will need to send to each creditor:

- The edited letter, with correct details filled in including account reference and your proposed monthly payment amount.
- A copy of your monthly income and outgoings statement.
- Copies (not the originals) of your pay slip, bank statement, HP agreements and any other documents to support your income and outgoings statement.
- A copy of your list of unsecured creditors with proposed monthly payments.

Jargon buster

Mortgage

A mortgage is a loan secured on your property: that means if you fail to keep up mortgage repayments your home may be repossessed.

Interest

The charge that lenders make when you borrow money.

Priority debt

Your priority debts are with people who have to be paid first – for example mortgage/rent, gas/electricity and income tax.

Early repayment charge

A charge you may have to pay if you pay a mortgage back early (including if you move to another lender).

Endowment mortgage

An interest-only mortgage where a separate savings account runs alongside the mortgage with the aim of eventually paying off the capital borrowed.

To find out how much we can save you on your utility bills
visit www.Moneyextra.com

Frequently asked questions

Will my creditors freeze interest and charges?

Sometimes they will, but they don't have to. However, they are usually open to reason. It would make no sense, for example, if you can pay only £25.00 per month but they insist on carrying on adding interest at £30.00 per month.

Can I cancel my present payments to my creditors?

As soon as you start to make payments set out in your self help plan you should cancel existing standing orders and direct debits to your creditors, even if you replace them with similar instructions for the lower amounts you have now agreed. Consider all of the following carefully to make sure the payments will go ahead without problems:

- The date(s) on which you get paid.
- The date(s) of your existing outgoing payments to your creditors.
- The date(s) when you can afford the new reduced payments to be made.

How long will it take me to become debt free?

There are so many factors that this is difficult to predict. If you had an unexpected period out of work it would take you longer to repay your debts. On the other hand, an increase in salary or a new job may shorten the time you take to repay your debts.

If your circumstances change for the better or for the worse and you want to increase or decrease your payments, you must get in touch with your creditors again. The point at which your creditors agree to reduce or freeze interest and charges can also affect the time it takes you to clear your debts.

What other solutions are available?

There are some more formal, court based fixed term solutions may be suitable depending on your personal circumstances. These could include a Debt Relief Order, County Court Administration Order or Bankruptcy. For further information on these solutions please see our website www.debtfreedirect.co.uk/debts-olutions.

Will I receive a default notice from my creditors?

It is quite normal for a creditor to issue a default notice under the Consumer Credit Act 1974. If you have existing arrears then a default notice has probably been issued already – and recorded on your credit history.

A default notice tells you that you are in breach of the terms of your arrangement, and that unless you do something about this the creditor can terminate the agreement. Of course the self-help plan you are now completing counts as doing something, but a default notice can be issued anyway as a warning to other lenders. Your creditors may think it is unfair if you are able to get further loans.

Will my creditors take me to court?

If you have been totally honest when preparing your self help plan creditors are very unlikely to issue proceedings against you. There are two good reasons for this:

- 1) Threatening and taking legal action can't make you pay money that you do not have.
- 2) If proceedings were issued, you would simply produce the documents included in this self help plan. No court would order you to pay more than the documents support.

Sometimes courts even decide that a creditor is wasting court time, resulting in a reprimand for the creditor and the disallowance of any court costs in their favour.

Remember, you have nothing to fear if you disclose all facts. A District Judge will always lend a sympathetic ear to you as an individual if you are faced with the corporate and financial “muscle” of a major lending institution.

If your circumstances change and you would like to discuss your situation with us again, please call **0800 954 6374**

To find out how much we can save you on your motor insurance
visit **www.Moneyextra.com**

Date

Your Address

Creditor Address

Dear Sirs

Account Reference:

I have been finding it extremely difficult and sometimes impossible to meet all my monthly credit and loan repayments, including my monthly payments to the above account.

To resolve my debt problems I have sought professional advice from Debt Free Direct. This is not a debt management service: they have not charged me a fee and I propose to make payments directly to you with no deductions whatsoever.

As a result of the advice I have received, I am now able to make an offer of payment to you and my other creditors whilst still maintaining a reasonable standard of living.

In support of my payments proposal, I have enclosed the following documents.

- 1. My monthly income & expenditure statement, with copies of supporting documentation.**
- 2. A list of all my creditors and proposed monthly payments to you and other creditors.**

I have every intention of paying my account with you in full, but it is unlikely that I will achieve this if interest continues to be added to the balance at a greater rate than I can afford to pay you each month. In these circumstances, may I ask that once I have established my good faith by making regular payments over, say, the first three months, you consider suspending future interest and charges to enable me to honour my commitment to you?

On the basis that my offer is acceptable, **I will remit the sum of £_____** to you every month until my debt is cleared. If my financial situation improves I will advise you of the details and increase my monthly payment accordingly.

I would like to thank you in anticipation of your co-operation and I confirm that I have written to all of my creditors in the above terms.

Yours faithfully

Your Name

To see if you could save money on your mobile phone bills
visit www.Moneyextra.com