

The Office of Fair Trading is committed to providing access to its services to all sections of the community. The information in this publication can be provided in large print or audio on request. If you would like further information in relation to accessing services, please do not hesitate to contact the Office.

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ISLE OF MAN OFFICE OF FAIR TRADING



Isle of Man Office of Fair Trading

Dealing with your debts



Isle of Man
Government

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Introduction

The Isle of Man Office of Fair Trading Debt Counselling Service aims to provide a free, confidential, independent and high quality advice service to the local community. In addition, we seek to empower each individual to break the cycle of credit dependence and resolve financial difficulties in a way that restores self-confidence and dignity.

Dealing with your debts

Many of us are in debt these days and very few of us can manage to live our lives without credit. The problems usually occur when something happens in our lives that we have been unable to plan for such as losing a job, becoming ill or a relationship breakdown.

Once something like this happens we can then experience difficulty paying our bills. Sometimes we take out more credit to try and solve the situation and this can make things worse. Ignoring the situation will not solve the problem; recognising that you are having difficulty dealing with your debts is the first step to resolving the problem.

The following information will explain in a clear manner how you can regain control of your debt problem and where to go for help should you need it.

It will show you how to:

- Deal with your priority creditors (people to pay first)
- Contact your other non-priority creditors
- Work out a financial statement (how much you have coming in and going out of the household)
- Make offers of payment to creditors
- Understand some of the terms used eg creditor (someone you owe money to)

At any stage during the process you can contact the Debt Counselling Service for advice and support so you will not have to face this situation alone. Our confidential contact telephone number is 686510.

Follow the 10 Golden Rules

1. Don't ignore the problem – it won't go away. The longer you leave it the worse it gets.
2. Make the most of your income – check you are claiming all the benefits you are entitled to. If you've lost your job, or are off work because you're ill, check if any debts are covered by payment protection insurance (see glossary).
3. Work out your personal budget – show it to your creditors when you contact them.
4. Tackle your priority debts first – for example, debts that could mean losing your home, or having your gas or electricity cut off.
5. Get in touch with your creditors straight away and explain your situation. Contact all of your creditors. If you arrange to pay some but not others, you may get into difficulty again. You do not need to offer payment straight away.
6. Work out a reasonable offer to each creditor. Don't worry if the offer seems small. Creditors prefer a regular small amount more than an offer you can't afford.
7. Don't give up trying to agree an offer, even if creditors are difficult. If the first person you speak to is unhelpful, ask to speak to someone more senior. They may be able to agree to what you want. After all, you can only pay what you can realistically afford.
8. Always keep copies of letters and papers you send or receive.
9. Don't borrow money to pay off your bills without thinking carefully. Get advice first. For example, this kind of borrowing could lead to you losing your home.

Offer Letter

Creditors Name
Address

Your name
Your address

Date

Dear Sir or Madam

Account
number/reference.....

I/We have been experiencing some difficulty in meeting my/our financial commitments. I/We have visited the Isle of Man Office of Fair Trading Debt Counselling Service and taken advice about my/our debt problems.

Using the current balances and the enclosed budget I/we can make monthly/weekly repayments of £__ .__.

I/We understand this is below the expected payment but would request you accept this while I/we deal with my/our priority creditors. During this time I/we would also request that you reduce or stop the interest to enable me/us to reduce the debt.

If my/our circumstances improve then my/our payments will be increased. Thank you for your assistance with this matter and I/we look forward to receiving your reply.
Yours faithfully

Name(s)
Enc. (budget statement)

10. If you receive a Court Summons, deal with the paperwork urgently. Fill in the reply form and let the Court have all the facts including a copy of your financial statement. Always go to Court hearings and take the financial statement with you. At any stage during the process you can contact the Debt Counselling Service for advice and support so you will not have to face this situation alone.

Dealing with Priority Creditors

The law gives different creditors different ways of getting their money back. Therefore, some debts are more important than others. Here is a list of the kinds of debts and actions that may result if you cannot reach an agreement with creditors:

Debt	Action Against You
Mortgage Arrears	Repossession of your home or eviction
Second Mortgage/Secured Loan	Repossession/Eviction
Electricity/Gas/Oil	Supply cut off
Unpaid Fines	Imprisonment
Maintenance arrears	Imprisonment
Tax arrears	Coroners action/Imprisonment
Rent arrears	Eviction from your home
Rates arrears	Coroners action
Water Rates arrears	Water supply cut off
Telephone	Disconnection

Therefore these are Priority Debts.

Don't make offers on your other debts until you have negotiated instalments to pay these priority creditors first. You will need to negotiate with your priority creditors on an individual basis.

Contact each one before you begin negotiating with your unsecured non-priority creditors. Different secured and priority creditors ask for different monthly payments.

As a general guideline, lenders will normally ask for the arrears to be cleared over 12 to 24 months. But longer periods can be agreed in some circumstances, even over the remaining term of the mortgage or secured loan.

The Treasury will normally expect you to repay your Rates and Water Rates arrears before the next year's bill is sent.

Try to repay your Gas, Electricity, Coal, Oil and Telephone arrears on a monthly basis in addition to your standard payment. You should contact the creditor directly and explain your difficulties and agree a repayment plan.

Make sure that you can keep to any offers that you make in order to clear your arrears to your priority creditors. Do not be pressurised into paying more than you can afford.

It is important that you use your available money to pay priority creditors first. Do not pay your non-priority creditors until you have reached an agreement with your priority creditors.

If you are unable to reach agreement with any of your priority creditors you need to seek specialist help from the Debt Counselling Service on 686510.

Your available income which you offer on a pro-rata basis (see glossary) to your non-priority creditors should be what you have left AFTER you have made your monthly payments to your priority or secured creditors.

PLEASE NOTE:

If you receive a letter from the Courts about your mortgage or second mortgage arrears, e.g. a possession summons, a possession order or an eviction warrant then you should immediately contact an advocate for further advice.

Initial Letter

Creditors Name
Address

Your name
Your address

Date

Dear Sir/Madam

Account/Agreement
Number.....

With reference to your recent correspondence I wish to inform you that I am experiencing some financial difficulties. In an effort to meet my obligations to you, I would like to request the following:

The current balance of my account to be sent to me along with details of any interest or penalties accruing, the type of agreement and any insurance policies attached to the agreement.

That all interest and charges on my/our account be frozen.
No further action to be taken against me at this time.

Once I have received replies from all my creditors, I will endeavour to make an offer on a "pro-rata" basis, based on my financial statement.

Yours faithfully

Name(s)

Overdraft	A facility which allows you to borrow money on your bank's current account.
Payment Protection Insurance	An insurance policy that is sometimes taken out with a loan, credit card or finance agreement. It can cover sickness, accident and/or redundancy. Many people take out this insurance without knowing so it is important to check if this insurance has been taken out.
Priority Debt	Any debt which if unpaid threatens your home (rent or mortgage), your car (Hire Purchase), your freedom (Court fines, tax arrears) or an essential service (gas, electricity).
Pro Rata	The fairest way to share out your available money for creditors. It means that the creditors get a proportionate share of your money depending on what you owe them.
Secured Loan	Any loan secured against something, usually a house. If you do not maintain repayments the creditor can repossess whatever the loan is secured against.
Token Offers	The amount you offer to creditors when you have no available income. It is usually £1 or £2 per month.
Write Off	When a creditor no longer requests payment for a debt. The debt may still appear on your credit history but you will not be asked for payment.

Dealing with Non-Priority Creditors.

Firstly you must contact ALL your creditors and explain your current difficulties. You will need to ask them for full details of the amount owing, any arrears or penalty charges etc. A template letter asking for this information is shown below:

Your Address Date
Dear Sir/Madam
Account/Agreement Number
With reference to your correspondence sent to me/us dated (insert date) I wish to inform you that I am experiencing some financial difficulties. In an effort to meet my obligations to you, I would like to request the following information:
The current balance of my/our account to be sent to me/us. Also, details of interest/penalties accruing, type of agreement and any insurance policies attached to the agreement.
That all interest and charges on my/our account be frozen.
No further action to be taken against me at this time.
Once I have received replies from all my creditors, I will endeavour to make an offer on a "pro-rata" basis, based on my financial statement.
Yours faithfully
Name(s)

A copy of this letter for you to photocopy and use when contacting your creditors can be found at the back of this booklet.

PLEASE NOTE:

It must be remembered that stopping of interest on the part of the creditor is a gesture of goodwill and is not guaranteed nor an automatic right.

Creditors are often reluctant to consider stopping charges before a financial statement is received.

You can get more help and information from:

Isle of Man Office of Fair Trading
Debt Counselling Service
The Slieau Whallian
Foxdale Road
St John's
Isle of Man
IM4 3AS

www.gov.im/oft
Email: debt@gov.im
Confidential Telephone: 01624 686510

Default Notice	When you fall behind with repayments on personal debts (regulated by the Consumer Credit Act) a creditor must issue a Default Notice to you formerly ending the credit agreement and giving you an opportunity to pay off the arrears.
Dependants	Anyone under the age of 16 who lives with you, or under 18 if in full-time education
Expenditure	Money needed to spend on essential living costs. Does not include payments for credit debts.
Finance Agreement	An agreement to repay money for goods purchased, eg a sofa on credit.
Financial Statement	A list of all income and expenditure including money owed.
Hire Purchase (HP)	An agreement where you do not own the goods until you have paid the credit agreement off, usually for car purchases.
Housekeeping	Money spent on food, cleaning products, toiletries etc.
Income	Any regular money coming into the household.
Interest	The cost of borrowing money, eg borrow £100 with 10% interest, you will repay £110; therefore the interest is £10.
Non Priority Debt	Any debt where if you do not repay on time, the creditor does not have any extra powers to recover the money, eg credit cards, loans, overdrafts, some finance agreements etc.

Glossary of Terms

Basic Bank Account	A bank account with no credit facilities – you are less likely to get into debt with your bank.
Benefits	Income received from the Government eg Job Seekers Allowance, Income Support, Housing Benefit, Child Benefit.
Collection Agency	An agency which is hired to collect money owed. They do not have any more powers than the original creditor.
Consumer Credit Act	A piece of UK legislation that regulates almost all types of credit provided by creditors in the UK.
Credit	Money borrowed with an arrangement to repay eg a loan, a credit card.
Creditor	The company or person who you owe money to, eg the bank, credit card company.
Credit Reference Agency	A company who holds a record of your credit history. You can apply for a copy at any time but a creditor can only apply when you make an application for credit.
Debt	Money owed.
Debtor	The person who owes money.
Default	When you miss an agreed repayment.

Financial Statement

STEP 1		Income (Weekly or Monthly)
	Wages/Salary	
	Wages/Salary (Partner)	
	Job Seeker's allowance	
	Income Support/Pension Credit	
	Retirement/employers pension	
	Child benefit	
	Incapacity benefit	
	Child maintenance	
	Non Dependent contributions	
	Other	
	Total Income	Box A £
STEP 2		Outgoings (Weekly or Monthly)
	Mortgage	
	Mortgage endowment policy	
	Second Mortgage	
	Rent	
	Rates	
	Oil/Coal	
	Gas/Electricity	
	Ground rent/service charge	
	Buildings/contents insurance	

Total Income: Should be your total income from all sources

Oil

Work out how much you spend over 12 months and divide by 52 (for weekly) or 12 (for monthly)

Travel

This should include public transport, petrol, car tax, insurance,

Health

Don't forget dental treatment, glasses, and contact lenses

If Box A is less than Box B contact the Debt Counselling Service for advice

Life insurance/pension	
Housekeeping/Food	
School meals/meals at work	
Court fines	
TV Licence	
Travelling expenses	
Hire Purchase vehicle	
Maintenance payments	
Clothing	
Laundry	
Telephone/mobile phone	
Child-minding	
Sundries & Emergencies	
Prescriptions/health costs	
Other	
Total Outgoings	Box B £
STEP 3	Available money
Total Income	Box A £
Take away (minus)	
Total Outgoings	Box B £
Equals	Box C £

Useful Contacts

Age Isle of Man 19 Drinkwater Street, Douglas	631740
Alcoholics Anonymous	663676
Credit Reference Agencies: Experian	0800 0138888 www.experian.co.uk
Equifax	www.equifax.co.uk
Call Credit	0845 366 0071 www.callcredit.co.uk
Cruse Bereavement Care	668191
Debt Counselling Service	686510
Gamcare	622011
Forces Help – SSAFA	824888
Housing Matters	675507
Office of the Data Protection Supervisor	693260
Relate (marital and couple counselling)	623902
Royal British Legion	08088028080
Samaritans	116123
TV Licensing	0300 790 6144
Women's Aid	677900

Telephone numbers correct at time of printing, 2015

Data Protection

You can write to your creditors and request that they send you all of the information they hold about you. Should you require any further information about this process, please contact the Data Protection Supervisor.

Debt Collectors

If your debts have been passed to a Debt Collection Agency do not worry! They have no greater powers than the original creditor. However, they may be prepared to accept a lower repayment amount. They cannot come into your home without your permission.

Harassment

Creditors are allowed to request payment from you. However, if you feel you are being treated unfairly contact the Debt Counselling Service for advice.

TV Licence

If you are caught without a TV Licence you can face a Court Fine of up to £1,000. They do have payment schemes available to help you pay in instalments (see useful contacts).

STEP 4		Priority Debts	
	Balance owed	Repayment Offer	
Mortgage arrears			
Second mortgage arrears			
Rent arrears			
Rates arrears			
Fuel debt: Gas Electricity Other			
Court fine arrears			
Maintenance arrears			
Hire purchase arrears			
Other			
Total Priority Debt Repayments	Box D £		
STEP 5			
Money for creditors	Box C £		
Take away (minus)			
Total priority debt repayments	Box D £		
Total money for credit debts	Box E £		
STEP 6		Money for credit debts	
	Balance Owed	Repayment offer	
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
Total owed	Box F £		

Calculating Offers for Non-Priority Creditors

After completing a financial statement, if you have money left after making offers to priority creditors this section will tell you how to calculate an offer to creditors so that they each receive a fair share of any money which is available.

In the event there is no money left over and only a token offer or no offer can be made, come back to the Debt Counselling Service for further assistance.

When you have more than one debt, list all the individual debts and total the amount as shown in the example below:

	£	
Credit Card	£500	
Store Card	£400	
Loan	£850	
Overdraft	<u>£250</u>	
Total	£2000	

Then take the money you have left over for your non-priority creditors (this will be the figure in Box E on your financial statement).

In this example let's say there is £60 a month left over.

Multiply each of the debts by the amount leftover. Then divide by the total amount of the debts:

Credit Card	$£500 \times £60 \div £2000$	$= £15.00$
Store Cards	$£400 \times £60 \div £2000$	$= £12.00$
Loans	$£850 \times £60 \div £2000$	$= £25.50$
Overdraft	$£250 \times £60 \div £2000$	$= £7.50$
Total		£60.00

Note: If you need help with this calculation, please contact the Debt Counselling Service.

Useful Information

Bank Accounts

Basic bank accounts are simple to use. You can pay money in, set up standing orders and direct debits and get money out using a cash card.

It does not normally cost anything to open a basic bank account but if there is not enough in your account to cover a direct debit or standing order you may be charged.

Credit Agreement (UK Creditors)

You have the right to ask for a copy of your credit agreement. You may have lost your original or wish to check the terms of your agreement. Write to the creditor and ask for a copy under The Consumer Credit Act 1974, Section 77-78. You must send a fee of £1 with the letter.

Credit Reference Agencies

There is no such thing as a credit "Blacklist". When you apply for credit most companies will consult a credit reference agency. They keep records of all county court judgements, bankruptcy orders and general details about the running of your accounts. This information is kept on file for 6 years. If you are behind with credit debts this will normally appear on your credit file. This can cause a lender to refuse your application for credit. If you would like a copy of your credit file please refer to our useful contacts sections.

Court Action

If you receive any Court forms contact the Debt Counselling Service immediately for assistance.

STEP 5		
Money for creditors	Box C £	
Take away (minus)		
Total priority debt repayments	Box D £	
Total money for credit debts	Box E £	
STEP 6		Money for credit debts
	Balance Owed	Repayment offer
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
Total owed	Box F £	

Notifying your Creditors of Offer

It is important that you write to creditors as soon as possible, explaining your situation. When advising creditors of your offer you should send them a copy of your financial statement together with a list of creditors showing that the amount you intend paying each of them is being fairly divided. A template offer letter is shown on the next page and you should keep copies of any letters you send.

What To Do Next

Start making payments even if your creditor has not yet replied.

If the arrangement has been set up successfully you will have to keep in contact with your creditors on a regular basis.

If your circumstances deteriorate or improve, you must prepare a revised financial statement, showing your recalculations.

Make sure you keep all correspondence sent to and received from your creditors, and keep details of the payments you have made. If your creditors have refused to accept your initial offer, **DON'T GIVE UP.**

Make sure you make the payments you have calculated and send the creditors another letter explaining that you cannot afford to offer them any more, as they should be able to see from the financial statement that was originally submitted. Many creditors will reconsider if they see you are committed to resolving your problems.

Offer letter

Your Address
Date

Dear Sir/Madam

Account/Agreement Number

You will be aware from the previous letter of my/our financial difficulties.

These have been due to _____ (explain in brief the circumstances that have caused your difficulties, eg loss of job).

Enclosed is a copy of the financial statement and offer to make a repayment of £____ each month based on an equal distribution of available income. To calculate the offer the Isle of Man Office of Fair Trading Debt Counselling Service's self-help "Dealing with Debt" was used. Whilst it is appreciated that this offer is small, it is the only realistic one in view of my/our circumstances.

I/we would ask that you agree to suspend interest and charges on the account to enable inroads to be made into the debt.

Should the financial situation change, repayments will be revised immediately.

Your patience and co-operation is appreciated and I/we look forward to your approval of my offer and request to suspend interest and charges. When replying, please inform me/us of the payment methods which are available.

Yours faithfully

Name(s)

An alternative letter for you to copy can be found on page 27.

STEP 3		Available money	
Total Income	Box A £		
Take away (minus)			
Total Outgoings	Box B £		
Equals	Box C £		
STEP 4		Priority Debts	
	Balance owed	Repayment Offer	
Mortgage arrears			
Second mortgage arrears			
Rent arrears			
Rates arrears			
Fuel debt: Gas Electricity Other			
Court fine arrears			
Maintenance arrears			
Hire purchase arrears			
Other			
Total Priority Debt Repayments	Box D £		

Rent	
Rates	
Oil/Coal	
Gas/Electricity	
Ground rent/service charge	
Buildings/contents insurance	
Life insurance/pension	
Housekeeping/Food	
School meals/meals at work	
Court fines	
TV Licence	
Travelling expenses	
Hire Purchase vehicle	
Maintenance payments	
Clothing	
Laundry	
Telephone/mobile phone	
Child-minding	
Sundries & Emergencies	
Prescriptions/health costs	
Other	
Total Outgoings	Box B £

Court Action

If the creditor continually refuses your offer of payment they may choose to take legal action.

Before a creditor starts legal action, they will usually warn you with a "letter before action" stating that, unless the money is repaid, they will start legal action within a specified length of time. The letter may be written by your creditor in person, by their solicitor, or in the case of large companies, by their legal department.

This does not necessarily mean that Court action will follow.

CREDITORS DO NOT ALWAYS CARRY OUT THEIR THREATS OF LEGAL ACTION even if a letter before action or default notice has been sent. If a credit agreement is regulated under the UK Consumer Credit Act, a creditor must issue a default notice (see glossary) before taking legal action.

Even if the specific time has expired, it is worth contacting the creditor in order to negotiate.

If Court action is taken you will receive a default summons stating what your creditor claims from you. Send the Form of Reply (which came with the summons) to the creditor. You must state any offer of repayment and enclose a copy of your financial statement. Send a copy of both to the Court.

If your creditor doesn't accept your offer, the Court will decide what you should pay. There will not usually be any Court hearing. If you disagree with the order for payment made by the Court, you can ask for a hearing. You must do this within the time specified of receiving the order to pay. You will then be able to tell the Court about your circumstances in person.

Monthly payments ordered by the Court can be cut if you cannot afford them. You will need to apply to the Courts for a reduction, not just reduce them without agreement.



Financial Statement

Name.....

Address.....

.....

Number of people in household.....

If creditors start Court action to get their money back this can have advantages for you:

- The Court may let you pay a monthly amount which you can afford. But it can only do this if you tell it about your income and expenses.

There can be disadvantages if creditors take Court action against you:

- Court costs are added onto your debt, although creditors cannot add on what they wish. Court costs are fixed on a sliding scale depending upon the amount of money owed, including legal fees.
- If you are sued through the Court and you cannot pay the money owed straight away your name will be put on a Register of Court Judgements for 6 years. If you pay off the debt, this will be recorded in the Register but your details will not be removed for 6 years.
- If you do not pay the monthly amount which the Court orders, your creditors may take further action against you. So make sure you pay your monthly payments regularly or apply for them to be reduced if you cannot afford the first amount which the Court fixed.

If your creditors take further Court action against you eg a Coroner service or Bankruptcy, contact the Debt Counselling Service immediately for further advice.

STEP 1	Income (Weekly or Monthly)
Wages/Salary	
Wages/Salary (Partner)	
Job Seeker's allowance	
Income Support/Pension Credit	
Retirement/employers pension	
Child benefit	
Incapacity benefit	
Child maintenance	
Non Dependent contributions	
Other	
Total Income	Box A £
STEP 2	Outgoings (Weekly or Monthly)
Mortgage	
Mortgage endowment policy	
Second Mortgage	