

# Dealing with debt and low-cost borrowing



Homes for Haringey

[www.homesforharingey.org/money](http://www.homesforharingey.org/money)

Debt is stressful but not dealing with debt will make the problem worse. If you are worried about debts, then get in touch with the people you owe money to.

If you don't, they'll think that you simply don't want to pay and start taking action against you. They could take you to court or may even send bailiffs round to take away your belongings. It's almost never too late to start talking to your creditors - most of them will appreciate it if you contact them.

## Dealing with your creditors

Here are some tips when contacting people you owe money to:

- Explain why you are in debit
- If the person on the phone is unhelpful, don't be shy to ask for a more senior person.
- Reiterate that you want to deal with your debt and be clear how much you can afford to pay back on a regular basis
- Ask them if you can stop paying interest on your debt in the meantime.

**Important:** Don't ignore your creditors' letters or phone calls. Keep copies of all the letters you write, make a note of all the phone calls or meetings you have with them, and include the name of the person you spoke to and what you agreed.



The National Debtline offers free, confidential and independent advice on how to deal with debt problems on freephone 0808 808 4000 or get step-by-step online advice at: [www.mymoneysteps.org](http://www.mymoneysteps.org)

**Important:** If you are a council tenant in Haringey and you're struggling with your rent payments, don't delay - get in touch with your Income Collection Officer straight away. Their details are on your rent statement or call freephone 0800 195 3404.

## Tackling debt step by step

1. Make a list of all your debts - include name, address and contact number for each creditor, the relevant account number, and the amount you owe. Make sure you have the latest statement or letter for each of the debts, and keep everything in one place. If you get any court papers or urgent letters, get advice from a debt advisor (see below).

The National Debtline has an information pack on dealing with priority debts. Go to: [www.nationaldebtline.co.uk](http://www.nationaldebtline.co.uk)

**2.** Work out how much you can afford to pay. To do this, you'll need to draw up a budget, listing all the income and outgoings of your household. Use the National Debtline's online calculator or their budget template.

**3.** Some debts are more important than others. The law gives different creditors different ways of getting their money back. If you don't act quickly, some creditors could:

- take away your home
- cut off your gas or electricity
- send the bailiffs to take belongings from your home
- ask the magistrates' court to send you to prison.

It is important to use your money to pay these priority debts first. They include your rent, utility bills, council tax arrears, benefit overpayments, and your TV licence.

**4.** If you can afford to pay more than the minimum payments on your non-priority debts, there is a general rule about which one to overpay first, or next. **Target the debt with the highest interest rate – shown as the APR** (Annual Percentage Rate) on your monthly statement or loan agreement.

Don't be talked into making payments you can't afford. If a creditor suggests you take out a further loan, make sure you get financial advice first. Once you've agreed a payment plan with your creditor, start making payments straight away. If you can't offer any money to your non-priority creditors, explain why. You could ask if you could stop making payments for a few months. Or you could make a token payment of £1 a month.

**Warning:** There are lots of companies out there who say they can get your debts written off for you, or get compensation for you by claiming that your credit agreements are unenforceable. Be very careful! They can charge huge fees and may not be able to challenge any of your credit agreements. Call the National Debtline for help on freephone 0808 808 4000.

**Warning:** You may be tempted to get a debt consolidation loan which merges your loans into one. This may seem an attractive option because of lower interest rates and repayments but can often cost you a lot more in the longer term than sticking with your current loans.

## Low-cost borrowing

Borrowing from your local Credit Union is a cheap and effective way to deal with debt as you will also be encouraged to save.

Credit Unions are run on a not for profit basis. Instead of paying a profit to shareholders, they use money they make to reward their members and improve their services. This means they act in the interests of all members and try to ensure that they don't let their members take out loans they cannot pay back. There's also a cap on the amount of interest they can charge on their loans of 2% a month or 26.8% a year APR (source: Money Advice Service). There are no hidden charges with credit union loans and no penalties if you repay the loan early.

Find out what loans and savings products the London Capital Credit Union offers:

**Tel: 020 7561 1786**

**[www.credit-union.coop](http://www.credit-union.coop)**

We've published a range of factsheets to help you manage your money better:

Factsheet #1: Opening a bank account

Factsheet #2: Taking control of your finances

Factsheet #3: Keeping your energy bills low

Factsheet #4: Switching energy suppliers

Factsheet #5: Dealing with debt and low cost borrowing

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