

FACILITATOR CHEAT SHEET

Dos and Don'ts when you're in debt

This exercise is designed to get people thinking about how they could best act if they (or families and friends) are in debt.

Ask the group to call out the most important things to do or not do if they find themselves in debt. Write these on a flip chart. There are some prompts below.

Then read out the dos and don'ts cards and ask about these. These cover the aspects of debt that may be less obvious to people and where there may be more discussion to be had. More information is provided below.

Do

Open your letters
Stay calm
Seek help for the stress caused by debt

Check any deadlines for actions
Seek debt advice

Explain to family and friends that money is tight (discuss how much people think they should share, what are the pros and cons

Listen to the debt advice you are given and act!

Ask yourself *is this a priority or non-priority debt*

See if you can get any additional support – grants, benefit check etc.

Don't

Despair
Cheer yourself up with a new outfit/outing etc.
Pay the person who shouts loudest (remember the priority/non priority game)

Ignore deadlines, statements, letters
Hope it will all go away

Let the bailiffs in - If the bailiffs haven't been there before, they usually cannot enter forcefully (unless they are collecting court fines or are evicting you – see other stuff for facilitators). But they can use *any usual way of entry* if it is unlocked or open so keep doors/gates etc. locked.

Pay debts that are in someone else's name (only debts in your name or where you are a joint account holder are yours)

Dos and don't cards

Borrow money to pay off existing debts

No! What happens if you then can't pay that debt? Also you don't want to pay interest on interest. The only exception is where credit unions may run schemes to loan you money to pay off high interest loans (eg doorstep lenders) at a lower rate or if a family member/friend will loan you money at little or no interest – but again think about what happens within the family/to your friendship if you can't pay that debt.

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Start or keep saving

It is better to pay off existing debts rather than start saving as the interest you would make on a savings account would be nothing compared to the interest you will be charged on debts. Note: Behavioural scientists have researched this issue and people are often reluctant to give up savings. There are many factors at play such as the belief in saving for a rainy day or it giving comfort.

If you have a bank loan / overdraft debt with the bank where your salary / benefits are paid in, have them paid in to another bank before you talk to the bank.

Once you inform the bank that you are unable to pay the debt they can take money from your account to pay the debt, and might not leave you with enough to pay other bills.

Pay a company to help sort out your debts

No! Lots of them advertise on daytime TV and in the newspapers and make it seem like it's a great, easy friendly option. However they are taking money from you that could be used to pay your debts off quicker. There are charities that will offer you free help to sort out your debts: locally there should be a CAB, or Money Advice charity, or Christians Against Poverty centre. Or you can try National Debt Line, Stepchange or Payplan. All of these organisations offer FREE debt advice. You should never pay for it!

Negotiate extra payments to creditors

Generally- not a good idea. Often creditors will call and ask if you can do a 'one off' payment as an extra. As tempting as this may be, if you have a bit of spare cash one month, your creditor may well then expect it again the next month (and put pressure on you to do so). Once you've got an agreement with your creditor, you need to stick to it. (This is particularly important if you've got a CCJ arrangement). If you find that your circumstances changes for an extended period, you will need to renegotiate your payments for all your creditors so get some advice about what the best thing is to do- talk to a free debt advisor.

Cancel any direct debits that you might not be able to pay

Yes, you will still owe the money but won't then suffer any additional charges. DO speak to your creditor to explain why you have cancelled the direct debit and explain you are in difficulty paying.

Speak to your creditor

In most circumstances the best thing to do is speak to the creditor immediately the debt becomes a problem. Ask them for a full statement of the debt and to freeze any charges/interest whilst you seek help, can you pay by instalments without incurring additional interest etc. Sometimes people will suggest you don't contact your creditor as the debt may become *statute barred*. This applies to some debts where the creditor has not taken action and no payments have been made/no



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acknowledgment of the debt given for 6 years **but** no one should rely on this happening – get debt advice.

Refuse to pay because you don't agree with the debt

Yes and no! If you do not agree with the debt or think that the creditor should have acted differently (contacted you earlier, for example), you should dispute the debt immediately or get help to do this. If it is a priority debt, make sure you get advice about the consequences of not paying whilst any dispute is being resolved.

Tell the debt advisor only about the debts that are worrying you

No, you may think you are saving the debt advisor's time but without the full picture your advisor can't give you the correct advice.

Send whatever you are paying for back

Possibly! It will depend on the terms of your contract you may still be liable for the full term of payments or for a cancellation charge. Firstly, check exactly what you have signed up for and get advice if you think you were mis-sold anything.