

## Factsheet

For single parents in England and Wales December 2015

Freephone

0808 802 0925

Gingerbread Single Parent Helpline

## Dealing with debt

This factsheet provides a guide to managing your finances and strategies for dealing with debt.

There are lots of reasons why you may find yourself in debt or struggling with money. Often it is due to reasons beyond your control, such as unexpected events, a drop in income or separating from a partner. Managing on one income can be difficult and you may feel swamped or anxious.

This guide will help you take control of your situation. It will cover budgeting and how to manage household bills, and will also support you to identify strategies for dealing with debts and give you tips for negotiating with creditors.

There are many places where you can get free help and advice to sort out your money worries. To find free, confidential and independent debt advice, see the list of useful organisations on page eight. A trained debt adviser can help to make sense of your finances and identify options to help you manage your debts.

## Key words

**Jointly responsible:** You share responsibility with another person for paying back a debt. For example, if you take out a loan with someone else, you both are equally responsible for paying back the full amount. If one person cannot pay, the obligation will fall to the other person.

**Severally responsible:** You are responsible for your own specified obligations to a joint agreement. If one person cannot pay back their share, the obligation will not fall to the other person.

**Credit:** Money borrowed. For example, loans, overdrafts, store cards and credits. It also includes goods received through hire purchase, catalogues or on a 'buy now pay later' scheme.

**Creditor:** The company or person that you owe money to.

**Default notice:** A notice sent by creditors to formally tell you that you are behind with payments and to warn you that court action may be taken. A default notice will be recorded on your credit history for six years and may affect your ability to get credit in the future.

**Financial statement:** This is your household budget showing your income and household spending. This is a key part of dealing with debt as it can help you manage your money and is used to identify your options.

**Priority and non-priority debts:** Debt advisers divide debts into priority and non-priority to decide which matters are most urgent. It is not based on what your creditors think are priorities.

- **Priority debts** carry the heaviest consequences for non-payment and are usually dealt with first. Non-payment of priority debts could, for example, result in the loss of your home, disconnection of utilities, a fine or imprisonment.
- **Non-priority debts** may have less serious or less immediate consequences. However, non-payment can affect your credit history and could lead to county court action.

## Looking at your situation

Finding yourself in debt can be a stressful time, but the sooner you assess your situation and get advice, the easier it will be to deal with.

Making a list of your debts is an important first step to taking control. Make a list of all unpaid bills including money owed to friends and family.

Also include bills that you may not have fallen behind with yet, but are struggling with, especially if trying to pay them is leaving you short of money for other essential items.

### Which debts are you responsible for?

Generally, you are responsible for all bills that are in your name, but there are some exceptions to this. Speak to a debt adviser about the enforceability of a debt if at the time you took it out you were:

- Under the age of 18
- Suffering from mental health problems
- Persuaded to take out the debt by someone else.

You should also seek advice if it is more than six years since you made a payment or wrote to a creditor. This area of law is complicated. To find a debt adviser visit organisations such as (see page seven for full details):

- [StepChange](#)
- [National Debtline](#).

### Joint debts

If a bill is in more than one name, you and the other named person are jointly responsible for paying it. This means that either one of you can be asked to pay back the full amount owed. If the other person named on the bill cannot, or will not, pay the debt, you can be asked to pay all of it. Give the contact details of the other person to the creditor (the person or company you owe money to) so that they can be asked to make payments too.

There may be debts that you do not consider to be yours, but if you want to keep using the service the debt has been incurred on, you may still have to deal with them. For example, you may need to take full responsibility for rent or mortgage costs if you wish to remain in your home. If the mortgage or rent agreement is in joint names or just in someone else's name, get housing advice about your right to stay in the property.

For free housing advice, contact organisations such as (see page seven for full details):

- [Shelter](#)
- [Citizen's Advice](#)

### Finding out what debts you have

You can get a credit history report, which will list all of the credit taken out in your name, including joint debts. Companies that provide credit history reports are (see page seven for full details):

- [Call Credit](#)
- [Equifax](#)
- [Experian](#).

### Thinking about your budget

Putting together a budget can help you see what money you have, where it goes and if you could make any savings. Your budget will also show what money, if any, you have left over to pay debts. You may already know that you have no money left at the end of the week or month, but many creditors will ask for a copy of your budget, often called a financial statement, as part of their negotiations.

It is also used by debt advisers to work out your options.

### Putting a budget together

Your budget can be a simple list of your income and household spending each week or month. Be honest with yourself when completing your budget and write down what you really spend. Otherwise, your budget will never work and you will not be able to keep up with any arrangements that you make with creditors. Include regular household bills in your budget, such as gas and electricity. Write down the amount that you should pay each week/month if you were not in arrears. List any arrears or debts separately.

### Make the most of your income

Once you can see your income and expenditure written down, you may be able to think of ways to make savings or reduce debt.

Check that you are receiving all of the benefits and tax credits that you are entitled to, including help with your rent or council tax.

You can also contact Child Maintenance Options to discuss ways of setting up child maintenance payments if you don't already receive regular maintenance from your child's other parent.

Call the [Gingerbread Single Parent Helpline](#) for more information on benefits and child maintenance.

### An example budget

Dina is a single parent with two children aged six and eight. She works 16 hours a week and earns £112 a week. Her rent is £116 a week and her council tax is £4 a week. Dina does not have any childcare costs as her mum collects the children from school. Her weekly budget is below.

#### Household income per week

Wages	£112
Working tax credit	£74
Child tax credit	£114
Child benefit	£33
Housing benefit	£90

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**Total income** **£423**

#### Household expenditure per week

Rent	£116
Council Tax	
(after council tax reduction applied)	£4
Water Rates	£8
Buildings/ Contents Insurance	£7
Gas	£20
Electricity	£15
Telephone (home)	£12
Telephone (mobile)	£10
TV package/ internet	£6
TV licence	£3
Food, toiletries, cleaning materials etc	£90
Clothing	£15
Travel	£25
School meals	£11
Swimming lessons	£15
Other expenses eg birthdays or outings	£10
Emergencies	£10

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**Total weekly spending** **£377**

#### List of debts

Creditor	Amount owed
Council tax	£200
Gas	£150
Loan	£1,000
Credit card	£250
Money owed to friend	£25

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**Total** **£1,625**

#### Money left for creditors

Total income	£423
Minus total spending	- £377
<b>Money for creditors</b>	<b>£46</b>

## Dealing with priority bills

### Your home

#### Paying your rent

- Check if you are entitled to housing benefit - you may qualify even if you are working.
- If you are struggling to pay your rent because you do not receive enough housing benefit, apply to your local council for a discretionary housing payment. This is a top up amount to cover more of your rent. You do not have an automatic entitlement to these payments and it is up to your local council to decide if you qualify.
- Try negotiating with your landlord to pay any rent arrears by instalments. Complete a financial statement to show what you can afford to pay and start making regular payments. Seek advice if your landlord refuses to negotiate, if you are at risk of eviction or if you cannot afford to pay the arrears on top of your usual rent.

#### Paying your mortgage

If you receive income-based employment and support allowance, jobseekers' allowance, income support or pension credit, you may be entitled to help with your mortgage interest. There is a waiting period before you can receive any help. It's currently 13 weeks but from 1 April 2016 the waiting period will be 39 weeks. Call the Gingerbread Single Parent Helpline for advice or contact Jobcentre Plus to make a claim. See page seven for contact details.

Check your mortgage agreement to see if it allows you to take a payment break or negotiate one with your lender. This might give you some breathing space. Find out all of the consequences and how a break may affect your future mortgage payments before going ahead.

Offer to pay arrears by instalments. Tell your mortgage lender about any difficulties that may have caused you to fall behind, especially if your situation has now improved. Send them a copy of your financial statement showing how much you can afford to pay on top of your usual monthly payments.

Beware of mortgage rescue schemes as they might not be the best solution in the long term. Citizens Advice has [guidance on mortgage rescue](#) and similar schemes run by local councils and social landlords.

### If you are threatened with eviction

If you are thinking of leaving your home because you are behind with your rent or mortgage, get advice first. Your local authority may refuse to provide housing if you leave your home voluntarily. This should not apply if you have to leave your home because it is not safe.

It is almost always necessary for a landlord or mortgage company to get a court order to evict you from a property, unless your landlord lives with you. If you fall behind with rent or mortgage payments, get advice from a debt or housing specialist as soon as possible. Even if you have started to receive letters threatening eviction, it may not be too late to take action.

If you do receive papers from the county court, act quickly. Get advice from organisations such as full details on page seven):

- [Shelter](#)
- [Citizen's Advice](#)
- [HM courts service](#).

If you have been sent an eviction notice, it should state the date when you have to leave the property. It is possible to ask the court to suspend the eviction, usually on certain conditions such as paying any arrears in instalments.

If you are not able to get advice before the hearing, contact the court to see if an adviser will be available on the day. If so, arrive early and take any paperwork with you, including your household budget and a list of other debts.

### Gas or electricity arrears

Your gas or electricity can be disconnected if bills are not paid. You may be able to negotiate with your gas or electricity supplier to repay the arrears in instalments. If you find it difficult to negotiate with your supplier contact energy advice services such as (full details on page seven):

- [Homeheat Helpline](#)
- [Energy Saving Trust](#).

### Some options for dealing with arrears include:

- Agreeing to have a prepayment meter installed. However, if you cannot afford to top up your meter credit, you will not have gas/electricity. Some companies also charge you more per unit of fuel used, which makes it more expensive.

- Setting up a voluntary payment plan to clear the arrears. This means paying an extra amount each week or month on top of your usual bill.
- Arranging direct deductions from your benefits to pay fuel arrears - sometimes called 'Fuel Direct'. The deduction includes an amount for your current gas/electricity use. Deductions can only be made from income support, pension credit, income-based jobseekers allowance or income-related employment and support allowance.
- Applying for a charitable grant to help pay the arrears. Many gas and electricity companies run charitable funds, which can help with fuel arrears. For details contact [Turn2us](#) (see page seven)

### Council tax arrears

If you are the only adult in your home that has to pay council tax, make sure you are receiving a 25 per cent single adult discount. Also check to see if you are entitled to help with your council tax; you may qualify for council tax reduction if you are on a low income, even if you own your home or are working.

Local councils have a wide range of powers to recover council tax arrears, including using bailiffs and taking money directly from your wages or benefits. The ultimate penalty they can enforce is imprisonment, although this is rare and usually only happens if you refuse to pay.

Contact your local council as soon as you start having trouble paying. Arrange to pay the arrears by instalments or seek advice about other options. Tell your local council if you are waiting to speak to an adviser and ask them not to take any action until you have done so.

### Other bills

Although some debts are treated as a lower priority, they will still need to be dealt with. Lower priority creditors will often contact you to ask for payment. Do not make promises that you can't keep or feel that you have to answer their phone calls. However, you should continue to open letters from creditors and get advice as soon as you can.

The box below shows some examples of lower priority debts. Although this list gives the worst possible penalty for non-payment, you may be able to avoid this action if you tackle the problem as soon as possible.

<b>Examples of lower priority debts</b>	
Debt	Final penalty for non-payment
Credit cards, store cards, unsecured loans	A creditor can issue a default notice and take action in the county court. Both will be registered on your credit history and may affect your ability to get credit in the future.
Water	Your water can't be cut off but you are expected to pay back any arrears. Action can be taken in the county court. See the section <i>Action in the county court</i> below for more details.
Hire purchase	You may consider this a priority if you want to keep the item. It is likely that the item will be repossessed and sold by the creditor if arrears are not paid. Action can be taken in the county court if there is an outstanding amount owed after goods are sold.

### **Action in the county court**

If debts are not paid, creditors can take action in the county court to recover the amount owed. You may be able to avoid court action if you get advice as soon as you start to fall behind with payments, and can negotiate with the creditor to repay arrears by instalments.

If a creditor gets a county court judgment, they can use a variety of enforcement actions, such as bailiffs. If you own a home or have a mortgage, creditors may try to secure large debts against your property but will need an additional court order called a 'charging order' first.

If you already have a county court judgment for a debt, it is not too late to take action. You may be able to have the court order changed so that you pay the debt in affordable instalments and stop any further enforcement action.

Get advice from one of the organisations listed on page seven as soon as possible.

### **Options for dealing with debts**

There are many options available to you to help you deal with your debts. Always get advice to work out your best option. Some examples of ways to deal with debts are:

#### **A voluntary payment plan**

You agree with the creditor to pay the arrears by affordable instalments. The creditor may agree to freeze interest and accept much lower payments until you are able to pay more.

#### **A debt management plan**

You pay a sum of money each month to a company who shares this between your creditors. Free debt management plans are available, so you don't have to use a company that charges fees. See page seven for details.

#### **Bankruptcy**

This removes your obligation to pay most debts but has serious long-term consequences. Always get advice before declaring yourself bankrupt.

#### **Debt relief order**

Similar to bankruptcy, but cheaper. Only available for those on a low income with debts up to a total of £15,000. Some debts can't be included. A specialist adviser must help you with the application.

#### **Administration order**

You must have debts under £5,000 and at least one county court judgment. One affordable monthly payment is made to the court. The court may agree to a 'composition order' so that you only have to pay the amount for a few years and not until all the debts are cleared. Whether this is possible will depend on your circumstances.

#### **Individual Voluntary Arrangement (IVA)**

Debts are tied into a formal agreement drawn up by an insolvency practitioner. The amount you have to pay each month varies but can be a minimum of £150. Your total debt usually has to be over £15,000.

### Tips for dealing with creditors

- **Use a debt advice service.** There are organisations that provide specific advice on creditors – such as **Step Change**, and **National Debtline**. You can also speak to an adviser directly by calling a helpline. All services are free to use.
- **Treat creditors equally.** Divide your available money between creditors according to priority. If you pay one creditor but not another, you may find it difficult to negotiate. A debt adviser can help you to split your money between creditors.
- **Try not to feel pressured by creditors** who contact you frequently. Creditors who know that they are a lower priority will often contact you the most often to ask for payment. Seek advice to work out your priorities and stick to your plan of action.
- **Be prepared to explain your budget.** Creditors may question your household spending. For example, your food bill may be higher than average if someone in your household needs a special diet.
- **Consider opening a new bank account** if you are overdrawn or owe money to the bank that you have your wages or benefits paid into. This will help you to budget and once you stop using the overdrawn account, it can be treated as a lower-priority debt. Try a basic account with a bank that you do not have any debts with. This will stop the bank that you owe money to taking control of any income that you have in your account.
- **Cancel direct debits and make payments manually** if your bank account is overdrawn or you don't always have money in the account to meet the payments. This will prevent charges.

- **Try to view your creditors objectively.** It can be difficult to stop making payments if you have used a bank for many years or a collector calls at your home. Remember that you owe money to the company, not to the individual bank manager or collection agent.
- **Keep to your plan.** Once you have chosen a strategy or payment plan, stick to it. It is better to make low regular payments than to pay different amounts each time. If you pay a large amount one month, the creditor may think that you can always afford that much. If you have any money left over in your budget, put it to one side for emergencies or use it to finish the payments early when you have saved enough.

### If bailiffs come to your home

Creditors will usually need a court order before they can use bailiffs. A general rule when dealing with bailiffs is not to let them into your home. Unless they have a warrant to evict you, the majority of bailiffs can't force entry. They can enter by 'peaceful' means, such as through an open door or window.

Most bailiffs will offer a payment arrangement as an alternative to taking away your goods. Try not to be pressured into paying more than you can manage. Send the bailiff company a copy of your financial statement. Your local advice centre may be able to help you to negotiate with them.

Bailiffs can only take goods that belong to the person who owes the debt. They cannot take essential household items such as beds, fridges or property belonging to children. Bailiffs collecting magistrates' court fines have wider powers but should not take beds or clothing. 'Goods' can include cars or other vehicles.

All bailiffs must be registered and many belong to professional bodies that expect the bailiff to follow a code of conduct. If you feel threatened or harassed by a bailiff you can complain to the company they work for. Speak to your local advice centre if you need help making a complaint.

## **Useful organisations**

### **Business Debtline**

0800 197 6026

[www.bdl.org.uk](http://www.bdl.org.uk)

Help and advice on business debts.

### **Child Maintenance Options**

0800 988 0988

[www.cmoptions.org](http://www.cmoptions.org)

Information about your child maintenance options and making an agreement best suited to your circumstances. Information booklets, a maintenance calculator and a private agreement form are available on the website.

### **Call Credit**

[www.callcreditcheck.com](http://www.callcreditcheck.com)

Organisation that can provide a copy of your credit history listing your debts.

### **Citizens Advice**

08444 111 444 (England)

08444 772 020 (Wales)

[www.citizensadvice.org.uk](http://www.citizensadvice.org.uk)

Information and advice on a wide range of issues including benefits and tax credits.

### **Energy Saving Trust**

[www.energysavingtrust.org.uk](http://www.energysavingtrust.org.uk)

Organisation promoting energy efficiency and savings.

### **Equifax**

[www.equifax.co.uk](http://www.equifax.co.uk)

Organisation that can provide a copy of your credit history listing your debts.

### **Experian**

0800 013 8888

[www.creditexpert.co.uk](http://www.creditexpert.co.uk)

Organisation that can provide a copy of your credit history listing your debts.

### **HM Courts Service**

0800 33 66 99

[www.justice.gov.uk/about/hmcts](http://www.justice.gov.uk/about/hmcts)

Help to find your local county court as well as information, court forms and guidance.

### **Homeheat Helpline**

0800 33 66 99

[www.homeheathelpline.org.uk](http://www.homeheathelpline.org.uk)

Free help and advice on paying energy bills and keeping warm.

### **The Money Advice Service**

0300 500 5000

[www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)

Free advice and information to help you manage your money. Publications include a parent's guide to money, finances in divorce or separation, information on financial products and services, financial guides and budgeting tools.

### **The Money Charity**

[www.themoneycharity.org.uk](http://www.themoneycharity.org.uk)

Free information about budgeting and money management.

### **National Debtline**

0808 808 4000

[www.nationaldebtline.co.uk](http://www.nationaldebtline.co.uk)

Free, confidential debt advice. Factsheets and sample letters also available via the website.

### **Shelter**

0808 800 4444

[www.shelter.org.uk](http://www.shelter.org.uk)

Gives details of local housing advice centres throughout the country, provides information and advice on a range of housing issues and signposts towards further help and advice.

## Further help and information

### **Gingerbread Single Parent Helpline**

Freephone 0808 802 0925

[www.gingerbread.org.uk](http://www.gingerbread.org.uk)

Provides free, confidential advice for single parents. No matter the challenge – around your finances, contact arrangements or help you could receive – our trained advisers are here with tailored advice that works for you.

### **One Parent Families Scotland Lone Parent Helpline**

Freephone 0808 801 0323

[www.opfs.org.uk](http://www.opfs.org.uk)

Run by our partner organisation, One Parent Families Scotland, the Lone Parent Helpline provides free, confidential advice and information for single parents in Scotland.

### **More from Gingerbread**

The following related Gingerbread factsheets for single parents are also available:

- > [Making ends meet](#)
- > [Making arrangements for child maintenance](#)
- > [Claiming income support and other benefits](#)

Download them from our [website](#) or call 0808 802 0925 to request them from the helpline.

### **Become a Gingerbread member**

Membership is available to single parents in England and Wales. Join a community of thousands of single parents who benefit from mutual support, free advice and information. You can also meet other single parents at one of our local support groups.

Visit our [website](#), call 0800 018 4318 or email [membership@gingerbread.org.uk](mailto:membership@gingerbread.org.uk)

**Gingerbread**  
Single parents, equal families

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[www.gingerbread.org.uk](http://www.gingerbread.org.uk)

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