

Managing your money

A self-help guide



GRAMPIAN

HOUSING ASSOCIATION LTD



Acknowledgement

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The Moray Council - (Trading Standards Section and Department of Community Services, Housing Division)

The Moray Citizens Advice Bureau

Money advice

- **Are you having difficulty paying bills?**
- **Are people you owe money to threatening legal action?**

If you answered yes to either or both questions above, do not delay!

- **Following the steps set out in this guide should help you with your financial problems.**

1 'Priority Debts'

A priority debt is one where serious action can be taken against you.

The following list gives some examples of priority debts.

- **Fines** (you could go to prison if you do not keep up your payments).
- **Rent or mortgage arrears** (you could lose your home).
- **Electricity, gas and phone bills** (your service might be cut off).
- **Council Tax** (money could be taken directly from your wages or your bank account could be frozen).
- **TV licence** (you are likely to be fined if you do not have a licence).
- **Hire purchase payment** (if you are buying goods, for example a car, under a hire purchase agreement, not making the payments can lead to the goods being repossessed).
- **Court Order** (Sheriff Officers could be involved if you do not make the agreed payments).

It is important that you (or someone acting for you) does something about these priority debts very quickly, especially if any action is due to be taken against you.

Depending on your circumstances, the person you owe money to may offer you a payment arrangement under which you make regular payments to them before you make payments towards any non-priority debts.

If the gas or electricity company is threatening to cut off your supply because you cannot pay an electricity or gas bill, you can ask for a meter to be fitted to let you pay the amount you owe over a period of time.

2 Contact everyone you owe money to

You should contact everyone you owe money to, as soon as possible, to let them know you are in financial difficulties. (See standard letter 1 in the appendix).

3 Income and spending

You should now work out your income and spending. Remember to include any payment arrangements you have made to repay priority debts. (See examples 1 and 2 in the appendix).

There is a handy income and spending table at the back of this guide.

If your income is less than your spending, think about ways you could possibly increase your income or reduce your spending, or both. (See the following section).

4 Make the most of your income and reduce spending

- You can get a booklet called 'Which Benefit' from your local Benefits Agency Office (DSS), a Citizens' Advice Bureau, some Post Offices and community centres. The booklet gives details of a number of benefits available to those who are unemployed, on a low income, sick or disabled.
- If you have recently had a claim for benefit rejected, it may be worth considering appealing. (See the useful phone numbers in the appendix).
- A part-time job can often make it possible for you to pay your debts.
- Owning a car can be expensive and you may have to consider selling your car or getting a cheaper model.

- You may want to consider cashing in an insurance policy, but some policies may have little or no value if they are only a year or two old.
- Bank charges are expensive, especially if you go over an agreed overdraft limit. You may be able to move your account to another bank or building society and reduce your charges.
- You may have to consider cancelling rentals such as for a video recorder or satellite television.
- You can reduce your phone bills by changing your service to incoming calls only. However, don't do this if you live alone or there are very young, elderly or sick people in the household.
- You may be able to get a clothing grant from the local education authority if you are on a low income or you receive certain benefits.

Extra information

- If someone you owe money to refuses any payment you offer, you should still make that payment.
- Door-to-door collectors sometimes claim that there is minimum amount which you must pay them, but this is not true. You should never make a payment without getting a receipt or having a payment book or card marked.

Never rob Peter to pay Paul

- Some debts, such as fines and rent or Council Tax arrears, can be paid directly from Income Support.
- Those you owe money to may accept your reduced offer for a few months only, then insist that you go back to the normal payment. If your circumstances have not improved, say that you cannot increase your payment.
- Always return Housing Benefit and Council Tax Benefit claim forms as soon as possible to prevent any unnecessary debts.

- Do not throw away any letters or other documents about debts, as you will probably have to refer to them at a later date.
- Threatening letters from solicitors and debt collection agencies usually ask for full payment within the next few days. In many cases, you can still offer to pay instalments.

Remember, the following organisations may be able to help with debt problems. Their phone numbers are given below:

Trading Standards	
Aberdeen	01224 523737
Moray	01343 541202 (Ext 2263)
Citizens' Advice Bureaux	
47 Market Street, Aberdeen	01224 586255
30 Batchen Street, Elgin	01343 550088
Unit 3, Marischal Chambers, Peterhead	01779 741515
Aboyne & Deeside Voluntary Information Centre	
	013398 87005
Banchory Advice Centre	
	01330 825551
Fraserburgh & District Advice Service	
	01346 515307
Turriff Advice Centre	
	01888 562495

Appendix

Income and spending

Example 1

In this example, the family is a husband and wife with two children. Only the husband works and he is entitled to Family Credit. There are 4 debts totalling £1,070.

Spending each month		Income each month	
Food and household shopping	£320	Wages	£540
Rent (including any overdue rent)	£120	Family Credit	£200
Council Tax (including any unpaid amounts)	£60	Child Benefit	£72
Electricity	£40		
Gas	£45		
Phone(s)	£25		
TV rental	£12		
TV licence	£8		
Clothes	£35		
Bus fares	£40		
	£705		£812

In this example, there is £107 left over each month (£812-£705). This money could be used to pay off the debts.

The money available for debts should be split between them according to the amount owed to each person or company.

To work out how much to pay towards each debt, use the following calculation:

$$\frac{\text{Amount of debt}}{\text{Total of all debts}} \times \text{Money available}$$

If one of the debts is £450, the payment towards that debt would be as follows:

$$\frac{£450}{£1,070} \times £107 = £45$$

This calculation would need to be carried out for the other three debts.

List of debts

Example 1

Name and Address	Account Number	Amount Due	Payment
ABC Credit Card	12345678	£450	£45
DEF Store Card	34567890	£280	£28
GHI Mail Order Co	A23456	£200	£20
JKL Loan Company	45678B	£140	£14
		£1,070	£107

Send a copy of the income and spending table and list of debts to everyone you owe money to. Also send a letter like standard letter 2 in the appendix.

Example 2

In this example, the family is a single parent with one child.

Spending each week		Income each week	
Food and household shopping	£40.00	Income Support	£64.00
Council Tax		Child Benefit	£10.40
(including any unpaid amounts)	£1.50		
Electricity	£20.00		
Phone(s)	£5.00		
TV licence	£2.00		
Clothes	£2.00		
Bus fares	£4.00		
	<hr/>		<hr/>
	£74.50		£74.40

In this example, there is no money available for debts. If you think your financial situation is likely to improve in the near future, you should write to those you owe asking if they will wait for your circumstances to change. (See standard letter 3 in the appendix).

If your situation is not likely to improve, you can ask those you owe money to write off your debts. (See standard letter 4 in the appendix).

If your debts amount to more than £1,500 and it will take you several years to repay them, you might be able to consider being made bankrupt. Usually, you can only consider being made bankrupt if Sheriff Officers have served a 'Charge for Payment' on you after Court action has been taken against you for non-payment of a debt or goods have been seized to recover unpaid or overdue Council Tax. So it is important that you keep all documents you receive from Sheriff Officers.

Standard letter 1

ABC Credit Company
2 Any Street
London

Mr and Mrs Smith
4 Any Street
Aberdeen

Date

Dear Sir

Account number 12345678

We are having financial difficulties and cannot keep up the normal payments to our account.

We will send you details of our financial situation as soon as possible.

Please let me know the current balance of the account and take no further action in the meantime.

Yours faithfully

Mr and Mrs Smith

Standard letter 2

ABC Credit Company
2 Any Street
London

Mr and Mrs Smith
4 Any Street
Aberdeen

Date

Dear Sir

Account number 12345678

We enclose an income and spending table, plus a list of our debts. The enclosed table includes the payment we could make to our account. We have worked out the payment as a percentage of our total debt and we would ask you to freeze any future interest.

We look forward to hearing from you.

Yours faithfully

Mr and Mrs Smith

Standard letter 3

ABC Credit Company
2 Any Street
London

Miss A Scott
6 Any Street
Aberdeen

Date

Dear Sir

Account number 12345678

I enclose an income and spending table, which shows that I have no money to pay my debts.

My financial situation might improve soon and I will write to you again, hopefully to agree a payment arrangement.

Please take no further action in the meantime.

Yours faithfully

A Scott

Standard letter 4

ABC Credit Company
2 Any Street
London

Miss A Scott
6 Any Street
Aberdeen

Date

Dear Sir

Account number 12345678

I enclose an income and spending table, which shows that I have no money to pay my debts of £**** (enter amount owed).

My situation is not likely to improve in the future, and I would ask you to write off the amount I owe you.

Yours faithfully

A Scott

Useful Phone Numbers

Local Councils	
<i>(Council Tax, Housing Benefit and Council Tax Benefit)</i>	
Moray	01343 543451
Aberdeen City	01224 522000
Aberdeenshire	0845 606 7000
Trading Standards	
Moray	01343 541202 (Ext 2263)
Aberdeen City	01224 523737
Social Work	
Moray	01343 543451
Aberdeen City	01224 523490
Aberdeenshire	01467 620981
Citizens' Advice Bureaux	
<i>(General benefits and debt advice, tribunal representation)</i>	
Moray	01343 550088
Aberdeen City	01224 586255
Aberdeenshire	01779 471515
Shelter (housing related matters)	01224 645586
SCARF (energy advice)	01224 213005
Benefits Agencies	
Moray	Linkline 0845 709 0757
Aberdeen	Linkline 0845 709 0761
Aberdeenshire	01779 428800 (Peterhead)
Jobcentres	
Aberdeen	01224 802727
Elgin	01343 522100
Forres	01309 542900
Banff	01261 893900
Peterhead	01779 428400
Fraserburgh	01346 462600

Notes

Notes



GRAMPIAN

HOUSING ASSOCIATION LTD

Registered Office

Huntly House, 74 Huntly Street, Aberdeen AB10 1TD
Tel: 01224 202900 Fax: 01224 645526

Also At

21 Culbard Street, Elgin IV30 1JT
Tel: 01343 552779 Fax: 01343 551130

Web site

www.grampian-h-a.co.uk