

Summary

Fact Sheet



Types of Debts and Options Available

Debt Types

Priority debts

The most important debts aren't necessarily the biggest ones. Priority debts are ones where serious action can be taken against you if you don't pay what you owe. Some examples of priority debts, and the consequences of not dealing with them, are listed below.

Mortgages

If you don't keep up with mortgage payments, the mortgage lender can take legal action to take possession of your house and sell it, for whatever price they want. If you have mortgage arrears, complete our income and expenditure sheet and speak to your lender immediately. For more information refer to our Mortgage factsheet.

Rent

If you fall behind with your rent, your landlord can evict you (and still take you to court for the money you owe). If you have arrears complete our income and expenditure form and contact your Landlord. For more information refer to our Rent factsheet.

Tax

Not paying tax can lead to you being made bankrupt or going to prison. You can visit www.taxaid.org.uk for general information.

Utility bills

Gas and electricity companies can disconnect their services to your home if you don't pay their bills. Even a phone bill can be a priority if you need the phone to help you earn your living. If you have arrears contact your supplier. They have various schemes designed to keep your supply connected.

Hire purchase (HP) debt

Any debt should be seen as a priority if what you're buying on credit (or 'HP') is essential such as buying a car you need for getting to work. For detailed information refer to our Hire Purchase factsheet.

Other priority debts

If any of the following debts are left unpaid and not dealt with there is a risk of being sent to prison

- Rates
- Court fines
- Maintenance and child support payments

Non-priority debts

You may not lose your home or go to prison for not paying 'non-priority' debts, but you can still be taken to court and ordered to pay what you owe - often with extra costs on top.

Examples of non-priority debts include:

- Credit card or store card arrears
- Catalogue arrears

- Bank overdrafts and loans
- Benefit overpayments
- Money borrowed from friends or family
- Non-essential goods bought on hire purchase (HP)

Your Options

Debt Management Plan

This is when you offer to pay your creditors a reduced payment which is calculated on the basis that the person that is owed the most amount of money gets the greatest portion of what you have left each month. Please refer to our DMP factsheet for more information.

IVA (Individual Voluntary Arrangement)

An IVA (Individual Voluntary Arrangement) is a legal agreement which can be made to assist someone with serious debt and allow them to repay their debts within an agreed timescale. For more information refer to our IVA factsheet.

Token Offers

A payment of £1 or £2 a month to each creditor. A token offer is made if your outgoings exceed your income. A token offer is a gesture of goodwill. If your token offer is rejected by your creditor you should send your payment anyway, unless it has been some time since you last made a payment.

REMEMBER You cannot pay what you haven't got. Your creditors may want you to pay more and you would like to pay more, but you cannot afford to do so.

Full and Final Offers (F&F)

This means that you ask the creditors to let you pay a lump sum which is less than the full balance you owe on the debt. In return for offering this payment the creditor may agree to write off the debt. You can also visit www.detini.gov.uk for more information and to download the bankruptcy forms.

Bankruptcy

Bankruptcy is a way of dealing with debts that you cannot pay. Whilst you are bankrupt any assets that you have might be used to pay off your debts. After a period of time (usually one year) all of your outstanding debts are written off and you can make a fresh start. The effects of going bankrupt are the same whether you file your own petition or are made bankrupt by your creditors. Please refer to our factsheet or visit www.detini.gov.uk for more information and the bankruptcy forms.

Call us FREE on: 0800 917 4607

Visit us at: www.advice4debtNI.com



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