

Full & Final Settlement Offers

Fact Sheet



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 having a lump sum payment the creditor agrees to write off the rest of the debt. It is very important that you explain to the creditors that the money will not be available forever. It is a good idea to get a third party such as a friend or relative to send the money on your behalf. This helps your agreement to be more legally binding if the creditor accepts the money via a third party.

Make sure you keep copies of any letters you send.

- It is vital that your creditor accepts your offer of payment in writing before you send any money. You need to have proof that it has been accepted in case there is any dispute later on.
- If you are trying to settle a large debt you could seek legal advice and have a contract drawn up by a solicitor.
- Do not send any payment until your offer has been accepted.

Advice

Make sure the creditor agrees in writing to change your credit reference file details to show the balance is 'satisfied' and the date. Check this has been done by asking the credit reference agencies for a copy of your credit file.

If you have a lump sum of money that you need to divide between a number of creditors there is a set calculation for doing this. This is called a pro rata offer. This means that each creditor gets a fair share of your lump sum according to the amount that you owe. In other words, the creditor that you owe the most money to will receive the largest offer and so on.

First Steps

- Contact your creditors to obtain the outstanding balance on your account.
- Use the formula to work out how much you will offer to each creditor.
- Send offers to your creditors using our sample letter. It is best to include your calculation to show how you have reached your offer.
- If any creditors refuse, write to them again and ask them to reconsider. Tell them if any other creditors have already accepted your offer.

How to calculate offer

LUMP SUM AVAILABLE

X EACH DEBT

÷ THE TOTAL AMOUNT YOU OWE TO YOUR CREDITORS

= OFFER TO THE CREDITOR

Example

You may owe £15,000 to three creditors. You have a lump sum of £6000 available to offer.

Your debts are:

£2570 to a store card

£9200 to a loan company

£3230 to a credit card

Use the calculation

£6000 (LUMP SUM AVAILABLE)

X £2570 (DEBT TO STORE CARD)

÷ (TOTAL AMOUNT OWED TO CREDITORS)

= £1028

Your offer to the store card company would be **£1028**. Do the same calculation for each creditor.

You can check that your calculation is correct by adding all of your offers together. The total amount should be the same as your lump sum.

You can then list your offers in a table to send to your creditors

FULL AND FINAL OFFERS TO CREDITORS USING A LUMP SUM OF £6000

Creditor	Debt	Full and final offer
Total	£15000	£6000
Store Card	£2570	£1028
Loan Company	£9200	£3680
Credit Card	£3230	£1292

Remember

Do not pay the lump sum to any creditor that does not agree your offer in writing. Make sure the creditor agrees in writing to change your credit reference file details to show the balance is 'satisfied' and the date. Check this has been done by asking the credit reference agencies for a copy of your credit file.