

Token Offers Fact Sheet



1. What is a Token Offer?

Token offers are payments of £1 or £2 to each creditor each month to show that, even though your essential living costs are greater than your income, you are not refusing to repay your debts. Just that you are not in a position to do so at present.

2. What will I need to do?

Your creditor may ask to see a financial statement to show you are not in a position to make the agreed payments. A financial statement is an account of your income and your essential living costs. You can download a template from our website at www.advice4debtNI.com/get-started/financial-statement but if you think you might need some guidance contact the Advice4DebtNI team. Our experienced advisors can offer advice on your expenditure and how creditors may view this, increasing your chances of your offer being accepted. You can download our template letter from our website at www.advice4debtNI.com/downloads. Our letter also requests that interest and charges be frozen, to stop your debt from continuing to grow.

3. Will creditors accept a Token Offer?

Creditors will react in different ways. As previously mentioned, they are likely to want to see a copy of your financial statement so that they can see what you are spending your money on. Some creditors will accept the offer for a limited period. This will differ depending on the creditor, but is usually between 3 and 6 months. At the end of this period, they will want to know whether your financial situation has changed and if they can resume the agreed payments. This also applies to the freezing of interest and charges. Some creditors may initially decline, but keep trying.

4. Creditors want a minimum payment, which is far higher than a Token Offer?

It is understandable to feel that a token offer is too small an amount to pay. However, your financial statement is an accurate account of your income and outgoings which shows that a token offer is the only payment you can afford. With our assistance you will have drawn up a budget which, if maintained, will mean that your money is used to pay bills in priority order. Remember, the most important debts aren't necessarily the biggest ones.

Priority debts are debts where serious action can be taken against you if you don't pay what you owe. These would include Mortgages, Rents, Tax, Utility Bills, Hire Purchase agreements, CSA payments, Rates and Court Fines.

5. That amount won't pay off my debt, what's the point?

A token offer is a gesture of goodwill. You are saying to your creditors that you agree that you owe them the money but, at this time, you are unable to repay them on the agreed terms. This offer is a way of buying yourself some time to improve your financial situation.

6. What should I do if they don't accept my offer?

It is normal for your initial offer to be rejected but we would encourage you to send the payment anyway. You can write back to your creditor to ask that they reconsider. We can provide template letters for both the initial request and if your creditors reject your offer. The offer letter can be found on our website at www.advice4debtNI.com/downloads but please call us for assistance if you are struggling with your creditors.

If you do not have internet access, contact our advice team and we will be happy to send you out copies and assist you in filling them in.

7. Will my credit rating be affected?

If you miss a payment on a debt it will appear on your credit report as a missed payment whether or not you send a token payment. By only making a token offer it may affect your ability to obtain credit in the future.

8. What happens if the Creditors say that they're going to take legal action?

Most creditors will threaten court action as standard and they are within their rights to take people to court. Realistically, in many cases creditors would much rather make a repayment arrangement with you than go to court.

If however, you do not make contact with your creditor or get them to agree to an arrangement there is a greater risk of court action. If a court judgment has been obtained a creditor could apply for deductions from wages or if you own property, to secure the debt against your home. If a creditor has threatened to do this, phone us for advice.

Call us FREE on: 0800 917 4607
Visit us at: www.advice4debtNI.com



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