

# Dealing with your business debts

For confidential, independent, free advice on debt and cash-flow problems for people who are self-employed call **0800 197 6026**.



**Business Debtline**England and Wales 2011/2012

www.bdl.org.uk



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# How to use this pack

# An introduction to the 'Dealing with your debts' pack, Business Debtline, and how we can help you manage your debts.

# What this pack covers

Lots of people are in debt these days for all sorts of reasons. This pack gives you good advice on tackling your debts. It shows you the following.

- How to work out your business and household budget. You can use this to explain your money problems to the people you owe money to (your creditors). They all want to be paid, but they don't stop to realise that you may not be able to pay them all at once. Seeing the budget may stop them all chasing you for money at the same time.
- How to decide which debts to deal with first your priority debts.
- How to make offers you can afford to repay your creditors.
- What action creditors can take.
- How to cope with court procedures.

If you'd like to discuss anything in more detail, please **contact us**.

# Nine steps to working out a business and household budget

Using this pack will help you take nine important steps to deal with your debts. They will help you work out a business and household budget taking account of all your debts and your circumstances.

We explain each step in a different section of this pack. Don't worry if it seems a bit daunting at first. Take it one step at a time and contact us if you have any questions.

# **Step I – working out your income (turnover)**

Work out the money that your business takes in an average month (before costs). We recommend that you take the average for at least the previous three months. However, if your turnover varies widely or the business is seasonal, we recommend that you take an average of the last 12 months. See page 10.

### Step 2 - costs

Work out all of your business outgoings (other than debts that you want to negotiate a repayment plan with).

Don't forget to include things you only pay for once or twice a year. See page 10.

# Step 3 - what is left over (drawings)

Take away your costs from your turnover to work out how much the business can afford to pay you (your drawings from the business).

You can work out your income tax and National Insurance in this step. If you have a limited company, please see our

fact sheet 'Dealing with the debts of a limited company' or **contact us for advice**. See page 11.

### Step 4 - household income

Work out all the money your household has coming in so you know just how much you have to spend in total. See page 17.

# Step 5 - working out your personal spending

Work out all your regular household outgoings (other than your debts). Again, don't forget to include things you only pay for once or twice a year. See page 17.

# Step 6 - money left for your debts

Work out how much you have left to pay your debts, after taking account of your other outgoings. See page 20.

# Step 7 - your priority debts

Which debts are the most important to pay off first? See page 23.

# Step 8 - what's left after paying for priority debts?

Work out how much you have left after making arrangements to pay your priority debts. See page 23.

# Step 9 - credit debts

Work out how much you can afford to pay towards your credit debts. See page 38.

Don't forget you can **contact us for advice** if you have questions about any of these steps. Following all nine steps and creating your business and household budget will take some time. But it will help you deal with your debts. So don't give up, and **contact us** for help as often as you need to.

# Information

If you are a director of a limited company, you should keep the business budget separate from your household budget. This is because the company is a separate legal entity to you. You can use the limited company budget in our limited company fact sheet to work out what you can take out of the company. You can then use the household budget for your personal situation.

# How we can help

We, Business Debtline, are the national telephone helpline for self-employed people and small businesses with debt problems.

We offer expert, professional advice over the phone and send every caller information free of charge. This allows you to take action to deal with your debts in an informed way. It helps you decide the best option for you to take. The service is free, confidential and independent.

You can also make calls using the Text Relay service. We also use Language Line, a telephone interpreting service available

to staff 24 hours a day. This means we always have access to professional interpreters over the phone in any of 100 languages. If you do not speak English, it takes just a couple of minutes to get in touch with an interpreter who will translate accurately what you and the adviser are saying to each other.

### **Business Debtline website**

You may want to visit our website at www.bdl.org.uk where you can view or print off the information packs and fact sheets. You can also fill in the business and household budget sheet online to work out how much money you have available to pay the people you owe. You can then print off the budget sheet or save it on your computer.

# **Confidentiality**

To protect your confidentiality, we do not use BT's 'caller display' equipment. This means we cannot see your number displayed on a screen when you ring. We also have a permanent block on the 'caller return' service. This means that if we ring you back, our phone number will not be given as the last number to ring you if anyone dials '1471'. This is in case you don't want anyone to know we have contacted you.



### Warning

# **Itemised phone bills**

Your phone calls to us may be listed on an itemised bill. You need to remember this if your calls are confidential and someone else may see your bill. If you are calling us from a mobile phone, some networks will not charge you for the call because you are ringing a helpline.

# Options for dealing with your debts

There will often be a number of options that may be suitable for dealing with your debts. We can advise you on options such as a free debt-management plan, bankruptcy, debt relief orders and individual voluntary arrangements. We can give you the information to decide what would be most suitable in your situation. See What are the options for dealing with your credit debts? on page 38. Contact us for advice.



# **Warning**

# Your credit rating

Some organisations will tell you it is possible to make reduced payments to your creditors without it affecting your credit rating. **This is not usually the case.** Most creditors will add a note to your credit reference file to show that you are behind with your payments even if they agree to your offer. You need to bear this in mind for the future. See *Can I get credit again* on page 48.



# **Warning**

### Companies that charge for advice

You may come across companies who offer to sort out your debts if you pay a fee. Be very careful to look at what the company is promising to do for you before sending them any money. Some of these companies say they will get your creditors to write off part or all of your debts. Unless you have special circumstances, this is unlikely to happen.

- Ask the company if they have a consumer credit licence.
- Ask your local trading standards department if they are aware of any problems in this area. The Office of Fair Trading has issued guidelines on minimum standards for debt-management companies. Ask for details of the guidelines as you can make a complaint if the company does not follow these.
- You can now make a complaint to the Financial Ombudsman Service if you are not happy with the outcome of your complaint to the company. The address is on page 59.

# How to use this pack

# **Golden rules**

# If you follow these golden rules, you won't go far wrong.

- Don't ignore the problem. It won't go away and the longer you leave it, the worse it gets.
- Don't borrow money to pay off your debts without thinking carefully, especially if you own your own home. Borrowing money against your home (a secured loan or remortgage) could lead to you losing your home if you start to fall behind on these payments. Get advice first.
- If you have lost your job, closed your business or are off work because of illness, check
  whether your payments are covered by payment protection insurance. Check your credit
  agreement. Contact the insurance company or your lender to find out more details about
  how to claim.
- Check you are claiming all the benefits and tax credits you can. (See page 13.)
- Use this pack to help work out your business and household budget. Make sure you show it or send it to your creditors when you tell them about your difficulties.
- Get in touch with your creditors straight away and explain your difficulties. We would
  always recommend writing to them instead of meeting them in person or calling them.
  You will find a sample letter on page 50. Remember to keep copies of the letters you send
  and always quote creditor reference numbers or account numbers.
- Make sure you tackle your priority debts first for example, debts which could mean closing your business, losing your home or having your gas or electricity cut off. (See page 23.)
- Use this pack to help work out a reasonable offer to repay the money you owe. Don't
  worry if you can only afford a very small amount. Creditors prefer you to pay a small
  amount regularly than make an offer you can't afford. You can use the sample letter on
  page 50.
- Contact everyone you owe money to. If you make arrangements to pay some creditors but not others, you could run into difficulties again.
- If the first person you speak to is unhelpful, ask to speak to somebody more senior who
  may be able to agree to what you want.
- Don't give up trying to reach an agreement even if creditors are difficult.
- Fill in the reply forms to court papers and let the court have all the facts. The court will use this information to decide if you owe the money and what instalments you should pay.
- Always go to court hearings. Take a copy of your budget with you. Don't think that going
  to the county court makes you a criminal it's a civil court, not a criminal court. They
  cannot send you to prison and there is no jury.
- Always keep copies of any letters or court forms you send or receive.



# Remember

# If you need extra help

We are always here to help with letters and forms. We can explain what to do if you are asked to go to court.

# There is a lot of confusion about what it means to be a sole trader, partnership or limited company.

# Sole trader

This is where it is just you in business on your own. All bills, bank-account statements, invoices, letterheads and other business correspondence have just your name on them. You are personally responsible for all of your business debts, and they are treated the same as your personal debts. Even if you trade using a business name, you cannot separate yourself from the business debts.

For a fact sheet on

Sole Traders,
call Business Debtline on 0800 197 6026
or visit the website www.bdl.org.uk.



# **Partnerships**

A partnership is two or more people trading together in a business. In a partnership all partners (separately and together) are liable for all business debts. This is known as 'joint and several liability'. This means that all partners can be taken to court for the total debt, and it is not possible to divide up the responsibility for the debts. If the creditors cannot get one partner to pay the debt, they will look for payment in full from the others. However, for income tax, partners are taxed only on their share of the business profits, so if one partner owes income tax, HM Revenue & Customs can only get back the income tax from that partner.

By law, you do not have to have a written partnership agreement, though you may decide it's a good idea to have one. Otherwise, all you need to do to show you are a partner of the business is put your name on the business notepaper as a partner. So, if you end the partnership, make sure that all the existing creditors know that you will not be responsible for any new debts after the partnership has ended. Also make sure your name no longer appears on business notepaper. Keep copies of the letters you send your creditors.

If you have given a personal guarantee or a legal charge to a bank as security for the business debts, make sure the bank accepts that you are only responsible for any debts that happened before the partnership ended.

In one partner goes bankrupt, although the debt will be written off for that partner, creditors can still try to get the money back from the other partners for the whole debt. This means that partners with the most assets have the most to lose.

If you have had to pay a partnership debt, you have the right to take the other partners to court for their share of the debts. If one of your partners has paid a partnership debt, they can take you (and any other partners) to court to get back your share of the debt.

For a fact sheet on

Partnerships,
call Business Debtline on 0800 197 6026
or visit the website www.bdl.org.uk.



# **Limited companies**

A limited company is separate from its directors and shareholders. A limited company must be registered at Companies House.

A limited company is 'insolvent' if:

- it cannot pay its debts when they become due; or
- it owes more money than the value of its assets. When looking at this you should take into account money that is owed to the company and future work or orders that are in place.

If you are not sure whether your company is insolvent, contact us for advice.

By becoming directors, you agree to act in the best interests of the company, its shareholders, its employees and its creditors. This is called a 'duty of care' or 'fiduciary duty'.

Usually, if you are a director (or acting as a director), you are not personally liable for paying the company's debts. However, you can be personably liable for the following.

- Your own PAYE and National Insurance payments which you have not paid.
- Any unpaid income tax on cash you have taken from the company.
- Any personal guarantees you have given for the company (usually to banks, finance companies, landlords and major trade creditors).
- Any liabilities that have come out of your company being investigated in liquidation. This can be when you are found guilty of carrying on trading when the company was insolvent and there was no reasonable chance of avoiding liquidation (this is known as 'wrongful trading').

# **Status**

- Any liability where you have benefited from a transaction at the expense of your creditors (for example, if you have bought a company asset for less than it was worth or you have paid your own wages or directors' loans from the company's assets but cannot afford to pay your creditors).
- Any liability that comes from committing fraud while you were running the company (for example, fraudulently taking credit in the company's name).

If you are not sure whether your company is insolvent, you will need to be very careful when you are trading, **contact us for advice**.



# Remember

Being liable for a debt means you are legally responsible for paying it back.

For a fact sheet on

Dealing with the debts

of a limited company,

call Business Debtline on 0800 197 6026

or visit the website www.bdl.org.uk.



# Working out a business budget

**Step I – working out your income (turnover)** 

Step 2 – working out your business costs

**Step 3 – working out the money left over (drawings)** 

A business budget is an essential tool to help you find out how much you are earning from your business. This section will help you work out how much you have coming into your business and what is going out.

You can then see how much the business can afford to pay you (drawings).

You can start to record this information on the draft business and household budget sheet in the centre pages. You can then use the master copy (see page 54) to copy and send to your creditors.

# Advice

# Limited company budget sheets

If you are a director of a limited company we advise you to ask your accountant for help to work out a company budget. This is because the company is a separate legal entity to you and its finances should be separated from yours. You should then be able to work out how much the business can pay you. This will help you to fill in a household budget sheet based on your household income and spending.

# Why should you do a business budget sheet?

It helps you to:

- see how much money is coming into your business;
- see how much money you are spending on business costs;
- work out roughly how much income tax, National Insurance and VAT you will have to pay (we have a fact sheet to help you work this out);
- plan your household budget on what you can really afford to draw (take) from the business each month;
- work out how much you have to pay all of your creditors;
   and
- plan your future spending on the business and your home.

This pack will help you to collect the facts you need to fill in the budget sheet accurately.

On page 21, we have given an example of a budget for a retailer. Of course, your situation and figures will be different as this is only a guide to show you how the process works.

### Remember

You should put enough money aside each month to pay your income tax, National Insurance and VAT bills when they are due.

If you would like further help and advice about working out your business and household budget, **contact us for advice**.

Now turn to the centre pages of this pack where you will find the pull-out draft business and household budget sheet.

Carefully pull out the budget sheet from the pack. This will be your working copy and we suggest that you use a pencil when filling it in so you can correct any mistakes easily.

# Remember

# Weekly or monthly?

Remember to fill in either weekly or monthly figures on your budget sheet – whichever suits you best. **Don't mix the two.** 

Do not mix up weekly and monthly budget figures. Stick to one or the other when you are filling in your budget sheet.

# Working out a business budget

To change weekly figures to monthly figures Weekly figure x 52 (weeks) divided by 12 (months).

To change monthly figures to weekly figures Monthly figure x 12 (months) divided by 52 (weeks).

To change fortnightly figures to monthly figures Fortnightly figure x 26 (payments) divided by 12 (months)

To change four-weekly figures to monthly figures Four-weekly figure x 13 (payments) divided by 12 (months).

# How to fill in your business budget

The first three steps help you to work out your business income and costs, and to see if there is any money left to pay yourself.

Use the notes in this section (see below) to help you work out your income and outgoings.

**Step I – Add up** your total business turnover in **Figure A** on the budget.

**Step 2 – Add up** your total business costs in **Figure B** on the budget.

Step 3 – To find out how much money you can draw from the business, take away your total business costs (Figure B) from your total turnover (Figure A). If your turnover is more than your costs, you should have an amount of money left for drawings. You then need to work out what you need to put aside for income tax and National Insurance.

When you have read through this section, make a rough copy on the draft business and household pull-out sheet at the centre of this pack. You can then transfer this information onto your final business and household budget sheet. (See page 54.)

You will then have filled in **Steps 1**, **2** and **3** of your business and household budget.

The next section shows you how to fill in the household part of your budget (**Steps 4, 5** and **6**).

# Notes to help you fill in Steps 1, 2 and 3

# Step I - income (turnover)

# Average receipts or takings each month

Use your account books and bank statements to work out how much money you have taken for sales over the last three months. It is best not to include money for things you have sold but have not yet been paid for. **Only include money you have actually received.** 

Divide the total by three to get an average for each month. If your receipts or takings go up and down a lot over the year, you may need to work out the average over a longer period (for example, over the whole year and divide by twelve).

# Step 2 - costs

These are all the costs of running your business. The list on the business budget gives you an idea of the items you should include. You can include any additional costs in other.

### **Fixed costs**

Fixed costs are those that are the same amount each month e.g. business rent and business rates. Put them on your budget first to begin to find out how much it costs to run your business for a month.

If you pay **business rent** every three months, divide the amount by three to work out the amount the rent costs each month (or by 13 to work out how much it costs each week). You may find it easier to budget by paying rent each month. You can ask your landlord or the agent about this. Otherwise, put the amount you have worked out aside so you can pay the bill every three months.

**Business rates** are fixed each year. Ask your council if you can pay each month to help you budget.

**Business water rates** are also fixed each year. Again, ask if you can pay each month instead of once a year. If you have a water meter see page 11.

### **Business Ioans**

Your loan repayments are usually fixed. However, if you are borrowing on a variable interest rate, your repayments may change if the bank's interest rate changes. If the loan is not with the same bank where you have your business account (and it is not secured on your property), it may be appropriate to treat it as a credit debt (see page 38 for more information about credit debts). For more advice on dealing with business loans, please **contact us**.

# Variable costs

Variable costs change depending on how much trade you have done. They may include stock and employees' wages. Do not include your own living costs or your drawings (money you take from the business) here. There is a section later in the form for working this out. If you work from home you may want to include a proportion of your household costs, contact us for advice.

Use your receipts, books and bank statements to work out how much you have spent on variable costs over the same three months as the three months you used to work out your income. Divide the total by three to work out the average cost each month (or by 13 to work out the average cost each week).

# Remember

'Drawings' is the amount of money left for you to take as wages, after taking all of your business outgoings from your business income. To work this out, fill in step 3 on the business budget sheet.

Gas, electricity, water bills and phone bills are often sent out every three months. Add up the last four bills and divide the answer by 12 to work out the cost each month (or by 52 if you want to work out the cost each week). You may find it easier to budget by paying your bills every month. Contact the company to see if they can arrange this.

If you have a **car** that you use for your business only, you can put all the costs in this part of your budget (for example, road tax, insurance, repairs, services and petrol). However, if you use your vehicle for social reasons as well, you will have to divide the costs between your business budget and your household budget to show how much you use for each. You should include petrol for journeys to and from your home and business under your household budget.

Work out your **transport costs** each month by adding up all the costs in a year that relate to your car. Divide the total cost each year by 12 (or by 52 if you want to work out your transport costs each week). Remember to put money aside for tax, insurance, repairs, services and so on. This will give you a better chance of being able to afford the ongoing costs of running the car.

### **VAT**

# Please read our tax sheet to find out what the current rate of VAT is.

If your business does not have yearly sales that add up to the **registration level** shown on the **tax sheet**, you do not need to be registered for VAT. If you are already registered for VAT and you want to be removed from the register, you will need to show that your turnover will be less than the **de-registration level** (shown on the tax sheet) over the next 12 months. You could use your budget sheet to show this.

Use your last quarter's VAT return to work out the average VAT you pay each month. Unless you do a lot more (or a lot less) business from one quarter to the next, this is as good a guide as any.

If you need some help understanding VAT, have problems working out your costs each month or you have any other questions, **contact us for advice**.

# Late payments and bad debts

If someone owes you money and they are not paying you, you should speak to them to try to work out a solution.

This may include:

- arranging for them to pay you in instalments; or
- coming to an agreement if they are not paying the debt because they have a dispute with you about the invoice or the goods or services they have bought. If the person is only disputing part of an invoice, you should ask them to pay the part they are not disputing immediately and then sort out the rest separately. Be careful not to harass the person who owes you money (see page 45 for information on harassment).

If a business owes you money, you may have the right to claim statutory interest (interest at a set rate) from them. **Contact us for advice.** 

We can give you advice about recovering debts from other people.

# For a fact sheet on Credit control.

call Business Debtline on 0800 197 6026 or visit the website www.bdl.org.uk.



If you have not been paid money you are owed, and you are registered for VAT, you may be able to claim back the VAT on the debt once the debt is more than six months old and you have written it off in your accounts (decided you won't ever get the money back).

### Step 3: drawings

When you take your average costs each month from your average income each month, this will tell you your **profit before tax**. To work out how much you can afford to take from the business each month, you should roughly work out how much tax you will have to pay and set this amount aside for when you get your tax bill. You can also roughly work out how much National Insurance you will have to pay.

### Information

If you are a sole trader or in a partnership, you are taxed on your profit before drawings, not how much (or little) you draw from the business. This is different for limited companies, **contact us for advice**.

Many self-employed people have difficulties paying their income tax and National Insurance because they haven't budgeted for it as a cost before they take money out of the business. If you do not account for income tax and National Insurance, this may give the false impression that you can earn more from your business than is actually possible.

# Self-assessment - income tax

The self-assessment scheme was introduced in April 1996. Under the scheme, you have to keep proper financial records, fill in a tax return and make payments during the year (known as payments on account). It is important to know how to fill in the return and make tax payments. It is also important that you know when your returns need to be handed in as you can be fined if your returns and/or payments are late.

If you have problems working out your income tax and National Insurance liabilities, or have any questions about self-assessment. **contact us for advice**.

# Working out a business budget

When you have worked out your income tax and National Insurance, you should take this amount from the money you had left after you took your costs from your income. This will show you the money you have **available for drawings** (the money you can take from the business to add to your household income).

Before you work out whether this is enough to cover your essential living expenses (your **outgoings each month**, shown in the **household budget**), you should see if there are ways to increase your income. We explain how to do this in the next section of this pack. You can then include any other income (for example, income from other work, rent or benefits) in your household budget.

### Remember

Any income that you get (for example, money from renting out property, taking in lodgers or selling items on the internet) should be taxed. This may be income you receive as a sole trader, partnership or limited company.

If there is nothing left for drawings, contact us for advice.

For ways to increase the amount you are able to draw from your business, you may want to consider the following.

- Review your pricing policy. Could you discontinue certain lines which do not bring in much profit?
- Consider ways of improving turnover and sales, for example calling existing customers or targeting new ones.
- Ask your suppliers for better prices or consider using cheaper suppliers.
- Consider concentrating on the more successful parts of your business. This may include stopping things that are not successful.
- Can some of your business costs be reduced or cut out completely?

# **Important**

Always get professional advice from your accountant or business adviser before making any drastic changes to your business.

# Increasing your income

Lots of people are in debt because they don't receive all the money they are entitled to.

Before you work out your household budget (see page 13) use this section to see if you can increase your income.

# Tax

The rules covering tax can be complicated and difficult to understand. **Contact us** if you have any questions.

There are all sorts of tax allowances and tax reliefs available.

- Everyone is entitled to a personal tax allowance (or tax-free amount).
- If you are registered blind, you are entitled to an extra tax allowance.
- If you are 65 or over there are two levels of tax allowance.
   The first is for those people who will be 65 or over in the tax year. If you are 75 or over, you can get an even higher tax allowance.
- If you are married or in a civil partnership and you or your partner (or both) were born before 6 April 1935, you may be entitled to the married couple's allowance.
- Some employees can claim flat—rate expenses allowances, for example, for tools or for uniforms.
- If you are renting out a furnished room in your home to a lodger, you may be able to claim tax relief on the rent you receive (up to a certain amount each year).

You can check your entitlement to tax allowances and reliefs on the following websites www.direct.gov.uk and www.litrg.org.uk.

If you are still in doubt, contact your tax office.



### Remember

# **Backdated tax allowances**

You can still ask for tax allowances to be given to you for earlier years, even if you do not qualify now. Make these claims as soon as possible as there are time limits. If you think this might apply to you, check with your tax office or **contact us for advice**.

# Minimum wage

If you are also employed, check that you are being paid the national minimum wage. This usually goes up every year in October. The minimum wage you are entitled to depends on your age. For more information, check the website at www.direct.gov.uk. To complain if you think you are being paid too little, ring the Government's Pay and Work Rights Helpline on **0800 917 2368**.

### Benefits and tax credits

There is a range of different types of benefits which you might be entitled to. This will depend on your circumstances.

Some benefits are based on the **National Insurance contributions** you have paid. These include contribution-based Jobseeker's Allowance, Incapacity Benefit or contribution-based Employment and Support Allowance, pensions and maternity benefits. If you are self-employed you will not be able to claim contribution-based Jobseeker's Allowance (JSA), but you can claim income-based Job Seeker's Allowance (see below).

Other benefits are **means-tested**. This means the amount of help you get depends on how much money you already have coming into your home. There are also limits on how much savings you are allowed to have and still claim. These benefits 'top up' any income you already have. You do not need to have paid national insurance contributions to claim them.

**Income-based Jobseeker's Allowance.** This is for people working less than 16 hours a week who are signing on for work.

**Income Support.** This is for people who do not have to sign on for work (for example, because they are caring for someone). You may be able to get help towards your housing costs if you have a mortgage. **Please contact us for advice.** 

**Income-related Employment and Support Allowance.** This has replaced Incapacity Benefit and Income Support for people who may not be able to work due to illness or disability.

**Pension Credit.** You can claim if you are 60 or over. The amount you are entitled to depends on your income. There is an extra payment, called 'savings credit', if you or your partner are 65 or over. This rewards you for having moderate savings. The amount you get will depend on how much money you have saved.

Working Tax Credit. If you are on a low income, you can receive this on top of your wages or drawings from your business. There are several ways in which you can qualify. These ways are shown below.

- If you or your partner are employed or self-employed for more than 16 hours a week and are bringing up one or more children. If you qualify by this route, the credit can also help with childcare costs in certain circumstances.
- If you or your partner are employed or self-employed

# Increasing your income

for more than 16 hours a week and have a disability that creates a disadvantage in getting a job.

- If you or your partner are:
  - 25 or over and are employed or self-employed for 30 hours or more a week; or
  - 50 or over and employed or self-employed for 16 hours or more, and have received Income Support,
    Jobseeker's Allowance, Employment and Support
    Allowance, Incapacity Benefit or Pension Credit within the last six months. This is due to be removed from April 2012.
  - 60 or over and employed or self-employed for 16 hours or more from April 2011.

Working Tax Credit will usually be paid into your bank account, and is dealt with by HM Revenue & Customs. For information, ring the Tax Credit helpline on **0845 300 3900**.

**Child Tax Credit.** This is paid to people with responsibility for children (under 16 or under 20 if in full-time education). It can be paid whether you are in or out of work. The amount you will get depends on your income. For information, ring the Tax Credit helpline on **0845 300 3900**.

**Education Maintenance Allowance (EMA).** If you have children aged 16 or over who are staying on at school or college, they may qualify for up to £30 a week, depending on your household income.

EMA is no longer available to new applicants in England. If your child already receives **EMA** this will only be paid for the rest of the year – they will not receive it during the next academic year (2011/2012).

Education Maintenance Allowance (**EMA**) will continue to be paid for some students in the academic year 2011/2012. For more information ring the helpline on 0845 662 8845.

**Housing Benefit.** You may be able to get help with the rent on your home if you are on a low income. Contact your local council's Housing Benefit office for help.

**Council Tax Benefit.** You may be able to get help towards your Council Tax bill (see *Council Tax* on page 26).

Other benefits. Some benefits are not means-tested, nor do you have to have paid any National Insurance contributions in order to claim them. These include Child Benefit if you have dependent children. There are also benefits for people with disabilities such as Disability Living Allowance, Attendance Allowance, and Carer's Allowance for their carers. Whether you can claim any of these benefits will depend on the nature of your illness or disability and the effect it has on you.

# Extra advice Questions about benefits?

Working out which benefits to claim can be complicated. For more information, contact your local Department for Work and Pensions office, the Jobcentre Plus helpline on **0800 055 6688**, a local advice centre or **contact us for advice**. You can also check the Turn2us website, which has a 'benefits checker' you can use, at www.turn2us.org.uk.

# Ways of increasing your income

- Your local enterprise agency may be able to provide help with the preparation of a business plan or ways of improving your business – phone your local Business Link (in England) on 0845 600 9006 or Business Advice Wales on 03000 603000 for details of what's available in your area. If you are a member of your local Chamber of Commerce you can contact the Chamber for business advice.
- If you have grown-up children or other relatives living in your home, make sure they are paying enough towards the household expenses.
- If you have children from a former relationship, you
  may want to claim maintenance or see whether the
  maintenance you are getting can be increased. Since April
  2010, you are able to keep all the maintenance you receive,
  even if you are on benefits. For independent advice about
  child maintenance options, see the website at
  www.cmoptions.org or contact 0800 988 0988.
- Is there a possibility of renting out a room in your home? Before you do this, there are various things to consider. You will need to check to see how this will affect any benefits you are claiming. Also check your tax position. Ask your tax office about the 'rent-a-room' scheme which allows you to receive rent payments tax-free up to a certain limit. You will usually also need your landlord or mortgage lender's permission to do this as your tenancy or mortgage agreement may not allow you to rent rooms out.
- Check whether your mortgage or any other loans are covered by payment protection insurance. This may apply if you have stopped trading, been made redundant or are off work due to illness. If you are turned down by the company when you claim on your policy, you may be able to complain to the Financial Ombudsman Service. Contact us for advice.
- You may be able to work as a childminder and still claim Income Support. Some of your earnings are ignored and you are not treated as working full time. The rules are different if you are on Jobseeker's Allowance. Check with the Department for Work and Pensions or contact us for advice.

- Check with your local council to see if you can have a home improvement grant. There may be grants available depending on your income and what repairs need doing in your home. Some councils offer disabled people and those over 60 'care and repair' facilities.
- If you are on Income Support, Jobseeker's Allowance, Employment and Support Allowance or Pension Credit you may qualify for a grant, called a 'Community Care Grant' or a loan called a 'budgeting loan' from the Social Fund. Payments are discretionary and there are guidelines on the type of items allowed and who will qualify for help.
   Contact us for advice.
- The Social Fund also deals with maternity grants and funeral expenses payments for people on qualifying benefits. Contact us for advice.
- If you are pregnant or have a child under four, you may qualify for help with milk, fruit, vegetables and vitamins under the Healthy Start scheme. Contact the Healthy Start Issuing Unit on 0845 607 6823 or visit the website www.healthystart.nhs.uk to see if you will qualify for this scheme.
- If you have no income or there is an emergency or disaster, you can apply for a crisis loan from the Social Fund. You do not have to be on benefits to apply but you can only get help with certain items. Contact us for advice.
- There is a range of grants available for insulation, draught-proofing, central heating and other energy-saving improvements to your home. Whether you can get this help depends on the benefits you receive, your age and the age of any children living with you. For more information about national and local schemes, and for energy-saving advice, ring the Energy Saving Trust on 0800 512 012 or check their website at www.energysavingtrust.org.uk.
- If you are 60 or over, you will usually be entitled to a lump sum each year called the Winter Fuel Payment. Ring the Winter Fuel helpline on 0845 915 1515.

# Working out your household budget

Step 4 - working out your household income

Step 5 – working out your spending

Step 6 – working out the money left over

This section explains how to work out your household budget. You should do the business budget first to work out what money you have coming into your household from your business. Remember to include any other income (for example, benefits you may be entitled to). Use this section to work out what you are spending. You will then be able to see what is left over to pay your creditors.

# How to fill in your household budget

The next three steps are to work out your household income and outgoings, and to see if there is any money left to pay your creditors. Use the notes in this section to help you work out your income and outgoings.

# Why should you do a household budget?

Working out a household budget is important because it helps you to:

- see how much money is coming into your household;
- see how much money is going out;
- see how much money you have left;
- work out how much you can afford to offer your creditors; and
- plan your future spending.

As you go through this pack you will gradually collect the facts you need to fill in the household budget. There's space for you to make a rough copy of your details at the end of each step. You can also use the pull-out guide to your household budget sheet in the middle of the pack. You can then transfer this information to the proper household budget sheet which we have enclosed with the pack. If you have problems working out your household budget or you have any questions, **contact us for advice**.

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# Remember

# Give all weekly or all monthly figures

Remember to give either weekly or monthly figures on your budget sheet. You can use whichever suits you best, but **don't mix the two**. To show a weekly payment as a monthly figure, multiply the payment by 52 and divide by 12. Remember, do not give a mixture of weekly and monthly figures on the budget sheet – stick to one or the other.

To change weekly figures to monthly figures Weekly figure x 52 (weeks) divided by 12 (months).

To change monthly figures to weekly figures Monthly figure x 12 (months) divided by 52 (weeks).

# To change four-weekly (quarterly) figures to monthly figures

Four-weekly figure x 13 (payments) divided by 12 (months).

**Step 4 – Add up** your total income in **Figure C** on the business and household budget.

**Step 5 – Add up** your total outgoings in **Figure D** on the business and household budget.

Step 6 – To find out how much money you can offer your creditors; take away your total outgoings (Figure D) from your total income (Figure C). If your income is more than your outgoings, you have an amount of money for creditors (Figure E) on the business and household budget.

When you have read through this section, add the figures to the pull out draft business and household in the centre pages. You can then transfer this information to the final business and household budget sheet.

You will then have filled in **Steps 4**, **5** and **6** of your business and household budget.

The next section shows you how to deal with priority debts (Steps 7 and 8). Look at this section to see if you have any priority debts. If you do not have any priority debts, go to Credit debts on page 38 and fill in Step 9 of your business and household budget.

# Notes to help you fill in steps 4, 5 and 6

# Step 4 - working out your household income

You should include all the income coming into your household.

- Include your drawings from the business (or your wage after tax if you are a director of a limited company).
- Include your husband's, wife's or partner's wages
  (not your business partner). Work out an average
  each month of their normal take-home pay (their pay after
  things like tax and National Insurance have been taken off).
  Only include overtime if it is regular. Check with your local
  tax office that they have the right tax code.
- Include any **benefits** such as Jobseeker's Allowance or Income Support.
- Include any Tax Credits such as Working Tax Credit or Child Tax Credit.
- Include any contributions from other people who live in your home such as grown up children and elderly relatives (known as non-dependants). Try to make sure that any non-dependant is paying enough towards the household expenses.
- Also include any child maintenance you may receive.
- If you are sick or disabled, you may be able to claim a range of disability benefits.

If you need advice on claiming benefits please contact us.

# Step 5 - working out your spending

Work out with your family how much money you have to spend each week on basic living expenses. At this stage don't include any debts or arrears or any credit payments.

- Mortgage. You will usually pay it monthly. To get a weekly figure, multiply the amount by 12, and then divide it by 52.
- Rent. Check whether you are entitled to any Housing Benefit (rent rebate).
- Council Tax. Check whether you are entitled to Council Tax Benefit. You normally pay Council Tax in 10 monthly instalments, but some councils will accept payments every week or two weeks. If you live alone, you will be entitled to 25% off your instalments. See Council Tax on page 26.
- Water rates. Most water companies will accept payments every month, every week or every two weeks. It is important to keep up with your ongoing water rates bills.
   See Water rates on page 28.
- Gas and electricity. Work out the cost of your last four bills. Divide this by 52 if you are preparing a weekly budget, or 12 if monthly. Gas and electricity cost less if you pay by monthly direct debit from a bank account. If your heating bills are very high, contact the Home Energy Efficiency Scheme (HEES) (see page 30). Some fuel companies help with energy-efficient fridge-freezers or light bulbs. Check with your supplier.

 Housekeeping. This should include food, toiletries, cleaning materials, newspapers and so on and a small amount for entertainment and other spending. A rough guide would be as follows.

### Weekly housekeeping budget

Single person	£46 to £60
Couple	£82 to £98
Each child	£20 to £35
Non-dependant	£25 to £35

# Monthly housekeeping budget

Single person	£200 to £258
Couple	£355 to £423
Each child	£87 to £152
Non-dependant	£108 to £152

You may find your total housekeeping bill is less than these figures if you have a larger family and bulk-buy and so on. Your non-dependant may cost more depending on their age.

- Other amounts and emergencies. This should include irregular outgoings like birthdays and Christmas, house repairs and maintenance, and a 'cushion' against emergencies. Either build it into the housekeeping figure or list it as a separate item on your household budget. Be prepared to explain this figure to your creditors who may question it if it is quite high.
- TV licence. Allow £3 a week for a colour licence (£12 a month) and £1 a week (£4 a month) for a black and white licence. See TV licence on page 18.
- Magistrates' court fines. These are a priority and you should include them in your essential outgoings. See page 31. They are different from county court judgements, which you should include with credit debts.
- Maintenance. Include voluntary payments and any payments ordered by the court or Child Support Agency. See page 32.
- Travelling expenses. If you have a car that you use for both business and personal purposes, in this section only include the travel costs that are not included as business expenses in your business budget. If you have a second car which you do not use for your business, you should include the full cost of running it in this section. Always remember to include the cost of road tax, insurance, MOT, services and repairs.
- Hire-purchase cars. If you need a car for work or for mobility reasons (and you have bought the car using a hire-purchase type arrangement), you will need to include these payments in your normal 'outgoings' or you may lose the car. See *Hire purchase* on page 33.
- School meals. Check to see if you are entitled to Income Support, income-based Jobseeker's Allowance, incomerelated Employment and Support Allowance or Pension Credit. If so, you can claim free school meals. You can also

# Working out your household budget

- claim if you receive Child Tax Credit, work less than 16 hours a week, and your income is below a set amount.
- Prescriptions, dental treatment and sight tests or glasses. The rules are different depending on whether you live in England or Wales. In Wales, prescriptions are free for everyone. If you live in England, you may have to pay. Contact your local advice agency, Department for Work and Pensions or contact the help with health-care costs advice line on 0845 850 1166 to see if you qualify for free prescriptions and help with other health costs. If you cannot claim free prescriptions, you may be able to reduce the cost by buying a prepayment certificate.
- Health costs. Make sure you include any extra costs you
  have because of an illness or disability. This might be due to
  a special diet, extra clothing, bedding, special equipment,
  help in the home or extra costs as well as prescriptions.
- Clothing. As a rough guide, allow £3 to £5 for each person each week (or around £22 for each person each month).
   Don't forget the costs of school uniform. Only include nondependants if you pay for their clothing. Remember that your council may help with the cost of school clothing. This will depend on your circumstances.
- Telephone. Only include your ongoing bill but remember to include the cost of any mobile phones and internet connections. See *Phone* opposite.

# •

# Remember

# It's your budget

Your household's outgoings and the amounts you spend may be different from our guidelines. You may have extra expenses because of your circumstances — a special diet, extra transport costs due to a disability or because you live in a rural or island community, the cost of a uniform for work, or regular payments you have to make because of your religion. It is your household budget, so the figures should be your own. Be careful! If you don't take account of extra expenses (or if your figures are much below our guidelines), you may find it more difficult to stick to any long-term repayment plan. This could lead you into greater difficulties.

# TV licence

This is a priority payment. This is because you can be fined in the magistrates' court for not having a licence. If you do not pay the fine, this can lead to bailiffs calling to take your possessions up to the value of the fine, or even to you going to prison. See *Magistrates' court fines* on page 31. As well as having the fine to pay, you will still need to buy a TV licence. You will get 50% off the cost of a licence if you are registered blind. The licence is free if you are over 75. There are different ways of paying for a TV licence.

 You can use the TV Licensing savings card or make payments at PayPoint outlets in shops. To apply for a TV Licensing savings card, call 0300 555 3434.

- You can pay by direct debit, either every three months or every month from your bank account. Call TV Licensing on 0300 790 6063.
- There is a payment scheme called the 'cash payment plan' which allows you to make payments towards your licence every week or every two weeks. You can only use the scheme for colour licences. Contact the cash payment plan helpline on **0300 555 0300** to apply. The TV Licensing website is www.tvlicensing.co.uk.

### **Phone**

You should ask your phone company if you can pay in instalments. If you have been disconnected, treat the bill as a credit debt (see page 38). Ask about budget payments. If you agree a payment plan for your bill, BT will let you keep an incoming calls only service. BT also has a special plan called BT Basic which may be helpful if you are on certain benefits and only use your phone occasionally. If you have another phone provider, you will need to ask if they have any similar services. BT has a 'pay as you go' service called Pay&Call where you build up a 'moneybox'. They automatically take the cost of your calls from your moneybox account along with line rental and any other services. BT Pay&Call will automatically warn you when your credit is running low the next time you make a call. You can choose when to pay into your account, and how to pay including by direct debit, debit or credit card or a payment card you can use at PayPoint outlets. If your moneybox is empty, you will not be able to make outgoing calls (except for 0800 numbers and 999 and 112). However, you can receive incoming calls.

# Water rates



# Remember

Disconnection

You cannot be disconnected for water-rates debts.

Water companies can no longer disconnect your water supply if you are behind with your payments. Also, they cannot install anything in your home that restricts the flow of water from the taps. If the water company threatens to disconnect you for owing them money, complain to Ofwat who regulate the water companies. Or, you can **contact us for advice**.



# **Warning**

# **Disconnecting 'empty' homes**

Some water companies threaten to disconnect a property because 'they think the property is empty'. Make sure you keep in touch with the company as they may try to do this if nobody has answered their letters for some time. If your water company has threatened to disconnect your supply, ring them and make sure that they understand that you are still in the property and they cannot disconnect the supply.

# How do I deal with my water-rates bills?

Bills for water rates are usually sent out every six months in April and October. If you ask to pay by instalments, the water company will usually want the bill paid over eight months from May to December. However, you can ask to pay your bills every week, every two weeks, or every month over a longer period. Contact your water company to ask them for a payment arrangement. If the first person you speak to is unhelpful, ask to speak to someone more senior. Ask the company for a copy of their code of practice. This explains your rights and how to make a payment arrangement. If you are having problems making arrangements with the company, contact us for advice.

You should carry on including your current water rates in the outgoings section of your personal budget (see page 21). This is because water is an ongoing bill. If you owe money for your water rates, you do not need to treat them as a priority debt. You can use your budget sheet to make an offer of repayment that you can afford along with your other *credit debts* in **Step** 9 (see page 38).



# More information

### Ofwat

If you have a complaint about the way the water company is dealing with your debt, contact the Consumer Council for Water. If the water company does not keep to the council's decision, the Consumer Council for Water can refer your complaint to Ofwat, the regulatory organisation for water. Ofwat guidelines say the company should take account of your circumstances when making an arrangement to pay. For the number for your regional Consumer Council for Water, look in your local phone book

# What if I don't make an arrangement to pay?

If you do not agree a repayment arrangement, the water company can issue a county-court claim against you to ask you to repay the money you owe. You can make an offer of payment by filling in the reply form to the claim (N9a) and sending this back to your water company within the time limit. If the court agrees with your offer, you will be told to pay the debt off in instalments.

For a fact sheet on **Replying to a county-court claim,** call Business Debtline on 0800 197 6026 or visit the website www.bdl.org.uk.



# **Direct payments**

If you get Income Support, Pension Credit, income-based Jobseeker's Allowance or income-related Employment and Support Allowance, you can ask the Department for Work and Pensions (DWP) to take an amount from your benefit each week to cover current water rates and a standard amount towards what you owe. The DWP will pay the money direct to the water company.

# **Pre-payment meters**

You should not be offered a pre-payment or token meter. The court has decided these are illegal because if you do not buy a set amount of tokens each week, your water supply shuts off automatically. If you already have a pre-payment meter or you are offered a new one, **contact us for advice**.

## Your right to a water meter

You have the right to have a water meter put in so that you are charged for the water you actually use. You can swap back to the usual non-metered system within 12 months if you don't like the water meter (for example, if your bills are higher than before). It may be cheaper to have a water meter put in if you don't use much water (for example, if you are single, or out all day). Contact your water company, as some suppliers will tell you if your bills are likely to be cheaper with a water meter. You can also check the Consumer Council for Water website www.ccwater.org.uk, which has a water-meter calculator you can use.

# Help with high bills

New rights may help you with your water bill if you are on a low income and on a water meter. This is called 'WaterSure'. You will only pay the average bill that the water company charges overall, so if you use a lot of water, your bill will go down. To qualify for help:

- you must be on a water meter;
- someone in the household must be on certain benefits;
- there must be three or more children under 19 in the household; or
- someone in the household must have a medical condition that means you need to use extra water.

You can get an application form from your water company. You need to give proof of which benefit you are receiving and you will need to explain your medical condition in detail. You will stay on the WaterSure scheme for a year and then have to apply again.

For a fact sheet on

Water rates arrears
and water trust funds,
call Business Debtline on 0800 197 6026
or visit the website www.bdl.org.uk.



# Help from water trust funds

Most water companies have set up trust funds that may be able to help you pay your water bills if you are in financial difficulties. Ask your water company if they run a scheme or contact us for a list. You can also download a utility trusts booklet from the British Gas Energy Trust website www.britishgasenergytrust.org.uk

# Working out your household budget

# Step 6 - money for creditors

To find out how much money you can offer your creditors each month, take your **household outgoings (figure D)** from your **household income (figure C)**.

If your income is more than your outgoings, you have an amount of money to pay your creditors.

# Are your outgoings more than your income?

If your outgoings are more than your income, you may need to consider whether or not to continue trading (see page 51) or look at other ways to ensure you can afford your essential living costs. You should also do the following:

- Check whether you are entitled to extra benefits such as Jobseeker's Allowance, Employment and Support Allowance, Income Support, Pension Credit, Working Tax Credit, Child Tax Credit or Housing Benefit or Council Tax Rebate. Ask at your local Department for Work and Pensions office, council, or local advice centre or contact us for advice.
- Check that you are spreading out payments on your household bills so you don't have to pay bills all at once.
   Gas, electricity, water and phone companies usually have budget payment schemes.
- See if you can cut down on any of your outgoings, but try not to cut down on basics like food, gas and electricity.

If your outgoings are still more than your income after doing these things, **contact us for advice**.

### **Information**

On the next page is an example of a filled-in business and household budget. We also use this example later on when we give examples of how you can work out how much to offer to your creditors (see page 40).

Remember, this is an example only and your figures may be different.

# Business and household budget

This is an example budget for a retailer who is married with two children. They have a van which they use for the business only. Of course, your figures may be very different as this is only a guide. The tax and National Insurance figures we have used are a rough guide only. For exact amounts, please use our tax fact sheet.

Business budget ea	ch m	onth
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Step I – Income (turnover)	£
Income for the last three months	30,600
Average income each month (figure A)	10,200
Step 2 – Costs	
Stock you have bought	6,000
Rent	400
Business rates	230
Loan repayments	200
Bank interest	40
Bank charges	30
Wages, PAYE and National Insurance	1,015
Water rates	62
Gas	
Electricity	55
Insurance	25
Transport and vehicle costs	230
Hire-purchase payments	
Stationery	10
Postage	12
Cleaning and repairs	18
Telephone	75
VAT	528
Accountant and professional fees	50
Other I	20
2	
3	
Total costs (figure B)	9,000
Step 3 – Drawings	
Income (figure A)	
less costs (figure B)	
(10,200 – 9,000) =	1,200
Less:	
Estimated income tax	132.58
National Insurance (class 4)	57.90
National Insurance (class 2)	10.40
Total available for drawings	
(1200 – 132.58 – 57.90 – 10.40) =	999.12
(1200 102100 01110)	*****

Н	ouse	hold	bud	lget	eac	h mor	<u>1th</u>

Household budget each month	
Step 4 – Household income	£
Drawings from the business	999.12
Your partner's wages or salary	253
Jobseeker's Allowance	
Income Support or Pension Credit	
Tax credits	114.85
Pension	
Child Benefit	146.03
Incapacity Benefit	
or Employment Support Allowance	
Maintenance	
Non-dependants' contributions	
Other	
Total income (figure C)	1513
Step 5 – Outgoings	£
Mortgage	370
Mortgage endowment policy	45
Second mortgage	60
Rent	
Council Tax	75
Water rates	25
Ground rent and service charge	
Buildings and contents insurance	12
Life insurance and pension	
Gas	40
Electricity	40
Other fuel	
Housekeeping	460
TV licence and rental	10
Magistrates' court fines	
Maintenance payments	
Hire-purchase vehicle costs	
Travelling expenses	100
School meals and meals at work	7
Clothing	60
Laundry  Phono and mobile phone	
Phone and mobile phone	
Prescriptions and health costs Childminding	
Other	<u></u>
Total outgoings (figure D)	1337
Total outgoings (ligure D)	1337
Step 6 – Money for creditors	
Total income (figure C)	1513
Take away: total outgoings (figure D)	1337
Money for creditors (figure E)	176

So, you have £176.00 available each month to offer your creditors.

# **Dealing with priority debts**

Step 7 - which debts to pay first - your 'priority' debts

Step 8 – how much money is left over

You've worked out your income and outgoings (see previous section). Now you need to decide which are the most important debts – the ones you need to start paying off first.

The rest of this section contains useful information about the following priority debts, including guidance on what to do and how much to pay.

- Business mortgage and rent arrears
- Domestic mortgage and rent arrears
- Council Tax and business rates
- Water charges
- Gas and electricity
- Income tax, VAT and National Insurance
- Magistrates' court fines
- Maintenance
- Social Fund Loans
- Benefit overpayments
- Tax credit overpayments
- Hire purchase or conditional sale
- Major suppliers
- Some overdrafts and loans
- Accountants

# Steps 7 and 8 – working out priority debt payments and money left over

Use this chart to work out your priority debts and how much you will pay off each month.

- Step 7 is to work out how much you can pay off your
  priority debts. You can then add up all your priority debt
  payments and put the total in Figure F on the budget
  sheet. Use the information in the rest of this section to
  help you work out your priority debt payments.
- Step 8 is to take away the money you need for priority debts from the total money you have available to pay creditors (which you worked out in the last section). Put this figure in Figure G. This will tell you how much money you have left to pay credit debts. (See Step 9 on page 38.)

# **Example offers to priority creditors**

In our last section we used an example household to show you how to work out your household income and expenditure. (see page 21). We set out the business and household budget for a retailer who is married with two children.

The retailer owes the following:

Business rent arrears £400 Business rates arrears £300

They arrange with their landlord to pay their current rent plus £40 per month off the arrears. They negotiate with the council and agree to pay their normal business rates plus £40 a month off the arrears.

# Step 7

# Available money for creditors (figure E from the budget sheet): £176

Priority creditors (See pages 22 to 37)	Amount you owe	Offer of repayment
Business rent	400	40
Household mortgage	0	0
VAT	0	0
Tax and PAYE	0	0
Business rates	300	40
Council tax	0	0
Fuel	0	0
Total	700	
Total offered in repayments		80

Remember, **this is just an example** and your figures maybe longer and more complicated. The next section covers how to work out offers to your secondary creditors.

# What are priority debts?

Some debts are more important than others. The law gives different creditors different ways of getting their money back. If you don't act quickly, some creditors could:

- take away your business premises or your home (called repossession or eviction);
- cut off your gas, electricity or phone (disconnection);
- cut off the water to your business;
- send bailiffs to remove goods from your home or business;
   or
- ask the magistrates court to send you to prison.

The chart on page 24 tells you what might happen if you delay sorting out different debts.

These are all priority debts. It is important to use your money for creditors (see **Step 6 – working out the money left over** on page 20) to make agreements to settle these debts first.

Creditors can take action on some priority debts without a court hearing. For example, gas and electricity companies can disconnect you. HM Revenue and Customs can send bailiffs without a court order for VAT and Income tax debts. Your business landlord could take goods or change your locks. Your other priority creditors can take action against you only after court action.



### **Advice**

# Don't panic

You will always be given warning, and, as long as you act quickly, you should be able to stop these things happening.

Mortgage and rent arrears are particularly important because you could lose your home or your business premises if you do not pay them. You will find more detailed information on page 25.

# **Dealing with priority debts**

Debt	See this page for details	Possible action against you
Mortgage arrears	Page 25 or our fact sheet	Repossession of your home or business premises.
Second mortgage or secured loans and overdrafts	Page 25 or our fact sheet	Repossession of your home or business premises.
Rent or lease arrears	Page 25 or our fact sheet	Eviction from your home or business premises.  Also you may still have to pay arrears, which could result in court action.
Council Tax and Business Rates	Page 26 or our fact sheets	Distraint or deduction from wages (if you are employed), deduction from some benefits or imprisonment.
Gas or electricity and water supplies to business premises	Page 29	Supply cut-off.
Magistrates' court fines	Page 31	Distraint or deduction from wages (if you are employed), deduction from some benefits or imprisonment.
Maintenance	Page 32	Distraint or deduction from wages (if you are employed), deduction from some benefits or imprisonment.
Social Fund loans and benefit overpayments	Page 33	Deductions from most types of benefits.
Tax credit overpayments	Page 33	Deductions from your ongoing tax credits or through your tax payments.
Income tax, National Insurance and VAT arrears	Page 35	Distraint or bankruptcy.
Hire purchase or conditional sale	Page 33	Repossession of the goods or a court order to hand them back.
Major Suppliers	Page 36	Loss of supplies which could make your business fail.
Some Overdrafts and loans	Page 36	You may need to maintain your bank account in order to carry on trading. This will depend on the needs of your business.
Accountants	Page 37	They could take a 'lien' (where they keep your books see page 37) which means you cannot access your figures for tax returns etc.
TV Licence	Page 18	Magistrates' court fine, distraint or imprisonment.

# **Mortgage Arrears**

For most people the most important priority is to protect their home.

If you are in arrears there are things you can do, but you should **contact your lender** first to discuss the options available. These will normally include:

- instalment arrangements to pay a part of the arrears off each month (on top of the normal monthly repayment);
- payment/capital holidays;
- conversion from an endowment mortgage to a repayment mortgage;
- adding the arrears to the mortgage, called 'capitalising' the arrears (more likely if the value of the property is a lot more than the total amount of your mortgage);
- increasing the mortgage term;
- paying off the interest only. If you are on a repayment mortgage you could ask the lender to accept a monthly payment to cover only the interest part of the normal monthly repayment, usually for a temporary period;
- increasing your income;
- mortgage rescue schemes. Some lenders operate schemes where they buy back all or part of your home and allow you to remain there as a tenant or shared owner. Contact your lender to see if they run a scheme, or alternatively ask the Tenants Services Authority for details of local housing associations who may run a scheme, and ask your local council housing department.

If you are unable to afford your mortgage you will need to increase your income or may consider selling your home and seeking alternative accommodation. **Contact us for advice.** 

# **Business Mortgage Arrears**

The **Law of Property Act 1925 (LPA 1925)** applies to most business mortgages (for example, buy-to-let or commercial mortgages).

The Law of Property Act gives your mortgage lender the right to repossess the property or land without a court order. To do this your mortgage lender will need to appoint receivers (known as LPA receivers).

Your mortgage lender can appoint LPA receivers if you fall behind with your mortgage repayments. The receivers' job is to recover the money you owe to the lender. They can do this by collecting the rent direct from the tenant, selling the property or both.

### Advice

Be open and honest with both the receivers and the mortgage lender. If you can show that the property can continue to be rented out to clear the debt rather than being sold, you may avoid losing the property. Once you have cleared the debt (and paid the receivers' fees), the property may be handed back to you.

# Warning

Even if you have cleared the debt in full, the receivers do not have to hand the property back to you. They can still put the property up for sale. If you feel that the receivers are acting carelessly, you may need to get legal advice to help you make a complaint. **Contact us for advice.** 

# **Domestic Rent Arrears**

Your rights as a domestic tenant will depend on what type of tenancy you have.

This can be made more complicated if your premises are for combined domestic and business use. (In this case you may only have a business lease covering the whole of the property and in effect might not have the same rights as a domestic tenant, see *business rent arrears* below.)

Contact your landlord as soon as possible to make an arrangement to pay towards the arrears on top of your normal monthly payment.

You should also check if you are entitled to claim **Housing Benefit**.

If your landlord takes further action against you, contact us for advice.

# **Business Rent Arrears**

If you do not keep up payments of your rent **your landlord can send a bailiff to your business premises** (or indeed attend in person) to remove your stock and equipment without a court order.

It is important to let the landlord know if you are in difficulties and to come to an arrangement to pay off any arrears.

If you cannot make payments your landlord could also seek a court order for eviction.

Much will depend on your relationship with the landlord and the length of any lease you may have.

If you cease trading, you may still be liable for rent. Check the terms of your lease.

If you need advice about negotiating with your landlord, please contact us.

# Dealing with priority debts

# **Business Rates**

The amount of business rates (sometimes referred to as non-domestic rates) payable for business premises is based on the valuation carried out by the district valuer.

Appeals against the rateable value should be made within six months of occupation of the business premises, or if changes are made to the building.

It is advisable to obtain professional advice from a specialist in this field if an appeal is contemplated – phone your council's valuation office for a list of reputable firms in your area and be very careful when dealing with firms who approach you first.

You should not stop paying business rates just because you feel that the valuation is wrong. You are obliged to pay at the fixed rate until the valuation is changed.

**Reliefs.** It may be possible for your business to reduce the amount payable for business rates via a range of different reliefs. You may even be able to ask the local authority to grant up to 100% relief if you can demonstrate that you would suffer severe hardship and that it is in the interests of other ratepayers for them to do so. This would usually be if you supply an important service to the local community and only in extreme circumstances.

**Information** 

The Government has introduced a temporary increase in the level of Small Business Rate Relief (SBRR) available to eligible businesses. These changes came into effect in October 2010.

If your business premises have a rateable value of less than £6000 you will not have to pay business rates.

If your business premises have a rateable value between  $\pounds6000$  and  $\pounds12,000$ , you will be able to claim Small Business Rate Relief of up to 100% of your business rates. These new levels of relief will be available for 12 months from 1 October 2010 to 30 September 2011.

Information

For the range of different reliefs available see the official government website, www.mybusinessrates.gov.uk

If you cease trading, but are still liable for your business lease, you may still be liable for business rates.

# What happens if I miss a payment?

The council will usually tell you to pay your bill in 10 monthly instalments or they may accept weekly payments. If you find at any time that you can't pay the full monthly instalment don't just stop paying!

- Keep paying what you can afford.
- Contact the council and try to come to an arrangement.
   Use your business and household budget to help explain your situation.

If you miss a payment you will be sent a reminder giving you 7 days to make that payment. If you do not do this, or fail to pay after a second reminder you will lose the right to pay by instalments and will be asked to pay your bill for the full year. The council can then make an application for a liability order which allows them to take enforcement action to recover the debt. This could result in bailiffs being sent to your business premises.

For a fact sheet on **Business rates**, call Business Debtline on 0800 197 6026 or visit the website www.bdl.org.uk.



# **Council Tax**

The amount of Council Tax you pay is based on two things:

- The value of your home (homes are placed in a band
   A to H in England and A to I in Wales); and
- The number of adults who live in your home and their status.

# Who pays what?

Only people over 18 can be made to pay the bill. If there is more than one person over 18 living in your home, the owner will normally have to pay the bill. Joint tenants and owners may have to pay even if their names are not on the bill. If you are married or you live with someone as husband and wife, or live together in a same-sex civil partnership, both **you** and your partner will be responsible for paying the bill.

Sometimes the owner of a house will be responsible for the bill even if they don't live there. This is in homes which are classed as those in 'multiple occupation' (for example, bedsits). If you are not sure who is responsible for the bill, **contact us for advice**.

# Can I reduce my bill?

You may get a reduction if someone living in the house has a disability. Apply to the council for this. Only some properties will qualify. Contact a local welfare rights agency or **contact us for advice**.

You will get a discount in the following circumstances.

- If you are the only adult in the house.
- Or, if you share your house only with people who are not taken into account, such as:
  - a full-time student, or student nurse;
  - an apprentice or someone on a youth training scheme (certain ones apply); or
  - someone with a mental disability who is getting certain disability benefits.

Tell the council if you think you may qualify for a discount.

You may be able to claim Council Tax Rebate if:

- you are on a low income with less than £16,000 in savings; or
- you are on Income Support, Pension Credit, Jobseeker's Allowance, Employment and Support Allowance or other benefits.

You may get help with paying all or some of the bill by claiming Council Tax Rebate. Contact the local council for an application form.

You may be able to claim a rebate called 'Second Adult Rebate' if:

- you share your home with someone on a low income who does not pay rent and is not your husband, wife or partner; and
- you don't already get a discount for them.

If you are in this situation, the council should work out if you are better off claiming your own Council Tax Rebate or getting the Second Adult Rebate.

### Extra help

# **Appealing against Council Tax decisions**

If you feel your Council Tax Rebate has been worked out wrongly, you can write to the council and ask for a review. If you are not happy with the outcome, you can appeal against the decision to an independent tribunal within a month of the review decision. However, you can only appeal if you think a mistake has been made.

If you feel that your home is placed in the wrong band, you may be able to appeal to the Local Valuation Office Agency. This address should be on your Council Tax bill.

For more information about who can appeal, contact a local welfare rights agency or contact us for advice.

# What Happens If I Don't Pay?

The council will usually tell you to pay your bill in 10 monthly instalments but they may accept weekly payments. If you find at any time that you can't pay the full monthly instalment, don't just stop paying!

- If your circumstances have changed, you may now qualify for Council Tax Rebate, so claim now.
- Keep paying what you can afford.
- Contact the council and try to come to an arrangement. Use your budget sheet to help explain your situation.

# **Liability Order**

If you don't keep to any payment arrangement you make with the council, they will ask the magistrates' court to make a 'liability order' for the full amount they say you owe, plus court costs. The order states that you are due to pay your Council Tax and have not done so.

The court must make the liability order unless:

- the council has not gone through the proper procedures;
- you have paid the amount owed; or
- The name on the summons is wrong.

If one of these applies to you, tell the council immediately and go to the court hearing. You should get 14 days' notice of the hearing.

You can ask the court to adjourn (put off) the liability order hearing in the following circumstances.

- If you have applied for Council Tax Rebate.
- Or, if you have appealed to a valuation tribunal because:
  - you don't agree you are legally responsible for the bill;
  - you don't agree with the amount of the bill.

The court does not have to adjourn the hearing but they may agree to do so.



# ( Advice

# Is there a liability order?

If the council has not taken you to court for a liability order within six years of you becoming due to pay your Council Tax, they cannot continue to collect the debt. This depends on when the council served a demand notice on you. If you think this may apply to you, contact us for advice.

# **Methods of enforcement**

Contact the council to agree a payment arrangement. If you do not pay, there are a number of ways the council can make you do so. The council can demand that you and your husband, wife or partner give them details of your financial circumstances.

You can be fined for not giving this information.

# **Deductions from wages**

If you are employed, the council can order your employer to take a fixed amount from your wages to pay the Council Tax you owe. This is called an 'attachment of earnings order' and it can mean a large amount of your wages is taken and sent to the council. Deductions are made on a sliding scale depending upon how much you earn. If you owe more than one year's Council Tax, you can have a maximum of two attachment of earnings orders. Normally payments are taken one at a time. If this will cause you hardship, you can ask the council to accept smaller voluntary payments instead. Explain to the council why you cannot afford the higher amount. The council does not have to agree to let you pay less but it is worth trying. If the council does not agree, contact a local advice centre, your local councilor or contact us for advice.

# **Dealing with priority debts**

### Distraint

The council can ask bailiffs to visit your home and take goods which may be sold to pay off your debt. They must send a letter giving two weeks' notice telling you that bailiffs will call and how much you still owe under the liability order.

The bailiffs are not allowed to take certain basic household goods. They could take your car if it is parked nearby. The bailiffs cannot force their way into your home unless you have let them in before. Do not sign any papers the bailiffs may post through your door, otherwise you may be charged extra costs and the bailiffs may try to enter by force.

Contact the council and the bailiffs and try to make an arrangement to pay. If the bailiffs will not accept your offer of payment, ask the council to take the account back from the bailiffs to let you pay the council directly. You should do this as soon as possible because you may be charged costs for each time the bailiffs visit your home. Even if the council refuse to take the account back, you should still make payments to them quoting your Council Tax reference number and the year the debt relates to. They will add these payments to your account and it shows you are willing to pay.

Use your personal budget to support your offer and start paying immediately.

If the bailiffs try to break in or they threaten you, **contact us for advice**.

For a fact sheet on **Bailiffs and Council Tax,**call Business Debtline on 0800 197 6026
or visit the website www.bdl.org.uk.



# **Deductions from benefits**

You can ask the Department for Work and Pensions to take a standard amount each week from your Income Support, Pension Credit, income-related Employment and Support Allowance, or income-based or contribution-based Jobseeker's Allowance to pay for your Council Tax arrears. If they agree to do this, the council should not take any further action while the money is being taken direct from your benefit.

# **Charging orders**

If the debt is for £1000 or more, the council can apply to the county court for a legal charge on the house on which you owe the Council Tax. This means the debt is 'secured' on your house like a mortgage, and so may put your home at risk. If the council threatens this, **contact us for advice**.

# Bankruptcy

The council can try to make you bankrupt if the debt is £750 or more. This is becoming more common and is more likely if you owe Council Tax bills for lots of different years as they can

add these together. You may be able to complain to the Local Government Ombudsman if the council has not considered other options first. If the council threatens to make you bankrupt, **contact us for advice**.

# **Imprisonment**

If the council has tried to use bailiffs and you have still not paid your Council Tax in full, they may apply to the magistrates' court for an order for you to be sent to prison. The court is unlikely to send you to prison if you have not paid because you don't have enough money. There must be a hearing in the court to look at why you have not paid and whether you have the money to pay. You must go to the hearing and show the court your personal budget to explain why you have not been able to pay.

# **Water Rates**

Your water company can, as a last resort, cut off your supply to your business premises if you do not pay your bills.

# They cannot disconnect a domestic water supply.

However, if you are in difficulty, ask to pay your bills weekly, fortnightly or monthly to suit your budgeting.

If you have arrears, you will normally be expected to repay them before the next bill is sent. Use your **business and household budget** to make arrangements to pay the arrears.

You should allow for the current water rates in the outgoings section of your budget as this is an ongoing bill. You can then make an offer towards the arrears as a credit debt for domestic supply as you cannot be cut off.

If you do not pay, the water company will send you a county court claim form (see *Court action* on page 46). The court is likely to let you pay a monthly amount that you can afford. However, you will be expected to pay next year's water bill within the normal time limit.

Remember to say which bill the payment is for when making the payment – be careful not to get payment books for different years mixed up.

For non-domestic premises, your water company will write to give you a date when your water will be cut off. Contact the company immediately and start paying the amount on your present bill plus an amount you can afford off the arrears.

You will usually be able to make an arrangement to pay off the arrears even at this stage.

If at this stage your water company asks you to pay more than you can afford, **contact us for advice**.

### Warning

In extreme cases, the environmental risk of your business being without water could lead to you being evicted whether you own or rent.

# **Information**

If you have a complaint about the way your water company is dealing with your arrears, contact OFWAT, the regulatory body for water. OFWAT guidelines say the company should take your circumstances into account when making an arrangement to pay. If you wish to complain about your water company, contact your regional Consumer Council for Water, who represent consumers of water and sewerage in England and Wales. Details can be found at <a href="https://www.ofwat.gov.uk">www.ofwat.gov.uk</a> who will look in to your complaint about the water company. See your local phone book for your regional contact number.

# Gas and electricity arrears

The gas and electricity companies can cut off your supply in a few weeks if you don't pay them. No court is involved in this decision. It is important to contact them to make a payment arrangement as soon as you know you are going to have problems. Because of this, you should treat gas and electricity bills as a priority debt.

# Checking liability for the bill

If you are not the person named on the bill (for example, if it is in the name of someone who has left your home), you may not be legally responsible for the arrears up to the date they left. You can argue with the fuel company that you are not legally responsible for the bill. This should prevent your fuel being cut off until the dispute has been sorted out. If you are in this position, **contact us for advice**.



# **Warning**

# Old bills from different addresses

You cannot be disconnected for a gas or electricity bill from an old address if you move home. However, you may find it hard to get a fuel supply in your new home from the same fuel company unless you make an arrangement to pay your debt with them. You may need to use a different company for the fuel bills at your new address.

# How do I make an arrangement?

Bills for gas and electricity are usually sent out every three months, but this varies, so always check. The fuel company will usually want the bill paid before the next bill is due. You can ask to pay your bills every week, every two weeks, or every month. If you are on a payment scheme it is vitally important that you do not miss a payment, as this will put you into arrears. If you have arrears, phone or write to the company and ask for a payment arrangement. See *How do I avoid having my fuel cut off?* opposite.

Use your business and household budget to support your offer of payment. This must cover the cost of the fuel you are using and an amount off the arrears. Even if the company does not agree to your offer, start paying what you have offered immediately. Do not offer to pay more than you can afford

towards the arrears. All fuel companies should agree, under their code of practice, to accept an offer of repayment in instalments at a rate that you can afford.

If the first person you speak to is unhelpful, ask to speak to someone more senior.

Ask the company for a copy of their code of practice, or check their website. This explains your rights and how to make a payment arrangement. Most fuel companies will not disconnect you if:

- you agree to a payment arrangement;
- you agree to have a pre-payment meter installed;
- the debt belongs to a person who lived in your house before you; or
- it is between October and March and all the adults in the household are over retirement age. Some companies will also agree not to disconnect the supply between these times if any of the adults in the household have a severe illness.

If you are having problems making arrangements with the company, **contact us for advice**.



# **More information**

# Complaints about your supplier

If you have a complaint about how your fuel company is dealing with your arrears, you can contact Consumer Direct for advice or complain to the Energy Ombudsman. The Energy Ombudsman deals with complaints for Ofgem, the regulatory organisation for gas and electricity. Fuel companies are bound by Ofgem guidelines that say they should take your circumstances into account when making an arrangement to pay. The addresses for Consumer Direct and the Energy Ombudsman are listed in the Useful contacts section.

# How do I avoid having my fuel cut off?

You must keep paying for the fuel you are using and an amount off your debt even while you are trying to make an arrangement. To work this out, add up your last four bills to find out the total amount for the year, and then divide this by 52 to work out how much fuel you use each week.

If your bills are high, check that your account is not based on estimates. Ask the fuel company to take an accurate reading.

The company should accept the following arrangements.

# Instalments

You could arrange to pay the gas or electricity bill by weekly or monthly instalments, paying off the whole amount before the next bill arrives.

# **Budget plans**

The fuel company works out how much fuel you use over the whole year and you pay a fixed amount every week, every two

# **Dealing with priority debts**

weeks or every month. You can spread any unpaid bill over the whole year and include it in the budget plan. If you cannot afford the amount the company is asking you to pay under the budget plan, ask for a special arrangement. The company should let you pay off your debt at a rate you can afford, even if this means spreading the arrears over a longer period of time than a year.

# **Pre-payment meters**

You pay for the gas and electricity you are continuing to use plus an amount you can afford off the arrears through a token, card, or coin meter. You must be asked if you want a prepayment meter before your supply is cut off, if it is safe to install one.



### Remember

# **Drawbacks with pre-payment meters**

Remember there can be drawbacks to having a prepayment meter. Your standing charge may be higher and if you cannot afford to buy tokens or cards, you will be without fuel.

Your pre-payment meter should be reset within one month of the price of fuel going up. This means arrears should not build up on your account. If your meter is not reset within this time, you can complain. **Contact us for advice.** 

If you have not fallen behind on an arrears repayment arrangement, the fuel company cannot insist that you have a pre-payment meter installed. But you do have the option to ask for a pre-payment meter if you want one.

# **Direct payments from benefits**

If you get Income Support, Pension Credit, income-related Employment and Support Allowance or income-based Jobseeker's Allowance and owe more than a set amount on your fuel bill, you could ask the Department for Work and Pensions (DWP) to take weekly deductions from your benefit and pay them directly to the gas or electricity company. This is called Fuel Direct and is part of the Third Party Deduction Scheme. This covers the gas or electricity you are continuing to use plus a standard amount towards the arrears. Contact your DWP office and tell the fuel company you are doing this.



### Remember

# **Direct payment schemes**

Some fuel companies may tell you that there is no longer a direct payment scheme. Don't be put off. Make sure you apply to the DWP as they make the decision, not the fuel company.

If you are on Income Support, Pension Credit, incomerelated Employment and Support Allowance, or income-based Jobseeker's Allowance and you have been disconnected, you may be able to get a Community Care Grant or a loan from the DWP to cover the cost of having your supply reconnected.

However, the DWP cannot help you pay off fuel debts except in rare circumstances where you may be able to get a crisis loan. **Contact us for advice.** 

### Other help

If you are threatened with being cut off, contact the social services department of your local council or the DWP for help. The fuel company will delay cutting you off if they are told the social services or DWP are looking into your case. They will usually hold action for 10 working days but may agree to delay longer. This could give you time to make an arrangement to pay. The **Children's Act 1989** gives social services the power to make payments to families with children in certain circumstances.



### Extra help

# Questions about gas and electricity charges

If you are asked to repay money from a coin meter after a theft, or to pay a bill in somebody else's name, or if the company has set a token meter or budget scheme at a higher amount than you can afford, contact a local advice agency or **contact us for advice**.

# Help from gas and electricity companies

Some fuel companies have set up trust funds that may be able to help you pay your fuel bills if you are in financial difficulties. Ask your fuel company if they run a scheme or **contact us for details**. You can also download a utility trusts booklet from the British Gas Energy Trust website www.britishgasenergytrust.org.uk.



# **Information**

# Getting the best energy deal

You might be able to save some money by switching to another supplier. This may work out cheaper, particularly if you get both gas and electricity from the same supplier. Before you do this, check which company will be best for you. There are a number of internet price-comparison companies who can help. Contact Consumer Direct or Ofgem for a list of authorised companies.

Check with your new supplier that they offer the same payment arrangements. You can complain about any supplier to the Energy Ombudsman. All suppliers should follow a code of practice when dealing with people in arrears.



# **More information**

# Complaining about your energy supplier

You can complain to the Energy Ombudsman about a bill or transfer problem. The address is listed in the *Useful contacts* section on page 60.

# Special problems for tenants

Your landlord may be responsible for paying the gas or electricity for your accommodation, and resell the fuel directly to you. Ofgem sets maximum charges your landlord can sell gas and electricity to you at. You can get advice from Consumer Direct about how much your landlord is allowed to charge you.

Contact your local advice agency or Consumer Direct if:

- you think you may have been overcharged for fuel; or
- the company is threatening to cut your supply off because the landlord has not paid the bill.

# Magistrates' court fines

The magistrates' court may order you to pay a fine, for example, for a driving offence, for not having a television licence or for some other offence. You must treat a magistrates' court fine as a priority debt because you could be sent to prison if you do not pay. If you have been sued for a credit debt such as a loan or credit card, this would be in the county court and you cannot be sent to prison – treat it as a credit debt. See Secondary debts on page 38.



# Extra help

# What type of court?

If you have been taken to court and are not sure which type of court it is, or whether it is a priority debt, **contact us for advice**.

The court should take your financial circumstances into account when they decide the instalments for paying the fine. You can be fined if you do not give the court details of your income and outgoings when ordered to do so. The court can make deductions from your wages or from your benefits either when they set the fine or if you fall behind with payments. You must contact the court if you cannot afford to pay the amount the court fixes or you cannot pay because your circumstances have changed. They may be able to lower the amount. If you have to go to a court hearing, take a copy of your budget with you.

# What if I don't pay?

If you are in arrears and do not make any arrangement with the court, they may try to do the following.

They will usually make a 'collection order' which allows a fines officer in the court to deal with your case.

- They may make deductions from your wages under an attachment of earnings order. The amount they take will depend on how much you earn. They can do this when they set the fine or if you have fallen behind with payments.
- They may make deductions of £5 a week from your Income Support, Pension Credit, Employment and Support Allowance, or income-based or contribution-based Jobseeker's Allowance. They can do this when they set the fine or if you have fallen behind with payments.

- Clamp a vehicle registered in your name.
- Include the fine in a register which could affect your ability to get credit.
- Order you to do unpaid work instead of paying the fine.
- Increase the level of the fine by 50% if they think you have deliberately refused or neglected to pay (see below).
- They may use private bailiffs to seize goods and sell them. From July 2005, bailiffs collecting magistrates' court fines have the power to break into your home, and other places, to take your goods, even if they have not been into your home before. They could take your car parked nearby. If bailiffs threaten to break into your home, contact us for advice.
- Bailiffs should not take a vehicle you need to get to work or for your business. They must leave clothing and basic household items. To make arrangements to pay, you will need to contact the bailiffs direct, since the court will no longer accept payments from you.
- They can order you to be sent to prison. There will be a hearing before this happens, which you must go to with a copy of your personal budget. If you explain why you have not paid and make a new offer to pay by instalments, the court may suspend the arrest warrant. The court should not send you to prison if you cannot afford to pay. They should only do so if they think you have deliberately refused' or 'neglected' to pay when you could have done so.

For a fact sheet on Magistrates' court fines, call Business Debtline on 0800 197 6026 or visit the website www.bdl.org.uk.



# •

# Remember

# Court hearings

- Always go to court hearings.
- Try to make arrangements that you can afford to pay or contact the court if you cannot pay.
- Keep paying what you can afford.
- In very rare circumstances, the court may order that your fine is written off.

# Parking penalty charges

Many local authorities have made parking offences non-criminal offences and enforce parking penalty charges through the Traffic Enforcement Centre in Northampton County Court. There are special rules that apply if you have this type of parking penalty. You cannot be sent to prison but the local authority can ask the county court to use private bailiffs to try

# **Dealing with priority debts**

to recover the money. If you have a parking penalty charge, contact us for advice.

For a fact sheet on

Parking penalties
in the county court,
call Business Debtline on 0800 197 6026
or visit the website www.bdl.org.uk.



# **Maintenance**

You can be ordered to pay maintenance either by the court, as part of the separation or divorce process, or by the Child Support Agency.

Warning

The child support agency is being given extra powers and this means some of the rules are changing. **Contact us for advice.** 

# Maintenance through the court

If the court has ordered you to make regular payments, you can apply to reduce the payments if you cannot afford them.

If you do not pay, the court can order you to go to a hearing to explain why you have not paid. They can give you more time to pay and, in very rare circumstances, they can write off the arrears.

If the court decides that you are deliberately not paying, they may try to:

- use bailiffs to seize goods and sell them;
- take payments direct from your wages; or
- order you to be sent to prison.

# •

### Remember

# **Maintenance arrears**

If you are behind with your maintenance, contact the court immediately. Take a copy of your budget sheet to any court hearings and explain why you cannot pay the full amount. The court may reduce the amount you have to pay.

# **Maintenance through the Child Support Agency**

The Child Support Agency (CSA) can decide what maintenance you should pay and then collect it. The parent with care can now choose whether to use the CSA or not. The CSA will decide the amount you have to pay, by using a set formula. Make sure you check that the amount you owe has been correctly worked out. If you do not pay, the CSA can collect it direct from wages, Income Support, Pension Credit,

Employment and Support Allowance or Jobseeker's Allowance (either income-based or contribution-based) and a range of other benefits, without a court order.

The CSA can now apply for a deduction order to take payments out of your bank account. This can be for regular payments or for a lump sum, but there are rules about how much money the CSA are allowed to take out of your account.

If they cannot do this, the CSA can ask the magistrates' court for a 'liability order' to recover any maintenance you owe. When this has happened they may try to:

- use bailiffs to seize goods and sell them;
- get a legal charge or 'charging order' on your property, which means your home could be sold if you do not pay;
- seize money from your bank account;
- add your liability order to the Register of Judgments, Orders and Fines;
- ask the court to send you to prison for up to six weeks.
   The court will only do this if it thinks that you are deliberately not paying; or
- ask the court to take away your driving licence for up to two years.

Even if you lose your licence or are sent to prison, you will still have to pay all of the money you owe.

If the CSA has threatened any of these things, **contact us for advice**.



# Remember

# Contact the CSA if you are in arrears

If you are in arrears, contact the CSA and try to make an arrangement to repay them and check the amount they say you should pay is correct. They may accept an amount on top of what you are already paying to clear the arrears over an extended period of time. If your circumstances change, you should tell the CSA immediately.

# **Social Fund loans**

If you are on Income Support, Pension Credit, Employment and Support Allowance or Jobseeker's Allowance, you may have taken out a Social Fund loan, or could be thinking about asking for one. Repayments on the loan are taken out of your benefit before you get it. This could mean you will not have enough money to cover your normal outgoings. Think carefully before accepting a loan. You may be entitled to a Community Care Grant instead. This is not a loan and you do not have to pay it back.

Ask for advice from a local advice centre or contact us.

If you already have a Social Fund loan and the amount being taken from your benefit is causing you hardship, contact the Social Fund officer at your local Department for Work and

# Pull-out draft business and household budget sheet

Use this to help you:

- work through the information pack;
- draw up a business and household budget; and
- work out how much you can offer to pay your creditors.

# Your draft business a

Use this budget sheet as a rough draft. Monthly business budget (see page 10) Then copy the information onto the budget sheet on pages 54 and 55. You can send this Step 1 – Income (turnover) to your creditors with a sample letter from Income for the last three months page 50. Average income each month (figure A) Step 2 – Costs Fill in business costs only Stock you have bought here. See page 10. Rent Business rates Only include business Loan repayments loans here. See page 10. Bank interest Bank charges Only include these if you are going to Wages, PAYE and National Insurance continue to use the bank account. Water rates Gas Electricity Insurance Transport and vehicle costs Remember to share the costs between Hire-purchase payments business and personal use if necessary. Stationery This budget is for business use. Postage Cleaning and repairs Telephone VAT Accountant and professional fees Other 2 3 Total costs (figure B) Step 3 - Drawings **Income** (figure A) If there is no money left for drawings, less costs (figure B) please phone us for advice. Less: Read the enclosed tax sheet to work this Estimated income tax out. You should put money aside every month National Insurance (class 4) to budget for when the bill is due. If there is no tax sheet with this pack, please phone us National Insurance (class 2) for one or visit our website. Total available for drawings £

# nd household budget



# Monthly household budget (see page 17)

Step 4 – Household income	£	
Drawings from the business		From the monthly business budget opposite.
Your partner's wages or salary		Crom and manual years approved
Jobseeker's Allowance		
Income Support or Pension Credit		
Tax credits		
Pension		
Child Benefit		
Incapacity Benefit or Employment Support Allowance		
Maintenance		
Non-dependants' contributions		This should be your total income from
Other		all sources. See page 13 for advice on
Total Income (figure C)	£	increasing your income.
Step 5 – Outgoings	£ 4	See page 17.
Mortgage		Breakdown of travel expenses
Mortgage endowment policy		·
Second mortgage		Petrol
Rent		Bus fares
Council Tax		Car tax
Water rates		Car insurance
Ground rent and service charge		MOT and servicing
Buildings and contents insurance		Total £
Life insurance and pension		
Gas		
Electricity		
Other fuel		For examples of household
Housekeeping		amounts, see page 17.
TV licence and rental		
Magistrates' court fines	•	Do not include county court judgements (you should
Maintenance payments		include these with credit debts). See page 38.
Hire-purchase vehicle costs	_	<del>-</del>
Travelling expenses		This could be a car you need which you bought under a hire-purchase agreement.
School meals and meals at work		bought under a mire-paremase agreement.
Clothing		Make sure you include any car tax,
Laundry		car insurance, petrol and MOT costs.
Phone and mobile phone		
Prescriptions and health costs	-	Don't forget the cost of dental treatment, glasses and sight tests as well as other prescription expenses.
Childminding		and signt tests as well as other prescription expenses.
Other 1		You may include other expenses such as birthdays,
2		Christmas, repairs or emergencies. Do not include
3		credit debt payments here.
Total outgoings (figure D)	£	
Step 6 – Money for creditors	£	If the amount in figure D is more than your income in figure C, see page 20 and contact us for advice.
Total income (figure C)		10 10 10 10 10 10 10 10 10 10 10 10 10 1
Take away: total outgoings (figure D)		We explain Step 6 on page 20 of the pack.
Money for creditors (figure E)		Go to Step 7 if you have priority debts.
riolley for creditors (ligure E)		Go to Step 8 if you have only credit debts.

# Repayment schedule

Step 7			
Priority debts	Amount you owe	How much you can offer to repay each month	See the priority debts section on page 23.
Total priority debts  Total priority debts rep	£ ayment (figure F)	£	The amount in figure F should not be more than figure E.  If it is, contact us for advice.
Step 8 Money for creditors (fig	ure E)		We explain Step 8 on page 23. If you have no money left for yo credit debts after you have paid
Total priority debts (figurepayment	ure F)		your priority debts, contact us for advice. Or see page 40 for advice on making token payments.
Money for credit debts (	(figure G)	<b>←</b>	This is what you can afford to pay off your credit debts.
Step 9 Credit debts	Amount	How much you can offer	
	you owe	to repay each month	<ul> <li>List your creditors in the first column.</li> <li>List the amount you owe each creditor under 'Amount you owe'.</li> <li>To work out how much you can offer to repay each creditor, use the calculation on page 40.</li> </ul>
Total amount you owe (figure H) Total monthly repayme	£ ent (figure G)	£	This should be the same as figure G in Step 8. This is what you are offering to pay your creditors, not what you used to pay.

Pensions (DWP) office. Show them your budget sheet and explain the problems you are having. The Social Fund officer may be able to reduce the weekly amount being taken out of your benefit. If they refuse, **contact us for advice**.



### Extra help

# Paying back a Social Fund loan if you are not on benefits

If you are no longer on Income Support, Pension Credit, Employment and Support Allowance, or Jobseeker's Allowance and still have a Social Fund loan, include it with your credit debts in **Step 9** (see page 38). But be careful, the DWP can take an amount out of other benefits instead. These benefits include contribution-based Jobseeker's Allowance, Incapacity Benefit or Employment and Support Allowance, Carer's Allowance, retirement pensions, Maternity Allowance and bereavement benefits. If this happens to you, **contact us for advice**.

### **Benefit overpayments**

You may be told by the Department for Work and Pensions (DWP) that you have been overpaid a benefit, such as Income Support, and that they want you to pay this back.

The DWP must tell you if the overpayment can be recovered from you and why. If you do not agree that you owe the money, you can appeal. The law on overpayments is complicated so before deciding whether to appeal, contact your local advice centre or **contact us for advice**.

The DWP can make deductions from most types of benefits to collect overpayments, except Child Benefit. There are maximum weekly amounts that can be taken. If this will cause hardship, contact the DWP and ask them to take less.

In some circumstances the DWP will agree to 'write off' the overpayment if your repayments are causing hardship. Ask your local MP to help.

If you are not on any benefits, **you can treat the overpayment in the same way as your other credit debts**. See Dealing with secondary creditors on page 38.



### Extra help

# Special rules for Housing Benefit and Council Tax Rebate

If your council says you have been overpaid Housing Benefit or Council Tax Rebate, special rules apply. **Contact us for advice.** 

### Tax credit overpayments

In some circumstances you may be told that you have been overpaid Child Tax Credit or Working Tax Credit. If you do not agree, you may be able to appeal. **Contact us for advice.** 

Overpayments can be recovered in different ways, including deductions from your ongoing claim or even through the same enforcement methods as a tax debt. If paying the tax credits back will cause you hardship, you may be able to reduce the amount at which you pay it back. You should speak to HM Revenue & Customs (HMRC) and ask for time to pay it back at a rate you can afford. Ask for a copy of their code of practice 'What happens if we have paid you too much tax credit?' In cases of extreme hardship, they can consider writing off all or part of the debt. They may agree not to recover the overpayment if it is their mistake and you have followed the rules for reporting any mistakes you spot and changes in your circumstances. Contact us for advice if you are in this situation.

### Hire purchase or conditional sale

You can buy goods on all sorts of different credit agreements. With most credit you own the goods straight away and only owe the money to the creditor. The creditor cannot ask you to return goods you bought with most types of credit. With hire-purchase or conditional-sale agreements, you do not own the goods until you have paid the last instalment. The most common type of goods on hire-purchase agreements are cars.



### Extra help

### Which kind of agreement do you have?

If you have a hire-purchase or conditional-sale type of credit agreement, it should state this clearly. This information only covers hire-purchase or conditional-sale agreements which come under the **Consumer Credit Act**. If you are not sure what type of agreement you have, check your agreement or **contact us for advice**.

### Can my lender take back the goods?

If you fall behind with your payments, your lender may be able to ask for the goods to be returned and then sell them to reduce the debt. You cannot sell the goods yourself without your lender's permission. If you have paid more than a third off the total amount you owe, the goods become 'protected goods'. This means that the creditor must apply to the county court to ask for the goods back. They cannot just come round and remove them. Even if you have not paid more than a third of the total amount under the agreement, the creditor will need an order from the court or your permission to remove the goods if they are on 'any premises'. This means that goods inside your home are protected and as long as cars are parked in your garage or on your driveway, they should also be protected.

# **Dealing with priority debts**



### **Warning**

### Cars parked on the road

If your car is parked on the road and you have not paid a third of the total amount you owe, there is a risk of it being 'snatched back'. The legal position about what happens to cars parked in car parks is not clear.



### **More information**

# New rules about information from your lender

From October 2008, your lender has to send you yearly statements about your agreement. They also have to send you arrears notices if you miss two payments, along with an 'information sheet' telling you where to go for help. If your lender does not follow these rules, they may not be able to take action against you, or add interest and charges until they do so. **Contact us for advice.** 

If you have received an arrears notice or default notice from your lender, you can apply to the court for a 'time order' under the **Consumer Credit Act**. If this is granted, you may be able to keep your goods, and make smaller reduced payments to your lender.

For a fact sheet on **Time orders,** call Business Debtline on 0800 197 6026 or visit the website www.bdl.org.uk.





### Warning

# Have you paid less than a third of the debt?

If you fall behind with payments, your lender may be able to repossess the goods. They do not need to go to court first if you have paid less than a third of the debt. You can also return the goods voluntarily (see page 33).



### Remember

# Have you paid off more than a third of the debt?

If you have paid more than one third of the total you owe, the creditor must go to court to ask for the goods to be returned, they cannot just come round and remove them.

If your lender takes you to court, you may not have to return the goods as long as you agree to make the payments that the court orders. This could be:

your normal payment plus something towards the arrears;
 or

 in certain circumstances, an amount which is less than the normal payments on the agreement. You will need to show that this is all you can afford to pay and explain why it is important that you keep the goods (for example, you need the car for work).

To make an offer, you should fill in the reply form to the summons and go to the court hearing.



### Remember

### Keeping the goods

If it is important to you to keep the goods, you may want to include the payments on your 'outgoings' section of your business and household budget and treat this as a priority and not a credit debt. If you do this, be prepared to explain to creditors why you need the goods, (for example, you need the car for work or business, or you live in the countryside and there is very limited public transport). See **Step 5 – working out your spending** on page 17.

### Returning the goods voluntarily

You may be able to return the goods by writing to your lender to end your agreement. This is only possible if your lender has not already ended your agreement. You will owe up to half the agreement, any arrears and reasonable charges if the goods are damaged. If you have already paid half of the contractual payments, you will not usually be asked to pay anything more. Once you have returned the goods, you can treat any debt you still owe as a **secondary debt** (see page 38).

For a fact sheet on

How to deal with
hire-purchase debts,
call Business Debtline on 0800 197 6026
or visit the website www.bdl.org.uk.



### **Equipment leases**

As with hire purchase, equipment leases may be priority or credit debts.

Check your agreement very carefully to see whether you have the right to keep the equipment at the end of the lease or if you have to pay for the whole lease whether you keep the equipment or not. Check whether the debt will be reduced if you return the equipment.

If you do have the right to keep the equipment, or if you need the equipment to keep your business running, you should treat these as priority debts. **Warning** 

It can be a criminal offence to sell leased equipment without the leasing company's permission. **Contact us for advice.** 

### **Income tax arrears**

Her Majesty's Revenue and Customs (HMRC) can take a number of enforcement methods to recover an unpaid tax debt. These include:

- distraint without a court order (bailiff action): HMRC does not require a court order to visit your business premises to take away your stock and equipment, up to the value of the debt. If there are not enough goods at your business premises, staff can go to your home and take goods from there (unless you trade as a limited company). If you refuse HMRC officials entry they could obtain a warrant to break in, but this is unlikely. They are more likely to take you to the county court or start bankruptcy proceedings;
- county court action: where HMRC will obtain a judgment against you giving their staff access to enforcement methods such as execution (bailiff action through the county court or High Court – see above), charging orders or attachment of earnings if you are employed;
- use the magistrates' court: where the amount owed is less than £2,000. A summons to a hearing would be issued, which you should attend with your business and household budget to ask to pay by instalments. If you do not keep to these instalments a further hearing would be arranged to decide whether you should be sent to prison. For this you would need to be found guilty of 'wilful refusal' or 'culpable neglect', see *Imprisonment* on page 28. The court may not decide to send you to prison but it cannot write off the debt;
- bankruptcy: if the debt is for £750 or more HMRC may start bankruptcy proceedings against you, see *Insolvency* on page 51.

You must contact HMRC as early as possible to arrange time to pay any arrears.

Make an offer to pay off the debt at a rate you can afford, and use your business and household budget to support your offer. Even if your offer is refused, start paying what you can afford, no matter how small the amount.

HMRC operates a complaints procedure to ask for your offer to be reviewed if you think it has been unfairly rejected.

If the debt is based on a determination that you think is incorrect, you must submit your return as soon as possible. You should do this even if you think you may be too late. This may mean the debt is reduced and will also stop you being charged penalties for not submitting your return.

Tax paid late will attract interest. Contact us for advice.

### **VAT**

As with income tax, HM Revenue and Customs (HMRC) can take action without a court order and take away stock and equipment at your business premises or, if that fails, at your home address (unless the debt is owed by a limited company).

You will usually have to pay any arrears in full before the next VAT return is due. Penalties will be added to the bill for late payment.

The officer will usually look at your past record of VAT payments before deciding what payments to accept so start paying what you can immediately, no matter how small the amount.

If the arrears are based on an estimated assessment, you must submit an accurate return, which could reduce the bill. Even if you cannot pay, you may avoid a surcharge for not making a return.

If HMRC cannot recover the money owed by taking away your goods, they will usually apply for a bankruptcy order. However, if you cease trading inform HMRC, or apply to deregister if your turnover is less than the deregistration limit shown on the tax sheet. It is then often easier to come to arrangements to pay off arrears by instalments. **Contact us for advice.** 

### Warning

HM Revenue and Customs will not tolerate businesses continuing to accrue tax arrears without a payment plan and will often commence bankruptcy proceedings even if you have no assets, with a view to stopping you trading altogether.

### **National insurance arrears**

# There are four classes of national insurance contributions (NICs):

- Class I NICs are deducted from an employee's wages and paid by the employer along with income tax under PAYE
- Class 2 NICs are paid at a flat weekly rate by self-employed people (see our tax sheet for the current amount)
- Class 3 NICs are voluntary contributions paid to help people qualify for retirement pension and certain benefits
- Class 4 NICs are paid by self-employed people in addition to class 2 NICs if earnings are above a certain threshold (see our tax sheet).

Class I and Class 4 NICs are collected by HM Revenue and Customs in the same way as income tax arrears.

Class 2 NICs are collected by the National Insurance Contributions Office and although they technically have the same powers as for Class I and Class 4 NICs, current policy seems to be to start proceedings through the county court.

# **Dealing with priority debts**

### **Major suppliers**

If you cannot get supplies from any other source, you may wish to treat a trade supplier as a priority creditor. If you can use another supplier, you may then be able to treat them as a credit debt. However, if you owe suppliers £750 or more they may threaten you with bankruptcy proceedings. **Contact us for advice** if you are not sure.

### **Business overdrafts and loans**

If your bank account regularly exceeds any arranged overdraft limit, not only will you incur penalty interest and charges, but you also run the risk of having the overdraft limit cancelled or not renewed when the agreement expires.

Management of your business and household finances can become chaotic if you lose control of your bank account. Unpaid cheques, direct debits and standing orders will make your debt problem worse. Deposits made into your bank account may be absorbed into paying interest and bank charges rather than covering payments you need to make.

You may find it easier to convert your overdraft into a loan but remember, you will lose the flexibility of an overdraft as it is often a condition that your current account operates in credit only. You will also be committed to a monthly repayment – make sure you can afford this and make sure the interest rate is no higher than the overdraft rate.

### Extra help

If your bank is trying to persuade you to give security (i.e. against your property) for a loan or overdraft that is presently unsecured, **contact us for advice**.

If you cannot meet your current loan repayments or are in danger of going over your overdraft limit, it is important that you speak to your bank and agree an arrangement. This may include a restructuring or rescheduling of current borrowing. If you are able to, it is generally easier to deal directly with your own branch (and manager/staff) than deal with a central debt recovery unit. If you are able to reduce the balance to within the overdraft limit this may reduce borrowing charges.

Contact us for advice if the bank threatens to close your account or send it to a debt recovery unit.

### Secured or unsecured?

Bank overdrafts and loans may be secured or unsecured:

### **Secured**

This is where the bank has security over some or all of your business assets. In some cases they may also have security over personal assets such as a family home. A secured loan or overdraft must be treated as a priority debt.

If you are a director of a limited company, you may have signed a personal guarantee that may be supported by a security over your home – this must also be considered as a priority debt.

### **Unsecured**

Loans and overdrafts are unsecured where the lender does not have any security. However depending on the circumstances, you may need to treat these as priority debts if you feel that you cannot get a banking service elsewhere and it is essential in the running of your business.

Contact us if the bank threatens to stop cheques and put restrictions on your account.

### **Negotiating with your bank**

When you are facing debt and cashflow problems, it is essential that you speak to the bank and make an appointment to see them if possible. There are a number of options that you could consider putting to the bank.

### Remember

It is important that you have viable proposals to put to the bank when you meet them. This should include a simple business plan, which you can prepare yourself. This does not need to be extensive or have a formal structure, but essentially needs to contain:

- Your business and household budget together with a schedule of your debts (see pages 9 to 20);
- A plan of how you see the business recovering over the next 12 months (at least). This should include a mixture of figures and words;
- any changes you are making to improve income and reduce costs. BUT be realistic; don't make your projections over-optimistic. Base it on facts that you can support; and
- A proposal on finance arrangements to help with immediate cash problems and to support your new business plan.

Your local enterprise agency may be able to provide help with the preparation of a business plan – phone your local Chamber of Commerce for details of what's available in your area.

### Remember

You are not preparing a business plan just for the bank – first and foremost this business plan is for your own peace of mind. It should demonstrate to you that you can trade out of your difficulties and improve your business performance. Naturally, the proposals you put forward, and the bank's response will depend on your circumstances. **Contact us for advice.** 

### Remember

Beware if the bank wishes to convert unsecured borrowing to that secured on your property. Always check the interest rate and any arrangement fees that are to be charged. If you are unable to make the payments on a secured loan, your property will be at risk. If you are considering this option, **contact us for advice**.

### Should I consider changing my bank?

Many people ask us this question and it is not as easy as it sounds. In our experience it is generally better to stay with your current bank as they know you and are more likely to listen to your problems and help with your proposals. Obviously this is not always the case, and in some circumstances, changing banks may be appropriate.

If your bank will not listen to you and you are losing control of your banking, provided the overdraft and/or loan are unsecured, it may be better to open an account at another bank.

If you have a poor credit history you may find it difficult to open another bank account.

# Any new account should be operated strictly in credit to avoid running up another debt and making your problems worse.

If you are able to open a new account, you should treat your other bank's overdraft and/or loan as a credit debt (unless it's secured in which case it is a priority).

### Remember

Always try to come to an arrangement with your existing bank first. If you are in doubt or you would like more details on any of the above, **contact us for advice**.

### **Accountants**

If you have not paid your accountant, they may refuse to give your books back to you until you pay the bill. This is known as a 'lien'. This means that the accountant has the right to keep the books they have worked on if you have not paid their fees in full. However, they should return your material (such as invoices, bank statements and so on) that they used to create the books.

You may need to treat your accountant's fees as a priority debt if you need your books for things such as HMRC returns, which may result in fines and penalties if you do not fill them in and return them on time.

You should contact your accountant and explain that you cannot pay. Explain that having your books back will help you put together a repayment plan, which should mean you can make a better offer to the accountant. This is particularly important if you have to deal with income tax or VAT assessments, as sending these in may mean you get a refund.

You could take legal action to get your books back, but it is important to get a solicitor's opinion about this.

### Step 9 - How to deal with credit debts

# Use this section to work out how much to pay towards your credit debts.

### What are credit debts?

These include lots of different types of debts where the creditor hasn't got extra powers (for example, they cannot take your home). This means they do not have to be treated as a priority. The most common credit debts include:

- · personal loans with finance companies;
- some bank and building society loans, overdrafts and credit cards (sometimes you may need to treat these as priorities if you need the bank's cooperation to continue trading. See page 36 for details);
- charge cards (see page 43);
- personal debts to friends and family (see page 44);
- non-essential business suppliers;
- some other business-related debts (see page 43)
- catalogue debts (see page 44);
- doorstep-collected loans;
- · credit sale agreements; and
- · trading cheques or vouchers.

We have included sections on common credit debts where there are particular things you should look out for.



### Warning

### Other credit debts

There are also other credit debts that are not so straightforward to deal with. You should **contact us for advice** if you have debts for:

- rent, phone, gas and electricity from a previous property or supplier;
- hire-purchase or conditional-sale agreements where the goods have gone back to the company (see page 33);
- debts with cheque-cashing services;
- gambling and spread betting debts; or
- professional fees (solicitors', vets' bills and so on).

# What are the options for dealing with your credit debts?

There are different options for dealing with your credit debts, depending on your circumstances.

We have also explained the main options for dealing with your credit debts in the sections called What if I have some money left to pay my creditors? below and What if I have no money left to pay my creditors? on page 40.

You need to be very careful when you decide what the best option is for you. This will depend on lots of things such as your income, how much debt you have, your assets, whether you own your home and possible impacts on your business. Your credit rating will normally be affected whatever option you decide to take. This means it may be difficult for you to get credit in the future. **Contact us for advice.** 

For a fact sheet on

Options for paying back your debts,
call Business Debtline on 0800 197 6026
or visit the website www.bdl.org.uk.



# What if I have some money left to pay my creditors?

### 'Pro-rata' offers of payment

You can work out offers of payment based on a 'pro-rata distribution' of your available income. This means you offer all your creditors a fair share of what you can afford to pay. You also need to ask that any interest and charges are frozen. We show you how to work out a pro-rata offer on page 40 of the pack. You can then write to your creditors using the sample letter on page 50, and ask them to accept your offer and freeze the interest. You may be able to do this using a free debtmanagement plan or there could be other options you could consider. These are outlined below.

### Free debt-management plan (DMP)

Could you pay using a free DMP? This means you make one payment every month to cover all your credit debt payments. This will be divided up and sent to your creditors for you. Your DMP provider will negotiate for you and will try to get your creditors to agree to freeze interest and charges. **Contact us for advice**. We may be able to help you set up a free DMP if:

you have at least three credit debts;

- your money for credit debts is £100 a month or more; and
- you owe at least £5000 to your credit debts.

For a fact sheet on

Debt-management plans,
call Business Debtline on 0800 197 6026
or visit the website www.bdl.org.uk.



### **Administration orders**

When you have been taken to the county court, you might be able to apply for an administration order. This is a way of putting all your debts together and making one monthly payment into the court. The court then shares it among your creditors. For some types of debt, you can only include arrears. The total of the debts must be no more than £5000. Your creditors then can't take any further action against you if you have an administration order. You can get the application form (form N92) from your local county-court office. You may need help in filling in the application form as local courts deal with administration orders differently. If you want to apply for an administration order, **contact us first for advice**.

For a fact sheet on Administration orders, call Business Debtline on 0800 197 6026 or visit the website www.bdl.org.uk.



### **Debt-relief orders**

You may be able to apply for a new scheme called a debt-relief order (DRO).

You may be able to qualify if:

- you owe under £15,000;
- you can't afford to pay more than £50 a month to your creditors; and
- you have assets of less than £300 and a car worth less than £1000.

If you get a DRO, your debts are written off after 12 months. You will need help from an approved advice agency such as a money advice centre, citizens advice bureau or Business Debtline to fill in an on-line application (you will have to pay a fee). **Contact us for advice.** 

For a fact sheet on **Debt relief orders,**call Business Debtline on 0800 197 6026
or visit the website www.bdl.org.uk.



### Individual voluntary arrangements

There is an alternative to bankruptcy called an individual voluntary arrangement (IVA). This is a formal arrangement

through the county court to pay an agreed amount off your debts over a shorter period, such as five years. The rest are written off. The IVA will be set up by an insolvency practitioner whose fees can be very high. Creditors can stop the IVA going ahead by voting against it. It is usually only worth looking at if you have a lot of money available every month to pay your creditors or you have a lump sum or assets that you can include. You need to be careful if you own your own home as you may risk losing it. **Contact us for advice.** 

### Advice

### **IVA through Business Debtline**

Business Debtline may be able to refer you on to an insolvency practitioner from a list of providers that have agreed to follow special guidelines (called the IVA protocol) from the Insolvency Service. **Contact us for advice.** 

For a fact sheet on Individual voluntary arrangements, call Business Debtline on 0800 197 6026 or visit the website www.bdl.org.uk.



### **Bankruptcy**

You may want to think about bankruptcy even if you have some money left to pay your creditors. See *Bankruptcy* on page 40 and **contact us for advice**.

### Can I offer a lump sum to clear my debts?

If you have a lump sum that is less than the full amount that you owe on your debts, you can ask your creditors to accept a lump-sum payment and write off the rest of the debts. It is important to get your creditors to agree to this in writing. You may be able to do this because you have come into some money or have some savings you can use. Creditors do not have to accept an offer in 'full and final settlement', but if your circumstances are unlikely to improve, they may agree to your offer.

For a fact sheet on

Full and final settlement offers,
call Business Debtline on 0800 197 6026
or visit the website www.bdl.org.uk.



### Consolidating your debts into a new loan

You need to think very carefully before deciding to add all your debts together and pay them off with a new loan. This may not be the best option for you, especially if your lender wants to secure the loan on your home. This means you could have your home repossessed if you do not keep up with the payments. Before agreeing to a consolidation loan, **contact us for advice**.

### What if I have no money left to pay my creditors?

### No payments or token payments

After paying your outgoings and making arrangements to pay your priority debts, there may be nothing left to pay other creditors. If you have nothing left, say so. Show your creditors by sending them your budget sheet and a letter to back this up. Ask your creditors to stop taking action until your circumstances improve. This is called asking for a 'moratorium'. Or offer a token payment of £I a month to each creditor instead. See our *sample letter* on page 50.

### **Bankruptcy**

If you owe a lot of money, you cannot see a way out of your debt, and you have no assets or are prepared to lose your assets and possibly your business, bankruptcy might be a good option for you.

You must owe £750 or more before a creditor can make you bankrupt (although two or more creditors can club together and apply to make you bankrupt). Creditors are unlikely to make you bankrupt because it costs them money in fees and costs. They will probably not recover the debt and the costs of making you bankrupt unless you have assets that can be sold to pay your debts.

Once you are declared bankrupt, your creditors can usually take no further action against you. Going bankrupt can have important effects, particularly if you own your home and it is worth more than the mortgage you have left to pay. In this case your home could be sold as an asset. Being made bankrupt could also affect you ability to carry on being self-employed or, if you are a paid employee, it could affect your employment position. Bankruptcy may also affect your employment position, if your contract of employment does not allow you to become bankrupt.

You can make yourself bankrupt but the fees are high. Going bankrupt can have important consequences, particularly if you own your home and it is worth more than your mortgage. Your home could be sold as an asset. Bankruptcy can be a solution if you owe a lot of money, have no assets, and can see no way of ever paying the debts off. Your bankruptcy will normally last for up to one year. Usually debts that have not been paid are then written off and you are 'discharged' from the bankruptcy. You may still have to make monthly payments for a total of three years under the terms of your bankruptcy order. If a creditor has threatened to make you bankrupt or you think it may be an option for you to consider, **contact us for advice**.

### Remember

Remember that bankruptcy can have serious effects. If a creditor has threatened to make you bankrupt, or you think it may be an option for you to consider, **contact us for advice**.

# For a fact sheet on **Bankruptcy**,

call Business Debtline on 0800 197 6026 or visit the website www.bdl.org.uk.



### Will my creditors write off my debts?

If you have no money for creditors and no assets, creditors may agree to write off your debts. Creditors only rarely agree to do this, but it may be an option if your circumstances are extremely difficult or distressing due to illness, age or a death in the family.



### Extra help

### Sample letter

Business Debtline has a sample letter you can use to ask your creditors to write off your debt. Call Business Debtline on **0800 197 6026** or visit the website www.bdl.org.uk.

### How to work out offers of payment



### Remember

### **Small offers**

Don't worry if you can only offer to pay a very small amount. Your creditors would rather you pay a small amount regularly than make promises you can't keep. You can offer as little as £I a month – this is known as a token offer.

After **step 8** on page 23 you should have a 'money for credit debts' amount to divide between your creditors.

The best way to divide it between your creditors is called a 'pro rata distribution'. This is how the court would do it and it means all your creditors get a fair share of the money you have available.

We show you how to work out a pro-rata distribution in the 'calculation box' opposite. Use a calculator to work out your payments. You should round up the final figure to the nearest £I. Check the 'example offers' calculation opposite to see how to work out a pro-rata distribution.

- If you have done a weekly business and household budget, multiply the amount you have available for secondary creditors by 52 then divide it by 12.
- Contact all your creditors to find out exactly how much you owe each one and list them under 'secondary creditors' and 'balance outstanding'.
- Add up all the individual debts to find out how much you owe in total.
- Use the formula in the calculation box to work out how much you can afford to offer to repay each creditor each month.
- If you need help working out your offers of payment contact us for advice.

### Calculation box

For each debt, work out:

money for credit debts x amount of the debt

- ÷ total amount owed (to all creditors)
- = offer to the creditor

### **Example offers to secondary creditors**

	£96	(money for credit debts)
х	£600	(Flexible Bank Card)
÷	£2400	(total amount owed)
=	£24	(offer to Flexible Bank Card)

### Our retailer owes:

Flexible Bank Card	£600
Wholesale company	£400
Easicheck Financial Services	£200
Finance company	£1200

Total £2400

The money our retailer has for credit debts is now £96 a month because they are paying £40 a month towards their business rent arrears and £40 a month towards their business rates arrears. The example shows what they can afford to pay off their credit debts each month.

### What if a creditor has already taken me to court?

You should include this debt with your credit debts and work out the offer of payment in the same way. See What if my creditors take court action? on page 41. If this is less than the amount the court has ordered you to pay, you may need to apply to the court to reduce the amount. This will mean you are treating all your creditors fairly and you are not paying one creditor more than you can afford.

### Check the name on the agreement

Only the person who signs an agreement is responsible for the debt. A husband and wife are not responsible for each other's debts unless they **both** sign the agreement.

If you take out an agreement jointly with another person, you are each responsible for the whole debt and not just part of it. Make sure the creditor knows that someone else is responsible.

Check your credit agreement carefully. If you don't understand the terms or want to check that the agreement is in the correct format and that you are legally responsible for the debt, go to your local trading standards department or **contact us for advice**.

### Remember

Remember, your list of debts may be longer and different. This is just an example to show you how to work out what you can offer your secondary creditors. Use a calculator.

### **Example of offers to secondary creditors**

### Stage 8 – secondary creditors Flexible Bank Card 600 24 Wholesale company 400 16 Easicheck Financial Services 200 8 Finance company 1200 48 Total secondary debts 2400 Total offers to secondary creditors 96 This is an accurate record of my financial position. Date: (dd/mm/yyyy)

Signature:

### **Business partnerships**

Business partners are each responsible and liable for all the business's debts. This is called 'joint and several liability' and is explained in more detail on page 7.

### **Limited companies**

If you are a director of a limited company, you will not be personally responsible for the company's debts, unless you have signed a personal guarantee in an agreement.

### Under 16 years old

Anyone dealing with children under 16 can only recover their money if the transaction was of a kind usually entered into by people under 16 and the transaction was reasonable.

### 16- to 18-year-olds

A transaction with someone between 16 and 18 can be set aside by the court at any time before the person turns 21. The transaction would have to be 'imprudent' (that is, no reasonable adult would enter into it) and cause 'substantial prejudice' for it to be set aside. Someone who does not tell the truth about their age will not be entitled to this protection.

### **Guarantors**

Creditors may ask for a guarantor before agreeing to lend money. This means that if the person who has borrowed the

money does not pay it back, the guarantor will be asked to pay.

If the guarantor does not make payments, this could mean county court action will be started. This could lead to further enforcement such as bailiffs or even bankruptcy.

If you have a guarantor for one of your credit debts, or are a guarantor for someone else, **contact us for advice**.

### Interest

Debts have two parts – the money borrowed and the interest. Interest is usually the charge for lending you the money. Debts can have interest added in different ways.

- Fixed term loans. Interest is worked out at the beginning of your loan and included in your monthly payments. Sometimes extra interest called 'default interest' is charged if you miss a payment. Ask the creditor to freeze any default interest they are adding.
- Revolving credit agreements. These cover credit cards, bank overdrafts and some loan agreements. In some cases, interest is worked out on a daily basis, and in others on the amount you still owe each month, and charged regularly to your account. This means your debt grows every month, unless the payments you make are higher than the interest being added. Also the company may change the interest rates and add extra charges. Ask the creditor to freeze all the interest and charges.
- Late payment interest. In the case of business-to-business transactions (that is, those involving sole traders, limited companies or partnerships), the creditor can claim late payment interest under the Late Payment of Commercial (Interest) Act 1998.
   Contact us for more information on this.

To find out if interest is still being added to any of your debts, check your agreement for details.

# Important Still paying i

### Still paying interest?

Your debt will continue to grow if your new monthly offer of payment to the creditor is less than the interest being added. Ask the creditor to stop charging you any more interest. The creditor may agree to this for a limited period then start charging interest again. Ask for regular statements and check them. When a creditor accepts your offer, if they do not say they have frozen the interest, you should check this with them again. The creditor may also try to add administration and late-payment charges. Ask them not to charge these ('waive' them).

### What if a creditor refuses to freeze the interest?

Write to them again. If any of your other creditors have agreed to freeze the interest, point this out.

We can advise you on how to approach your creditors. See What if a creditor refuses my offer? on page 44 or contact us for advice.

For a fact sheet on

What if a creditor refuses

my offer of payment? including
sample letters you may find useful,
call Business Debtline on 0800 197 6026
or visit the website www.bdl.org.uk.



# Copies of credit agreements and account statements

If your credit agreement is regulated by the **Consumer Credit Act 1974** you have the right to ask for a copy of your credit agreement. You may have lost your original agreement and need to check the terms such as the interest rate. Write to the creditor and ask for a copy of the agreement under the **Consumer Credit Act 1974, section 77-78**. The fee for getting this information is £I for the agreement and £I for the account statement. However, if you ask for both at the same time, you only pay £I. If your creditor does not send you a copy of your agreement within 12 working days, they are not allowed to take further action against you **until** they send you the agreement. If the creditor takes you to court, you can point out they have failed to give you a copy of the agreement.

Also, you have the right to ask for a statement of your account, either at the same time as you apply for a copy of your agreement or separately.

In some circumstances, for example if you have taken out a credit agreement over the internet or if the credit was for your business, these rules may not apply to you. **Contact us for advice.** 



### Extra help

### Getting a copy of your credit agreement

For an information sheet and sample letter call Business Debtline on 0800 197 6026, or visit the website www.bdl.org.uk.



### **Warning**

### Claims management companies

There are lots of companies out there who say they can get your debts written off for you, or get compensation for you by claiming that your credit agreements cannot be enforced. Be very careful! Most of these firms charge you large upfront fees for each agreement they agree to check, but with no guarantee that they will be successful in challenging your agreements. In most cases you will not get your money back. Before signing up with a claims management company, **contact us for advice**.

### **Data protection**

You can also write to your lender and ask that they send you all the information they hold on computer to do with your account. Make this request under the **Data Protection Acts 1984 and 1998** and refer to the 'right of subject access' under the acts. List all your addresses for the past six years. Your lender has 40 days to do this.

Your lender can charge you a fee of up to £10 for supplying the information.

If your lender does not keep to this request, you should complain to the Information Commissioner. This is listed in *Useful contacts* on page 59.

# Debts with your bank - overdrafts, loans and credit cards

Many people use their current account with a bank or building society to have their wages or drawings paid into and to pay household bills. This can cause problems if you have a number of debts, and your current account becomes overdrawn.

With an overdraft you pay interest and charges on the full amount you owe. If you have a loan with the bank or building society, the full monthly instalment will usually be taken from your current account too. This may mean that you do not then have enough money to pay priority debts such as your mortgage, rent, Council Tax, gas or electricity.

You should deal with the overdraft and bank loans like other credit debts, and make an offer of payment you can afford. This means you keep the current account running but reduce the overdraft over time. Contact the bank or building society and explain your situation to them.

However, you need to be very careful in dealing with this. Remember, some banks or building societies will react by taking all the money in your account to clear the overdraft or loan. You should consider opening an account elsewhere to have your wages paid into before negotiating with the bank just in case. Do this immediately if the bank or building society do not agree to your offer. See *Opening a bank account* on page 49. However, if you need to maintain a good relationship with your existing bank because you have your business banking in the same group, it may be better not to do this. **Call us for advice.** 

# Warning Do you n

### Do you need a new bank account?

We recommend that you open an account with a new bank or building society if you have any debts — including loans or credit cards — with your current bank or any organisations in the same banking group, because there is a possibility that the bank might take the money from your account to clear the credit debts. If you have a business account with the same bank you may also need a new business account for the same reasons. **Contact us for advice.** 

### Interest and charges

If you are trying to make an arrangement to repay an overdraft, you should ask the bank or building society to stop the charges and interest, so that the amount you pay reduces the debt. If the staff at your local branch are not able to agree to this, contact the regional office or head office of the bank or building society and ask them to agree to do so. Point out that the Lending Code says banks 'should be sympathetic and positive when considering a customer's financial difficulties.'

### The Lending Code

The Lending Code sets out how banks, building societies and credit card providers should treat you (and your business) when you have financial problems. Under the code, your lender should:

- look at options with you;
- look at your income and outgoings and other debts;
- try to agree a debt repayment plan with you;
- make sure you have enough money to cover your day-today expenses and pay your priority debts.

For more information, contact us for advice.

### **Complaints**

Banks should have a complaints procedure under the Lending Code which they should make public. If you have a complaint, you should follow the complaints procedure outlined by your bank or building society. If you do not feel they have dealt with your complaint satisfactorily, you may be able to complain further to the Financial Ombudsman Service. They can only deal with certain types of complaints. For information, contact The Financial Ombudsman Service direct. The address is listed in *Useful contacts* on page 59.

### Charge cards

You may have a debt on a charge card such as American Express, where you have to pay the full balance off each month rather than in instalments as with a credit card. It can be more difficult to negotiate reduced offers of payment on charge cards as they are not ordinary credit agreements. If you are having problems with a charge card and the company is threatening to take further action, **contact us for advice**.

### Non-priority business debts

If you do not need to continue to trade with a particular supplier or service provider you could treat these as non-priority debts. However, you may need to take care as some business suppliers are more likely to take court action or, if you owe them £750 or more, make you bankrupt.

### Personal debts to friends and family

You may owe money to friends and family. You should usually treat these debts the same as ordinary credit debts and make offers of payment in the same way. See *Credit debts* on page 38. You may be able to agree to make no payments until your circumstances improve so you can pay off your other creditors faster. Sometimes you may want to make higher payments on a personal debt because lending you the money has caused hardship to someone you know or your relationship may suffer if you don't. This can be difficult, as your other creditors may be unhappy if you are paying more on a personal debt than is strictly 'fair'. You need to explain the reasons to your other creditors and point out, for example, that if you pay off the personal debt quickly, you will be able to pay more to everyone else.

### Catalogue debts

You may have a debt with a catalogue company. You should treat this as a credit debt in the same way as your other credit debts. Goods ordered from a catalogue belong to you and cannot be taken back if you do not pay. If you have a dispute with the company or an agent about how much you owe, **contact us for advice**.

## Warning

### Did you sign a credit agreement?

Although catalogue companies should give you a credit agreement (under the terms of the **Consumer Credit Act 1974**), this does not always happen. In this case, the creditor may not be able to enforce the agreement through the county court if you started using the catalogue before 6 April 2007. After this date, you can still ask the court to decide if the agreement can be enforced or not. If you can't remember signing an agreement when you received the catalogue, this may apply to you. **Contact us for advice.** 



### **Information**

### What is enforcement?

Enforcement is the word used to describe the way debt is legally recovered. See *Understanding enforcement* on page 46, for more information about the main types of enforcement.

### Making payments - ways to pay

When you have made arrangements with your creditors, you will need a convenient way to pay. There are several things you could do.

- Open a basic bank account, which offers free standing orders.
- Ask your creditors for a paying-in book. Make sure there are no fees to pay at the post office or bank.

- Some creditors accept payments through their website.
   Check with your lender.
- Check whether you have a PayPoint or Payzone outlet at a local shop and if your creditors have such a scheme.
   For details of your nearest PayPoint, check the website at www.paypoint.co.uk. For Payzone try www.payzone.co.uk.
- If collectors call weekly at your home and you are offering a small amount, ask them to call every month instead, but make sure you budget in order to make the payments.
- You may be able to pay at a creditor's local office or retail outlet such as a shop. If you have to do this, remind them about the costs of travel.
- If you send cheques or postal orders make sure you send your reference number, and a covering note.
- Keep a record of all the payments you make in case you need to dispute the amount the creditor says you owe.



### Remember

### Debt management plans (DMP)

Do not forget that there may be other options besides negotiating with the creditors yourself. For example, a DMP might be the best payment option for you. Or, you could look at an Individual Voluntary Arrangement (IVA), bankruptcy or maybe other alternatives. See the relevant sections in this booklet or call us with your budget sheet to discuss the available options.

### Reviewing your offers of payment

Your creditors will often write to you after you've made an agreement, perhaps every three or six months, to see if you can now afford to pay more. Don't give up if you still cannot pay the normal instalment. If you can't increase your payments, write and tell them, enclosing a copy of your budget sheet.

### What if a creditor refuses my offer?

Sometimes one or more of your creditors will refuse to accept the offer of payment you have made on your budget sheet. They may demand more than you can afford. Sometimes they refuse to freeze the interest. If a creditor accepts your offer, double-check that they have frozen the interest if they do not state this in their letter. **Don't give up.** You can usually persuade creditors to accept your offer of payment by using the following steps.

- Start paying the amount you have offered anyway as a gesture of goodwill.
- Write to the creditor again and ask them to reconsider.
   Tell them your offer is reasonable and all you can afford.
- If some of your creditors have accepted your offer of payment, and frozen the interest, write to the creditors who have refused and tell them this.

- We can advise you on how to approach your creditors if they refuse your offer or refuse to freeze the interest. See *Interest* on page 42.
- If a collector calls for your payment, you should not let them persuade you to pay more than the amount you have offered. You should ask them to respect your wishes to deal with the matter in writing (under the Lending Code, your creditors should agree to this). Otherwise, you will not be able to make the payments you have agreed with your other creditors, particularly your priority debts.
- Most creditors are members of a trade association and have agreed to a code of practice. The code usually says creditors should be sympathetic in cases of genuine difficulty.
- Creditors may ask you to fill in their own budgeting form instead. Ask them to accept your own budget sheet as this has all the information they need. They may also ask for extra information or 'proof' such as wage slips, bank statements or letters from other creditors. You may want to help with reasonable requests but if the creditor wants proof of all your bills, point out this would not be asked for by the court. Contact us for advice.

**Contact us** if you feel a creditor is acting unreasonably and we may be able to put you in touch with their trade association.

For a fact sheet on

What if a creditor refuses

my offer of payment? including
sample letters you may find useful,
call Business Debtline on 0800 197 6026
or visit the website www.bdl.org.uk.





### Remember

### Don't pay more than you can afford

The offers of payment in your budget are fair to all your creditors and the most you can afford. If you allow one creditor to persuade you to pay more than is shown, you will not have enough for your outgoings and other creditors.

### What can I do if creditors harass me?

If you do not pay, your creditors are allowed to keep reminding you from time to time but they must not act illegally. If they threaten or harass you to try and make you pay, they may be committing a criminal offence under the new **Consumer Protection from Unfair Trading Regulations 2008**.

The Office of Fair Trading (OFT) has issued Debt-Collection Guidance. It sets out the kind of behaviour which the OFT will treat as 'unfair business practices'. If an organisation breaks these conditions, it may call into question their fitness to hold a consumer credit licence.

If you think you are being treated unfairly, **contact us for advice** about making a complaint to the Office of Fair Trading.

It will be useful if you have any evidence of the creditor's behaviour. Do not be pushed into making payments you obviously cannot afford. Also, creditors should not threaten to tell your business contacts, employees or neighbours. If you have any questions about whether a creditor is acting legally, you can contact Consumer Direct. Their details are listed in the Useful contacts section. They will give you advice over the phone or by email. They can put you in touch with your local council's trading standards department if you need more help.



### **Advice**

### Loan sharks

If you are worried about an illegal money lender, you can contact the Stop Loan Sharks helpline. This is listed in the Useful contacts section.

For a fact sheet on **Harassment**,

call Business Debtline on 0800 197 6026 or visit the website www.bdl.org.uk.



### **Collection agencies**

The creditor may pass your debt on to a collection agency. **Don't worry.** A collection agency has no greater powers than the creditor. They are not bailiffs and have no rights to come into your home. If you feel a collection agency is behaving unfairly, see *What can I do if creditors harass me?* on page 45. You should negotiate payments with the collection agency in the same way as your other creditors. Some collection agencies may try to charge you extra fees for collecting the debt from you. You may be able to complain about this. **Contact us for advice.** 

# What if I have a complaint about my credit agreement?

There are new rights to complain to the Financial Ombudsman Service about how your lender or debt-collection agency has dealt with your account. You will have to follow your lender's complaints procedure first. You can only complain about events that happen from April 2007 onwards. The address for the Financial Ombudsman Service is listed in *Useful contacts* on page 59.

For a fact sheet on

Can I complain about my lender?
call Business Debtline on 0800 197 6026
or visit the website www.bdl.org.uk.



### What if my creditors take court action?

Many people are frightened of courts especially when they feel guilty because they owe money. A county court is not there to judge anyone as guilty or innocent, but to settle disputes about money owed, and how to repay it. The court is not there to serve the interests of creditors alone. Under the new court rules on 'pre-action conduct', the court is keen to see you come to an arrangement with your creditors without court action. If court action is taken, you will not usually have to go to a court hearing. Most of the procedure is done through the post.

- From April 2009, your creditor should send you a letter before they start court action telling you how to pay and how to contact them to discuss what repayment options you might have. They should also send you a list of free, independent advice agencies you can contact.
- The rules allow you to ask your creditor for time to get debt advice if you need to before they take court action.
- If the creditor goes on to take court action, you will receive a 'claim form' from the court. The claim form will include details of the debt, known as the 'particulars of claim'.
- If you don't agree with the amount of the debt the creditor says you owe, fill in the 'defence form'. In this case, send the form back to the court.

Warning Defences

Putting in a defence or counterclaim is complicated. There are rules that you have to follow. **Contact us for advice.** 

Information

If you are a **sole trader**, you can use the following information as a general guide if you agree that the business owes the debt.

If you are in a **partnership**, the creditor should serve a copy of the claim form on each of the partners. You should discuss the case with your partners and agree between you what to do. A majority of partners need to agree to offer payment or defend the claim for example if it is believed the business does not owe the money. If you can't reach agreement, you need to get legal advice from a solicitor. If the partnership has been dissolved (formally ended), creditors can sue each partner individually. If the partnership has been dissolved, you can use the following information as a general guide if you agree that the business owes the debt.

If you are a **director of a limited company**, court action should not be taken against you as an individual unless you signed a personal guarantee or have been made personally responsible for the company's debts by the court following a formal liquidation of the company. If action is taken against the company, the directors need to agree how to respond. If the business is a limited company and you have been sued as an individual even though you have not signed a personal guarantee, you should get

advice from a solicitor immediately. If a creditor is taking action through the court against you as an individual and you agree that the business owes the debt, you can use the following as a guide.

### If you agree you owe the debt

There will be a reply form with the claim form for you to make your offer of repayment. This is called the 'admission form'. There are instructions included on how to fill in the form. It looks quite like a personal budget sheet and asks for similar information on income and essential outgoings.

Warning

Before making an offer of payment on the claim form, there is a section you need to complete that details payments you make to any priority debts. You also have space to include any other court judgments you have, and to list all your credit debts. It is important to make an offer of payment on the form in the 'offer box'. If you leave it blank, the court will decide you have not made an offer and tell you to pay the whole debt at once or order you to pay what the creditor asks for.

- Fill in the admission form and send it back to the creditor (called the 'claimant') not the court. The address will be in the 'address for service' box and may be the creditor's agent or solicitor.
- There is a time limit of 16 days from the date on the postmark to send back the form. If you don't send it back, the court can order you to pay the whole debt in one lump sum.
- If the creditor accepts your offer, you will receive an order from the court to pay your offer in monthly instalments.
   You should send your payments to the creditor, not the court. Keep a record of what you have paid and when.
- If the creditor does not accept your offer, the court will decide (or 'determine') what you should pay each month.
- If you owe under £50,000, the court staff will decide without any hearing. If you owe over £50,000, the district judge decides either by looking at the papers or at a hearing in your local county court.
- If you cannot afford what the court has decided you should pay, you can ask the court to look at your offer again. This is called a 're-determination'. There is no fee for doing this. You must do this within 14 days of getting the order. The case should be transferred to your local county court for a hearing.
- The re-determination will be done by the district judge. If the order was made by the court staff, the district judge can decide to have a hearing or make a decision by looking at the papers. You can ask for a hearing when you write to the court to ask them to look at your case again.

- If the district judge made the first order without a hearing, the re-determination of your offer must be at a hearing.
- If there is a hearing, the case will be automatically transferred to your local county court so you can go along.
   The court will give you a hearing date. You must go to the hearing, which should be in the district judge's rooms (in private). Take a copy of your personal budget with you.

Warning

If you apply to get your payments reduced and a district judge made the first order on how much you should pay at a hearing, you cannot apply for a redetermination; you must apply for the monthly payment to be reduced or 'varied'. See *Reducing payments on court orders* on page 47.

For a fact sheet on Replying to a county-court claim, call Business Debtline on 0800 197 6026 or visit the website www.bdl.org.uk.



### If I am taken to court, what are the advantages?

• The court will stop interest being charged on most ordinary credit agreements. This means that the amount you owe cannot increase. If you owe over £5,000 on a personal debt or for supplies for your business, your creditor may still be able to charge interest. **Contact us for advice.** Some creditors may well tell you they can charge interest on a debt before and after judgment. There are new rules about when interest can be charged and what notices your creditor must provide. If this happens to you, **contact us for advice**.

For a fact sheet on Interest charges after judgment, call Business Debtline on 0800 197 6026 or visit the website www.bdl.org.uk.



- In most cases the court is likely to let you pay a monthly amount which you can afford. It can only do this if you explain your income, outgoings and other debts on the reply form to the county court claim.
- Usually you won't have to go to the court for a hearing.
   Most of the procedure is done through the post.

### What are the disadvantages?

 Court costs are added on to your debt, although creditors cannot add on what they want. Court costs will be added on a sliding scale depending on the amount of money you owe.

- Details of judgments are recorded on the Register
  of Judgments, Orders and Fines and passed to credit
  reference agencies. This may make it difficult for you to get
  credit in the future see Can I get credit again? on page 48.
- If you pay off your county-court judgment within one month, you can ask to have the entry removed from the register.
- If you do not pay the monthly amount which the court orders, the creditor may take further action against you. So make sure you pay your monthly payments regularly or apply for them to be reduced if you cannot afford the first amount which the court fixed. See Reducing payments on court orders below.

### How to get help with court fees

If you need to apply to the court, there will usually be a fee to pay. You may not have to pay the fee, depending on your circumstances. The form you will need to fill in is called an EX160 'Application for a fee remission'. This form needs to go to the court with your main application. If you are on Income Support, income-based Jobseeker's Allowance or income-related Employment and Support Allowance, or if you receive the guarantee part of Pension Credit or Working Tax Credit without Child Tax Credit, you will need to ask the court for exemption from the fee. You will also need to give the court proof that you are getting the benefit or tax credit. This must be a letter or notice that is less than one month old. You will also not have to pay the fee if your income is below a set amount. You may only have to pay part of the fee if the court decides your disposable income is below a set amount. The calculation is complicated and you will need to give the court proof of your income and bills. Ask the court for help or contact us for advice.

### Reducing payments on court orders

Monthly payments you have been ordered to make can be reduced if your circumstances change or if you can't afford them. You can apply for a reduction using form N245, which you can get from the local county court office. There will usually be a fee to pay with your application. If creditors have already taken you to court, you can apply to the court for a reduced payment based on your pro-rata offers, using form N245. See *How to work out offers of payment* on page 40.

For a fact sheet on

Reducing payments or
suspending a bailiff's warrant,
call Business Debtline on 0800 197 6026
or visit the website www.bdl.org.uk.



### Further action the creditor can take

If you do not pay the monthly amount the court orders, the creditor can ask the court to take further action. The following methods are most commonly used.

### **Bailiff's warrant**

The creditor can ask the court to send a notice from the county court bailiffs called a 'warrant of execution'. You do not have to let the bailiffs in. The bailiffs cannot force their way into your home unless you have let them in before. They could take your car if it is parked nearby. You can ask the court to suspend a warrant by filling in a county court form N245 and making an offer of payment you can afford. You will need to pay a fee to do this. See *How to get help with court fees* on page 47.



### Remember

### Keeping your belongings

- As long as you act quickly, it is rare for county court bailiffs to actually take people's belongings away.
- Basic household goods cannot be taken.
- County court bailiffs have no right to break in, unless you have let them in at before.
- Use an N245, to suspend the warrant immediately.

For a fact sheet on **Suspending a bailiff's warrant,** call Business Debtline on 0800 197 6026 or visit the website www.bdl.org.uk.



### Attachment of earnings

The court can order your employer to make deductions from your wages to clear your debt. The court works out the rate by using a set formula. This order can be suspended if it might affect your employment and you can make the payments yourself. If a creditor is threatening to make an attachment of earnings against you, **contact us for advice**.

For a fact sheet on

Attachment of earnings
in the county court,
call Business Debtline on 0800 197 6026
or visit the website www.bdl.org.uk.



### **Charging orders**

If the court orders you to pay your judgment in one lump sum (or 'forthwith') or if you fall behind on the monthly amount ordered by the court, the creditor can ask for a legal charge on your home. This is called a 'charging order'. This means the debt is secured on your home like a mortgage and may put your house at risk. There must be a hearing in the court before a charging order is made final. It is up to the court to decide

and there are several arguments you can use against a charging order being made.



### Warning

### Charging orders

It is becoming increasingly common for creditors to apply for a charging order. If a creditor applies for a charging order, **contact us for advice** immediately.

For a fact sheet on Charging orders, call Business Debtline on 0800 197 6026 or visit the website www.bdl.org.uk.





### Remember

### Your rights

- If you do have to go to a court hearing, your name will not appear in the local paper, so don't worry about publicity.
- The county court is not a criminal court and is not there to punish anyone.
- The court staff and the district judge who decide the cases are used to dealing with people who do not have a solicitor.
- If you receive a letter or form from the court you do not understand, take it to them and ask for an explanation, or contact us for advice.

Do remember that you have rights in the same way as your creditors do.

### Can I get credit again?

There is no such thing as a 'credit blacklist' but if you do not pay your debts, you may find it difficult to get credit in the future. When you apply for credit, most companies will consult a credit reference agency. They keep records of all county court and High Court judgments, bankruptcy orders, IVAs and details about credit accounts. This information is kept on file for six years. It will show if you are behind with your payments. If you are in arrears or have a county court judgment, you may well be refused credit.

If you are refused credit, you have a right to ask if the finance company has used a credit reference agency. They must give you the agency's name and address. The company should give you good reasons why they turned you down for credit. This includes telling you if they have used a credit scoring system. To find out what information an agency holds about you, write to them and enclose a cheque or postal order for £2.

The Information Commissioner publishes a useful guide dealing with credit reference agencies, called **Credit Explained**. The address is listed in *Useful contacts* on page 59.

For a fact sheet on Credit reference agencies, call Business Debtline on 0800 197 6026 or visit the website www.bdl.org.uk.



### **Credit-repair companies**

You may have heard of companies that offer to clear your credit record if you pay a fee. **Be very careful.** Many credit-repair companies promise to remove judgments when they cannot legally be removed. Credit-repair companies must now have a consumer credit licence from the Office of Fair Trading. Check if the company has a licence before using their services. If you have a complaint about something a credit-repair company has done, you can ask the Financial Ombudsman Service for help. Look at this website www.ukcreditrepair.co.uk which gives more information on credit repair, or **contact us for advice**.

### Opening a bank account

You may have difficulty opening a bank account if you have credit debts showing up on your credit file. Most banks and building societies have basic bank accounts, which allow you to have wages, drawings, or benefits paid in and take cash out. Some accounts let you have direct debits and standing orders.

You are not usually allowed cheque books, cheque guarantee cards or an overdraft. If you want this type of account, you should shop around the high-street banks and building societies or **contact us for advice**.

The Post Office now offers basic bank account customers the facility for paying in and withdrawing cash at a post office counter. If you don't want a basic bank account, you can opt for a post office 'card account'. Benefits can be paid into this account and you can make withdrawals at a post office counter.

If you want to open a new business bank account, some banks will offer an account without a credit facility. **Contact us for advice.** 

### Extra advice

You should not continue to use your existing personal bank account if you owe money to the bank, or to organisations within its banking group. This is because they could take all the money that is in your account to cover the amount you owe. If you do not have a different account you could use, we recommend you open a new account with a different banking group.

However, if you need to keep your existing personal bank account to run your business, you should treat any debts with the bank, or other organisations within the same banking group, as a priority. For details, see the section on bank overdrafts and loans on page 36 (in the priority debts section).

# 1

### **Extra information**

### Basic bank accounts

Business Debtline can send you a list of basic bank accounts that may help you. You can also find this on the 'Moneymadeclear' website at www.moneymadeclear.org.uk. Call Business Debtline on 0800 197 6026.

### **Example letter for credit debts**

You can write out this example letter and send it to your creditors. We have used [square brackets] to suggest different points you may want to make. Choose the ones that fit your circumstances and make any other changes you need to explain your situation to your creditors.



Remember to keep a copy of your business and household budget and any letters you send or receive. Make a note of any conversations you have by phone, including the name of the person you speak to in case you need it in the future. You can also fill in this letter online at www.bdl.org.uk.

Your address:	Date:
	2 446.
Account number:	
Dear Sir or Madam	
business may be able to co	trading difficulties. I feel that with my creditors' co-operation the ntinue trading. I enclose details of the total debts outstanding. I have and household budget sheet, which shows all the household income itgoings.
As you can see, I have [on debts.	y £a month] [only £ a week] [no money] left to pay outstanding
	ers made to creditors on a pro-rata basis and] I have written to all accept reduced payments] [accept token payments] [agree that I can nonths].
	ancial circumstances, please accept $\pounds$ a month $[\pounds$ a week]. I would confirm you will not continue charging interest so that my payments .]
I would be grateful if you o easier to pay.	ould send me a [paying-in book] [standing-order form] to make it
Or [Because of my current cir payments for six months s	cumstances, I would appreciate it if you would agree to suspend my o I can find work.]
I am doing everything I car circumstances improve.	to increase my income and will let you know as soon as my financia
Please consider this propo	sal. I look forward to hearing from you.
Yours faithfully	

# **Insolvency**

This section explains how to recognise when your business is insolvent. It also explains what you should do if you need to stop trading.

### Is my business insolvent?

An insolvent business is one that cannot pay its debts as they become due or does not have enough assets to cover the debt it owes. A business can also be considered as insolvent if it has a statutory demand that has run out. A statutory demand is a formal demand from a creditor for payment of a debt of £750 or more. You have 21 days to reply to the statutory demand. Ask your accountant for help drawing up a balance sheet of your business's assets and liabilities. If you are not sure whether your business is insolvent, **contact us for advice**.

For a fact sheet on

Dealing with a statutory demand,
call Business Debtline on 0800 197 6026
or visit the website www.bdl.org.uk.



### Should I continue to trade?

Your business and household budget sheet may show that you are trading at a loss. This may be a short-term problem due to cash-flow problems, or could be long term and could mean you need to close your business.

### Remember

If you wait too long before stopping trading and your business is making a loss, you could increase the amount you owe.

If you feel that your business is insolvent, you may need to consider stopping trading. If you do decide to stop trading, you will need to do the following.

 Tell HMRC (the tax office) that you have stopped trading for income tax purposes. You will need to fill in a final tax return (you cannot normally do this until the following 5 April). You should also review the 'payments on account' you are due to pay as you may need to ask for them to be amended now that you have stopped trading.

### Remember

If you have an arrangement in place to pay your income tax, tell HMRC that you have stopped trading as this may affect your ability to continue making the payments. You should renegotiate your payments based on your new financial situation. For more information on repaying tax debts, see our Dealing with tax debt fact sheet or **call us for advice**.

 Tell HMRC that you have stopped trading for VAT purposes. You will need to cancel your registration for VAT and fill in a final return. It is easier to negotiate an arrangement to repay VAT after you have stopped trading.



### **Information**

If you cannot afford to pay your accountant to complete your final accounts, **call us for advice**.

If you trade from business premises, give your landlord notice to end the lease. You will need to check your lease to see the circumstances under which you are able to do so. If you are tied into your lease, you may need to speak to your landlord about transferring it to someone else as your landlord may be able to ask you to pay for the remaining term of your lease if it is not transferred.

For a fact sheet on **Business leases**, call Business Debtline on 0800 197 6026 or visit the website www.bdl.org.uk.



- Tell the local authority that you have stopped trading for business rates purposes. If you are no longer the tenant or occupier of a property, you may not have to pay business rates. If the property is empty, you may receive a discount on the rates if you are still liable to pay. For more information please see our business rates fact sheet or call us for advice.
- Tell any suppliers that you have stopped trading. Get final meter readings for utilities (water, gas and electricity), and get final accounts for any other suppliers (for example, telephones, and equipment leases).

# **Insolvency**

 Tell any other creditors that you have stopped trading. Ask for final invoices and make arrangements to pay any money you owe.



# **Information Partnerships**

If you do stop trading, you may want to formally dissolve (end) your partnership. Any partner can dissolve a partnership by giving a notice of dissolution. For more information on dissolving a partnership, see our partnerships fact sheet or contact us for advice.

### **Limited companies**

If your company is insolvent, you will need to assess whether you can continue to trade through your financial difficulties and make offers to your creditors, or whether you need to stop trading. You will need to speak to your accountant about whether your company can continue to trade. Dealing with the debt of a limited company can be complicated. You may need to ask an insolvency practitioner for advice about whether your company needs to enter formal insolvency proceedings (for example, liquidation or administration).

If you think that your company is insolvent, **contact us for** advice.

For a fact sheet on

Dealing with the debts

of a limited company,

call Business Debtline on 0800 197 6026

or visit the website www.bdl.org.uk.



# Your business and household budget

At the centre of this pack is a pull-out draft business and household budget sheet. Use this as you work through the pack to help you work out how healthy your business's finances are. Use the budget sheet to work out which debts are most important and how much you can offer to pay your creditors.

Transfer the information from your draft budget sheet onto the budget sheet on pages 54 to 57. You can then photocopy this and send it to your creditors.

Keep the budget sheet on pages 54 to 57 in case you need to look at your finances again in the future. Remember, we can always send you more copies if you need them. Please phone us if you need advice.

You can also use the budget sheet to help support your applications for benefits, and you can send it to your creditors to support your offers of payment.

It is important that you fill in all the sections that apply to you so that you can see your whole financial situation.

If you are running a limited company, it is especially important to keep the business budget separate from your household budget as your business's finances are separate from your household's finances by law. You should still fill in the household budget as it may show you that you could take less money from the company to live on. This may help to keep the business going and help you pay your creditors. For a limited company budget please see our fact sheet 'Dealing with Debts of a Limited Company'. If you would like a copy, please phone us or visit our website. You may need to get your accountant to help you fill in your business budget sheet.

If you have problems working out your business and household budget, or you have any other questions, phone us for advice.

# Your business and household budget

Name: Number of people in my household:

### Address:

### This is your working copy

### Business budget each month - Your working copy

•	. ,
Step I – Income (turnover)	£
Income for the last three months	
Average income each month (figure A)	
Step 2 – Costs	
Stock you have bought	
Rent	
Business rates	
Loan repayments	
Bank interest	
Bank charges	
Wages, PAYE and National Insurance	
Water rates	
Gas	
Electricity	
Insurance	
Transport and vehicle costs	
Hire-purchase payments	
Stationery	
Postage	
Cleaning and repairs	
Telephone	
VAT	
Accountant and professional fees	
Other I	
2	
3	
Total costs (figure B)	
Step 3 – Drawings	
Income (figure A)	
less costs (figure B)	
Less:	
Estimated income tax	
National Insurance (class 4)	
National Insurance (class 2)	
Total available for drawings	

### Household budget each month - Your working copy

Step 4 – Household income	£
Drawings from the business	
Your partner's wages or salary	
Jobseeker's Allowance	
Income Support or Pension Credit	
Tax credits	
Pension	
Child Benefit	
Incapacity Benefit	
or Employment Support Allowance	
Maintenance	
Non-dependants' contributions	
Other	
Total income (figure C)	
Step 5 – Outgoings	£
Mortgage	
Mortgage endowment policy	
Second mortgage	
Rent	
Council Tax	
Water rates	
Ground rent and service charge	
Buildings and contents insurance	
Life insurance and pension	
Gas	
Electricity	
Other fuel	
Housekeeping	
TV licence and rental	
Magistrates' court fines	
Maintenance payments	
Hire-purchase vehicle costs	
Travelling expenses	
School meals and meals at work	
Clothing	
Laundry	
Phone and mobile phone	
Prescriptions and health costs	
Childminding	
Other	
Total outgoings (figure D)	
Step 6 – Money for creditors	£
Total income (figure C)	
Take away: total outgoings (figure D)	
Money for creditors (figure E)	

lame:	N	lumber of people in my househol
ddress:		
epayment schedule – Your working copy		
Step 7		
Priority debts	Amount you owe	How much you can offer to repay each month
Total priority debts	£	
Total priority debts repayment (figure F)	-	£
Step 8 Money for creditors (figure E) take away	£	
Total priority debts (figure F) repayment	£	
Money for credit debts (figure G)	£	
Step 9 Credit debts	Amount you owe	How much you can offe to repay each month
Total amount you owe (figure H)	£	
Total monthly repayment (figure G)		£
This is an accurate record of my financial position at (dd/mm/yy)		
Signed		
© Business Debtline 2011 (England and Wales)		

# Your business and household budget

### Name: Number of people in my household:

### Address:

### This is your final copy

### Business budget each month - Your final copy

•	. ,
Step I – Income (turnover)	£
Income for the last three months	
Average income each month (figure A)	
Step 2 – Costs	
Stock you have bought	
Rent	
Business rates	
Loan repayments	
Bank interest	
Bank charges	
Wages, PAYE and National Insurance	
Water rates	
Gas	
Electricity	
Insurance	
Transport and vehicle costs	
Hire-purchase payments	
Stationery	
Postage	
Cleaning and repairs	
Telephone	
VAT	
Accountant and professional fees	
Other I	
2	
3	
Total costs (figure B)	
Step 3 – Drawings	
Income (figure A)	
less costs (figure B)	
_	
Less:	
Estimated income tax	
National Insurance (class 4)	
National Insurance (class 2)	
Total available for drawings	

### Household budget each month - Your final copy

Step 4 – Household income	£
Drawings from the business	
Your partner's wages or salary	
Jobseeker's Allowance	
Income Support or Pension Credit	
Tax credits	
Pension	
Child Benefit	
Incapacity Benefit	
or Employment Support Allowance	
Maintenance	
Non-dependants' contributions	
Other	
Total income (figure C)	
Total mediae (iigare c)	
Step 5 – Outgoings	£
Mortgage	
Mortgage endowment policy	
Second mortgage	
Rent	
Council Tax	
Water rates	
Ground rent and service charge	
Buildings and contents insurance	
Life insurance and pension	
Gas	
Electricity	
Other fuel	
Housekeeping	
TV licence and rental	
Magistrates' court fines	
Maintenance payments	
Hire-purchase vehicle costs	
Travelling expenses	
School meals and meals at work	
Clothing	
Laundry	
Phone and mobile phone	
Prescriptions and health costs	
Childminding	
Other	
Total outgoings (figure D)	
Total outgoings (light e D)	
Step 6 - Money for creditors	£
Total income (figure C)	
Take away: total outgoings (figure D)	
Money for creditors (figure E)	

ame: Number of people in my household:		
ddress:		
epayment schedule – Your final copy		
Step 7		
Priority debts	Amount you owe	How much you can offer to repay each month
Fotal priority debts	£	
Fotal priority debts repayment (figure F)		£
Step 8		
Money for creditors (figure E) take away	£	
Total priority debts (figure F) repayment	£	
Money for credit debts (figure G)	£	
Step 9 Credit debts	Amount you owe	How much you can offer to repay each month
Total amount you owe (figure H)	£	
Total monthly repayment (figure G)		£
This is an accurate record of my financial position at (dd/mm/yy)		
Signed		
© Business Debtline 2011 (England and Wales)		

# Fact sheets and useful contacts

On the following pages is a list of fact sheets produced by Business Debtline, plus useful organisations and contact numbers. Visit the Business Debtline website for useful links including trade associations and credit reference agencies.

### **Fact sheets**

Business Debtline produces a series of fact sheets listed below. These cover specific subjects in depth that are not included in this pack. We refer to the fact sheets throughout the pack.

Our fact sheets are free to individuals. There is a charge to agencies and professionals.

- Administration Orders
- Attachment of earnings in the county court
- Bailiffs and council tax
- Bankruptcy
- Business property leases
- Business rates
- Can I complain about my lender?
- Catalogue debts
- Charging Orders
- Changing your Debt Management Plan provider
- Claims in the county court
- County Court bailiffs
- Credit control
- Credit reference agencies
- Dealing with Tax Debt
- Dealing with a Statutory Demand
- Debt-Management Plan (DMP)
- Debt Relief Orders
- Domestic mortgage arrears
- Domestic rent arrears
- Full and final settlement offers
- Getting a copy of your credit agreement
- Harassment
- Help with your mortgage
- Homeless what should I do?
- How can my landlord end my assured tenancy?
- How to avoid debt at Christmas

- How to deal with hire purchase debts
- How to make full and final settlement
- How to set aside a judgement in the county court
- Individual Voluntary Arrangements
- Liability for debts and the Limitation Act
- Limited companies
- Magistrate Court fines
- Mortgage shortfalls
- Negative equity.
- Parking penalties
- Partnerships
- Reducing payments or suspending a bailiff's warrant on a county court judgment
- Replying to a county court claim form
- Sole traderships
- Student Debt
- Time orders
- Time to pay directions and orders
- Water rates: new rules and trust funds
- What if a creditor refuses my offer of payment?
- What to do about debts when someone dies

### To ask for a fact sheet, phone 0800 197 6026.

Or, write to:

Business Debtline Tricorn House 51-51 Hagley Road Edgbaston Birmingham B16 8TP.

You can print the fact sheets off from the Business Debtline website www.bdl.org.uk

### **Useful contacts**

Many of these are head offices which should be able to give you the address of a local office. You can also usually check their website for details.

### **AdviceUK**

(To find a local money-advice centre)

Phone: 020 7469 5700

Website: www.adviceuk.org.uk

### Age UK

(Advice about money, benefits and other issues) **Phone: 0800 00 99 66** (for a range of fact sheets)

Website: www.ageuk.org.uk

### **Business Link**

(Local advice centres for small business)

Phone: 0845 600 9006

Website: www.businesslink.gov.uk

### **Carers Direct**

(Information, advice and support for carers)

Phone: 0808 802 0202

Website: www.nhs.uk/carersdirect

### **Companies House**

(For information on Limited Companies)

Phone: 0303 1234 500

Website: www.companieshouse.gov.uk

### **Consumer Direct**

(Helpline for consumer and fuel problems)

Phone: 0845 404 0506

Website: www.consumerdirect.gov.uk

### **Council of Mortgage Lenders**

(Trade organisation for mortgage lenders)

Phone: 0845 373 6771 Website: www.cml.org.uk

### Cruse

(Advice and support for people dealing with death)

Phone: 0844 477 9400

Website: www.crusebereavementcare.org.uk

### **DIAL UK**

(Advice for people with disabilities)

Phone: 01302 310 123 Website: www.dialuk.info

### **Drinkline**

(Provides help if you are worried about your drinking habits)

Phone: 0800 917 8282

### **Energy Ombudsman**

(If you have a dispute with a fuel supplier)

Phone: 0845 055 0760 or 0330 440 1624

or 01925 530 263

Website: www.energy-ombudsman.org.uk

### **Federation of Small Businesses**

(Promoting and protecting the interests of the self-employed and owners of small firms)

Phone: 01253 336000 Website: www.fsb.org.uk

### **Financial Ombudsman Service**

(For complaints about banks, building societies, loans and credit, hire-purchase, mortgages, insurance, investments, endowment policies and pensions)

Phone: 0845 080 1800

Website: www.financial-ombudsman.org.uk

### Financial Services Authority (FSA)

(Information on endowment policies, pensions and so on) Moneymadeclear helpline

Phone: 0300 500 5000 Website: www.fsa.gov.uk

### **Financial Services Compensation Scheme**

(An independent organisation which pays compensation if you have a claim against firms authorised by the FSA)

Phone: 020 7892 7300 or 0800 678 1100

Website: www.fscs.org.uk

### **Gamblers Anonymous**

(Provides advice on how to deal with gambling problems)

Phone: 020 7384 3040

Website: www.gamblersanonymous.org.uk

### **GamCare**

(For advice on gambling issues for gamblers and their families)

Phone: 0845 600 0133

Website: www.gamcare.org.uk

### **IFA Promotions Office**

(For a list of independent financial advisers)

Website: www.unbiased.co.uk

### Information Commissioner

(For advice about data protection and freedom of information)

Phone: 01625 54 57 45 or 08456 30 60 60

Website: www.ico.gov.uk

### **Law Centres Federation**

(They do not give advice but you can check on their website to see if there is a law centre near you)

Website: www.lawcentres.org.uk

# Fact sheets and useful contacts

### **Law Society**

(You can search for a solicitor on their website) Website: www.lawsociety.org.uk/choosingandusing/findasolicitor.law

### The Law Society Consumer Complaints Service

(An independent organisation for complaints about solicitors)

Phone: 0845 608 6565

Website: www.legalcomplaints.org.uk

### Law Works

(Free legal help from solicitors) **Phone: 0207 929 5601** 

Website: www.lawworks.org.uk

### **Lawyers for Your Business**

(Legal advice for businesses) **Phone: 0207 405 9075** 

Website: www.lawsociety.org.uk

### **Local Government Ombudsman**

(Investigates complaints about councils)

Advice line: 0300 061 0614
Website: www.lgo.org.uk

### Mind

(A charity and helpline which helps with mental-health problems)

Phone: 0845 7660 163

Website: www.mind.org.uk

### **National Domestic Violence Helpline**

(Support and information for people experiencing domestic violence)

Phone: 0808 200 0247

Website: www.refuge.org.uk

### **National Drugs Helpline**

(Information and advice about drugs)

Phone: 0800 77 66 00

Website: www.talktofrank.com

### Office of Fair Trading (OFT)

(An independent organisation which protects your rights as a consumer)

Phone: 0845 722 4499 Website: www.oft.gov.uk

### Office of Communications (Ofcom)

(An independent organisation which regulates phone, television and radio companies)

Phone: 0300 123 3333 or 020 7981 3040

Website: www.ofcom.org.uk

# Office of Telecommunications Ombudsman Service (Otelo)

(For complaints about phone companies which are members of Otelo)

Phone: 0330 440 1614 or 01925 430 049

or **0845 050 1614** 

Website: www.otelo.org.uk

### Office of Water Services (Ofwat)

(An independent organisation which regulates water companies)

Phone: 0121 625 1300

Website: www.ofwat.gov.uk

(For your local Consumer Council for Water committee, check your Yellow Pages or visit their website, www.ccwater.org.uk)

### **One Parent Families (Gingerbread)**

(Helpline, advice and information for one-parent families)

Phone: 0800 018 5026

Website: www.oneparentfamilies.org.uk

### The Parliamentary and Health Service Ombudsman

(Investigates complaints about UK Government departments or the NHS in England. Ask your MP.)

Phone: 0345 015 4033

Website: www.ombudsman.org.uk

### Relate

(Advice and counselling to help with relationship problems) **Phone: 0300 100 1234** (There may be a charge.)

Website: www.relate.org.uk

### **Rethink National Information and Advice Service**

(Advice on many issues, including money for people with serious mental-health problems)

Phone: 0845 456 0455 Website: www.rethink.org

### **Rights of Women**

(Legal advice for women)

Advice line: 020 7251 6577

Website: www.rightsofwomen.org.uk

### Samaritans

(Confidential emotional support)

Phone: 0845 790 9090

E-mail: jo@samaritans.org Website: www.samaritans.org

### Saneline

(Support for mental illness)
Phone: 0845 767 8000

Website: www.sane.org.uk

### **Shelter**

(free housing advice helpline) **Phone: 0808 800 4444** 

Website: www.shelter.org.uk

### Stop Loan Sharks

(Confidentially report a loan shark)

Phone: 0300 555 2222

Website: http://stoploansharks.direct.gov.uk

### **TaxAid**

(Advice about tax problems) **Phone: 0845 120 3779** 

Website: www.taxaid.org.uk

### **Tenant Services Authority**

(For a list of housing associations)

Phone: 0845 230 7000

Website: www.tenantservicesauthority.org

### The Helplines Association

(Provides information about helplines)

Phone: 0845 120 3767

Website: www.helplines.org.uk

### **Trading Standards**

(Information for consumers and local trading-standards offices)

Phone: 0845 404 0506

Website: www.tradingstandards.gov.uk

### Turn2Us

(Provides advice about charitable grants and benefits)

Phone: 0808 802 2000

Website: www.turn2us.org.uk

### **TV Licensing**

(General enquiries about payment schemes)

Phone: 0300 790 6071

Website: www.tvlicensing.co.uk

# Fact sheets and useful contacts

### Benefits and tax credits

Carer's Allowance Unit Phone: 01253 856 123

Child Benefit enquiry line Phone: 0845 302 1444

Website: www.hmrc.gov.uk/childbenefit/

Child Support Agency enquiry line Phone: 0845 7133 133

Website: www.csa.gov.uk

**Child Trust Fund** 

(A Government savings account for children)

Phone: 0845 302 1470

Website: www.childtrustfund.gov.uk

Disability Benefits enquiry line Phone: 0800 88 22 00

Website: www.dwp.gov.uk

Disability Living Allowance and Attendance Allowance helpline

Phone: 0845 712 3456

**New Deal** 

(This is a Government scheme to help you into work)

Website: www.jobcentreplus.gov.uk

Pension Credit claim line Phone: 0800 99 1234

Website: www.direct.gov.uk

Tax Credits helpline Phone: 0845 300 3900

Website: www.hmrc.gov.uk

**Veterans UK helpline** 

(Help and advice for war veterans)

Phone: 0800 169 2277

Website: www.veterans-uk.info

Winter Fuel Payments helpline

Phone: 0845 915 1515

Website: www.direct.gov.uk

# You will also find the following local services listed in the phone book.

### Citizens advice bureaux

Offering independent and confidential advice on issues such as debt, money problems and welfare benefits. Most bureaux have trained advice workers who can help with budgeting, negotiate with creditors and so on. www.adviceguide.org.uk and www.citizensadvice.org.uk.

### **Community Legal Advice**

A directory of agencies providing legal advice in your area. Check your local library or the website **www.communitylegaladvice.org.uk**. Ring **0845 345 4345** for legal help and advice.

# **Department for Work and Pensions or social security offices**

Find your local office to claim most benefits.

### **Jobcentre Plus**

Find your local office to claim most benefits if you are unemployed.

### Local council

Provides a range of services. Contact your council to claim Housing Benefit and Council Tax Rebate or to make a housing application.

### Law centres

They offer legal advice on housing, welfare benefits, immigration and sometimes debt.

### Money advice centres

Local advice on dealing with debts.

### Welfare rights agencies

Local advice on claiming welfare benefits. May be part of your local council.

# **About Business Debtline**

### **Business Debtline and the Money Advice Trust**

Business Debtline (BDL) is part of the Money Advice Trust (MAT), a charity formed in 1991 to increase the quality and availability of money advice in the UK.

The Money Advice Trust aims to help people with debts that they cannot manage. They want to support people in the UK and improve the standards of independent money advice.

### **Our partners**

MAT works with the following leading UK agencies.

- Advice NI
- AdviceUK
- Citizens Advice
- Citizens Advice Northern Ireland
- Citizens Advice Scotland
- Consumer Credit Counselling Service
- Institute of Money Advisers
- Money Advice Scotland
- Payplan.

### **Business Debtline - our aims and services**

We aim to provide a high-quality service. You can expect the following.

- To speak to an adviser who is approachable and trained to a high standard.
- A guarantee that any information you give about your situation will be kept strictly confidential. We keep records of our calls on a database. If you need to contact us again, this means you don't have to tell us about your situation all over again. We do not pass your details on to any other organisation without your permission. We do ask your permission to be contacted by another research organisation, but this is either for the purpose of a phone or written questionnaire on the quality of our service, or to help with research about debt. However, you do not have to tell us anything, such as your name and address, if you would prefer not to. Please contact us if you do not want us to keep your details on file. If we do not hear from you, we will assume that you agree to us doing so.
- Although our lines are very busy, we will do all we can to answer your call promptly.
- Business Debtline is committed to equal opportunities in all its services and will tackle prejudice and discrimination to make sure this happens.

If you are not satisfied with the service you receive, contact a Business Debtline Team Manager. Please remember that at certain times our lines are very busy and you may have difficulty getting through to an adviser.

# If you want to make a complaint or have any ideas on how to improve our services, please write to us at:

Business Debtline, Tricorn House, 51-53 Hagley Road, Edgbaston, Birmingham B16 8TP.

We have a complaints procedure and guarantee we will consider your complaint fully.

### **Funding**

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- Barclays Bank
- Co-operative Financial Services
- Department for Business Innovation and Skills
- HSBC
- Lloyds Banking Group
- National Australia Bank Group
- Royal Bank of Scotland Group
- Santander





# Business Debtline Telephone **0800 197 6026**Monday to Friday 9am to 5.30pm









Business Debtline Tricorn House 51-53 Hagley Road Edgbaston Birmingham B16 8TP

www.bdl.org.uk

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Price: Free to individuals; there is a charge to agencies.

We will do our best to keep our information packs and fact sheets as up-to-date as possible. We cannot be held responsible for changes in the law or for developments in case law since this edition was issued.

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