

# Facing financial difficulties?

Some practical steps to help you take control.

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## Key considerations

We have identified below some key points for you to consider if you are facing financial difficulties

- Don't ignore the problem; respond to contact letters and telephone calls. Take immediate action. Contact us as soon as possible, the longer you leave it, the worse it could get. We need to know if you are struggling to meet your repayments, we may be able to help
- If considering borrowing more to repay debts think carefully and contact a financial advisor to discuss your options. Try to avoid spending further on any credit or store cards. Consider using cash or debit cards where possible. This could prevent you from spending more than you can afford
- If you have lost your job, or are absent due to illness, check whether you are covered by payment protection insurance. If you are unsure of your protection cover, contact your provider
- Check that you are claiming all the benefits that you may be entitled to
- Prioritise your debts and budget. List your income and outgoings to make it easier to organise your money (see **detailed budget sheet/detailed business budget sheet** on pages 9 and 10)
- Advise all your creditors of your current circumstances and make them aware if those circumstances change
- Keep records of all payslips, benefit statements, bills and letters to and from creditors and keep notes of telephone conversations to hand
- Don't be embarrassed or ashamed to face up to your difficulties, be prepared to fully discuss your circumstances with your creditors who may be able to help
- Don't keep money problems to yourself, seek support from your spouse or partner, they would be upset to find out that you have been keeping it from them. You will need support and co-operation from everyone in the household (adult children included) in order to successfully resolve your difficulties
- Think before using a commercial debt management company as some of them will charge. You can use certain companies for free (see **expert advice**)
- Homeowners on certain benefits may be able to get help towards mortgage interest payments called Support for Mortgage Interest (SMI). Find out if you are eligible, how to claim SMI and what extra help is available at [www.direct.gov.uk](http://www.direct.gov.uk)

## Expert advice

Many of the advice agencies will be able to offer you free and independent advice, however some of them may charge. Be careful to check what the debt advice company is promising to do before agreeing to any payment. Any promise to write off all or some of your debts is unlikely to happen unless you have special circumstances. The Office of Fair Trading has guidelines on standards for debt management companies.

All contact details correct as at June 2011.

### United Kingdom

<b>adviceUK (Free)</b> 6th Floor, 63 St Mary Axe, London, EC3A 8AA <b>Phone: 020 7469 5700</b> <b>Website: <a href="http://www.adviceuk.org.uk">www.adviceuk.org.uk</a></b>	A network of advice-providing organisations.
<b>Business Debtline (Free)</b> <b>Phone: 0800 197 6026</b> <b>Website: <a href="http://www.bdl.org.uk">www.bdl.org.uk</a></b>	Confidential, independent, free advice on debt and cashflow problems for people who are self-employed.
<b>Consumer Credit Counselling Service (Free)</b> Wade House, Merrion Centre, Leeds, LS2 8NG <b>Phone: 0800 138 1111 Website: <a href="http://www.cccs.co.uk">www.cccs.co.uk</a></b>	A registered charity set up to assist people who are in financial difficulty.
<b>Consumer Direct (Free)</b> <b>Phone: 0845 404 0506</b> <b>Website: <a href="http://www.consumerdirect.gov.uk">www.consumerdirect.gov.uk</a></b>	A government-funded telephone and online service offering advice on consumer issues.
<b>National Debtline (Free)</b> Tricorn House, 51-543 Hagley Road, Birmingham B16 8TP <b>Phone: 0808 808 4000</b> <b>Website: <a href="http://www.nationaldebtline.co.uk">www.nationaldebtline.co.uk</a></b>	Free confidential and independent advice on how to deal with debt problems.
<b>Payplan (Free)</b> Kempton House, Kempton Way, Dysart Road, Grantham, Lincolnshire, NG31 7LE <b>Phone: 0800 716 239</b> <b>Website: <a href="http://www.payplan.com">www.payplan.com</a></b>	Provide free debt advice and debt solutions for anyone experiencing financial difficulties.
<b>Shelter (Free)</b> <b>Phone: 0808 800 4444</b> <b>Website: <a href="http://www.shelter.org.uk">www.shelter.org.uk</a></b>	Provide free and confidential advice to people in need of housing.

### Scotland

<b>Debt Arrangement Scheme (Free)</b> 1 Pennyburn Road, Kilwinning, KA13 6SA <b>Phone: 0300 200 2600</b> <b>Website: <a href="http://www.moneyScotland.gov.uk">www.moneyScotland.gov.uk</a></b>	Offer free, impartial and confidential advice on how to pay your debts in a managed way.
<b>Money Advice Scotland (Free)</b> Suite 410 Pentagon Centre, 36 Washington St, Glasgow G3 8AZ <b>Phone: 0141 572 0237</b> <b>Website: <a href="http://www.moneyadviceScotland.org.uk">www.moneyadviceScotland.org.uk</a></b>	Free, independent, impartial, confidential advice service.

### Northern Ireland

<b>Advice NI (Free)</b> 1 Rushfield Avenue, Belfast, BT7 3FP <b>Phone: 028 9064 5919</b> <b>Website: <a href="http://www.adviceni.net">www.adviceni.net</a></b>	An independent advice sector providing advice to those who need it most.
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## Useful contacts

Detailed below are a number of useful contacts. We have listed these in alphabetical order for ease of reference. All contact details correct as at June 2011.

### United Kingdom

<p>Callcredit Plc  <b>Phone: 0870 060 1414</b>  <b>Website: <a href="http://www.callcreditcheck.co.uk">www.callcreditcheck.co.uk</a></b></p>	Credit reference agency.
<p>Companies House          Crown Way, Maindy, Cardiff, CF14 3UZ  <b>Phone: 0303 1234 500</b>  <b>Website: <a href="http://www.companieshouse.gov.uk">www.companieshouse.gov.uk</a></b></p>	Examine and store company information delivered under the Companies Act and related legislation.
<p>Council of Mortgage Lenders (<b>Free</b>)  <b>Phone: 0845 373 6771</b>  <b>Website: <a href="http://www.cml.org.uk/cml/consumers">www.cml.org.uk/cml/consumers</a></b></p>	The trade association for the mortgage lending industry with the aim of a favourable operating environment in the UK housing and mortgage markets.
<p>Equifax Plc          PO Box 1140, Bradford, BD1 5US  <b>Phone: 0844 335 0550</b>  <b>Website: <a href="http://www.equifax.co.uk">www.equifax.co.uk</a></b></p>	Credit reference agency.
<p>Experian          Landmark House, Experian Way, NG2 Business Pk, Nottingham, NG80 1ZZ  <b>Phone: 0844 481 8000</b>  <b>Website: <a href="http://www.experian.co.uk">www.experian.co.uk</a></b></p>	Credit reference agency.
<p>Federation of Small Businesses          Sir Frank Whittle way, Blackpool Business Park, Blackpool, FY4 2FE  <b>Phone: 01253 336000</b> <b>Website: <a href="http://www.fsb.org.uk">www.fsb.org.uk</a></b></p>	Promotes and protects the interests of self-employed persons and owners of small firms.
<p>Financial Services Compensation Scheme (<b>Free</b>)          7th Floor Lloyds Chambers, 1 Portsoken Street, London E1 8BN  <b>Phone: 020 7741 4100 / 0800 678 1100</b>  <b>Website: <a href="http://www.fscs.org.uk/consumer">www.fscs.org.uk/consumer</a></b></p>	An independent body set up to help consumers (as a last resort) obtain compensation from financial services firms.
<p>Financial Ombudsman Service (<b>Free</b>)          South Quay Plaza, 183 Marsh Wall, London E14 9SR  <b>Phone: 0845 080 1800 / 0300 1239 123 / 020 7964 0500</b>  <b>Website: <a href="http://www.financial-ombudsman.org.uk">www.financial-ombudsman.org.uk</a></b></p>	Help settle individual disputes between consumers and businesses providing financial services.
<p>IFA Promotions Office (Independent Financial Advisers)          117 Farringdon Road, London, EC1R 3BX  <b>Phone: 0330 303 0025</b>  <b>Website: <a href="http://www.unbiased.co.uk">www.unbiased.co.uk</a></b></p>	Help consumers search for details of an independent financial advisor in their local area.
<p>Money Advice Service (<b>Free</b>)  <b>Phone: 0300 500 5000</b>  <b>Website: <a href="http://www.moneyadvice.service.org.uk">www.moneyadvice.service.org.uk</a></b></p>	Independent free advice service, set up by government and is funded by a levy on the financial services industry.
<p>Office of Fair Trading (the OFT) Enquiries Unit (<b>Free</b>)          Fleetbank House, 2-6 Salisbury Square, London, EC4Y 8JX.  <b>Phone: 0845 7 22 44 99</b>  <b>Website: <a href="http://www.oft.gov.uk">www.oft.gov.uk</a></b></p>	A government body set up to ensure that the UK's consumer and competition authorities work well for consumers.
<p>Taxaid  <b>Phone: 0845 120 3779</b>  <b>Website: <a href="http://www.taxaid.org.uk">www.taxaid.org.uk</a></b></p>	Help you understand your rights and responsibilities under the UK tax system.

### England & Wales

<p>Law Society (<b>Free</b>)          113 Chancery Lane, London WC2A 1PL  <b>Phone: 020 7242 1222</b>  <b>Website: <a href="http://www.lawsociety.org.uk">www.lawsociety.org.uk</a></b></p>	Protect and promote solicitors across England & Wales.
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## Useful contacts continued

### Scotland

<p>Law Society of Scotland (<b>Free</b>) 26 Drumsheugh Gardens, Edinburgh EH3 7YR <b>Phone: 0131 226 7411</b> <b>Website: <a href="http://www.lawscot.org.uk">www.lawscot.org.uk</a></b></p>	Protect and promote solicitors across Scotland.
<p>Scottish Federation of Housing Associations (<b>Free</b>) Pegasus House, 375 West George Street, Glasgow, G2 4LW <b>Phone: 0141 332 8113</b> <b>Website: <a href="http://www.sfha.co.uk">www.sfha.co.uk</a></b></p>	Supports the work of housing associations and co-operatives in Scotland.

### Northern Ireland

<p>Law Society of Northern Ireland (<b>Free</b>) 96 Victoria St, Belfast BT1 3GN <b>Phone: 028 9023 1614</b> <b>Website: <a href="http://www.lawsoc-ni.org">www.lawsoc-ni.org</a></b></p>	Protect and promote solicitors across Northern Ireland.
<p>Northern Ireland Housing Executive (<b>Free</b>) <b>Phone: 03448 920 900</b> <b>Website: <a href="http://www.nihe.gov.uk">www.nihe.gov.uk</a></b></p>	To provide everyone the opportunity to access decent, affordable housing.
<p>Northern Ireland Legal Services Commission (<b>Free</b>) Waterfront Plaza, 8 Laganbank Road, Belfast, BT1 3BN <b>Phone: 028 9040 8888</b> <b>Website: <a href="http://www.nilsc.org.uk">www.nilsc.org.uk</a></b></p>	To provide high quality, customer focused services targeting those in greatest need.

## Look in your local telephone directory for contact numbers for the following:

<p>Citizens Advice Bureau <b><a href="http://www.citizensadvice.org.uk">www.citizensadvice.org.uk</a></b> (England &amp; Wales) <b><a href="http://www.cas.org.uk">www.cas.org.uk</a></b> (Scotland) <b><a href="http://www.nacab.org.uk">www.nacab.org.uk</a></b> (Northern Ireland)</p>	Offer 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 and negotiating with creditors.
<p>Consumer Focus (<b>Free</b>) <b>Website: <a href="http://www.consumerfocus.org.uk">www.consumerfocus.org.uk</a></b></p>	Offer free and impartial information and advice on gas and electricity.
<p>Department for Work and Pensions/Social Security <b><a href="http://www.dwp.gov.uk">www.dwp.gov.uk</a></b></p>	Can help you find out what benefits you may be entitled to and give you advice on how to claim these.
<p>Insolvency Helpline <b><a href="http://www.insolvencyhelpline.co.uk">www.insolvencyhelpline.co.uk</a></b></p>	Advice and help on very serious debt problems, insolvency and bankruptcy.
<p>Jobcentre Plus <b><a href="http://www.jobcentreplus.gov.uk">www.jobcentreplus.gov.uk</a></b></p>	Can help you find out what benefits you may be entitled to and give you advice on how to claim these.
<p>Local Council / Local Authority Housing <b><a href="http://www.direct.gov.uk">www.direct.gov.uk</a></b></p>	Can provide a range of services, i.e. housing benefit, council tax benefit or to make an application for housing.
<p>Law Centres</p>	Offer legal advice on housing, welfare benefits and sometimes debt.
<p>Money Advice Centres</p>	Local advice on dealing with debts.
<p>Pension Service</p>	Can help you find out about pension credits.
<p>Welfare Rights Agencies</p>	Local advice on claiming welfare benefits (this may be part of your local council).

## Having trouble making your mortgage repayments?

<p><b>What should I do?</b></p>	<p>If you are having trouble making your mortgage repayments contact all of your creditors, including ourselves, as soon as possible to discuss your difficulties.</p> <p>There are a number of ways we can assist our customers who are experiencing financial difficulty and if there are specific reasons as to why you are unable to make your payments don't hesitate to advise us. We are here to help and have people dedicated to dealing with cases like yours.</p> <p>Remember, a mortgage is a loan that is secured against your home. If you are unable to repay and fall into arrears your property may be repossessed or you may be forced to sell your home.</p>
<p><b>Review your spending</b></p>	<p>Make a list of your income and outgoings (see <b>detailed budget sheet/detailed business budget sheet on pages 9 and 10</b>). This will help you to work out where your money goes. Use this plan to repay essential bills first (see <b>prioritise your debts</b>). Think about ways in which you can reduce your spending. It may be helpful to take note of your outgoings in order to see if these can be reduced in any way. Here are some examples of where your spending could be reduced:</p> <ul style="list-style-type: none"> <li>• Find out whether you can obtain cheaper utility services.</li> <li>• Try to avoid buying any unnecessary or luxury items.</li> <li>• Find out whether you are able to obtain a better deal on any credit cards held, for example 0% offers.</li> <li>• Find out if there are cheaper ways which you can travel to work, for example, use the bus instead of the train.</li> <li>• Save any additional money that you may have. Even small amounts can make a difference.</li> <li>• Ask your employer if they have an interest free loan scheme available to buy a travel season ticket.</li> <li>• If you run a self-employed business, investigate whether you can obtain cheaper supplies.</li> <li>• If you run a self-employed business, review your pricing policy to establish whether or not certain unprofitable lines could be discontinued.</li> </ul>
<p><b>Financial help</b></p>	<p>Find out if you are covered by mortgage payment protection (also known as payment protection insurance, or PPI). If you are, contact the company with a view to making a claim straight away.</p> <p>Contact your local Jobcentre Plus and Local Authority housing office to find out if you are entitled to claim any additional benefits.</p> <p>If you are already claiming income support, jobseekers allowance or you or your partner are 60 or over, the government may be able to help you with your mortgage payments.</p> <p>If you are self-employed, the value of benefits you may be eligible for will be dependent on the amount of national insurance contributions you have made.</p> <p>Contact your utility companies (gas, electricity, telephone, water, etc) as they may be able to offer you a budget payment scheme to help you spread the cost of your bills.</p>
<p><b>Obtain advice</b></p>	<p>There are advice agencies which specialise in money problems. Many of these agencies will be able to offer you free and independent advice, although some companies may charge you for debt advice and it is important to establish this before entering into any agreement with them (see <b>expert advice</b>).</p>
<p><b>Pay what you can afford</b></p>	<p>If you are unable to pay the full amount try to pay what you can towards your mortgage. This will show us that you are making an effort to pay which may in turn increase your chance of retaining your home. (Please note that each case is assessed on an individual basis).</p>
<p><b>Make changes to the way you pay your mortgage</b></p>	<p>Are your problems short term? Do you currently have a repayment mortgage? Contact us. You may be able to switch to interest only payments for a period of time until you get back on your feet. It is important to note however that you would not be making any payments towards the actual amount owed and measures would have to be taken in the future to make up these payments.</p>
<p><b>Think carefully before taking on additional debt or selling your home</b></p>	<p>Speak to someone before taking on additional debt (see details of agencies within <b>expert advice</b>).</p> <p>If you can't afford your mortgage, think seriously before requesting for your property to be sold.</p> <p>If we repossess and sell your house for less than you owe you will still be responsible for the remaining balance. We will also forward your details to the repossessions register which may make it difficult for you to obtain another mortgage in the future.</p>
<p><b>What to avoid doing</b></p>	<p>Don't ignore us. Please read any correspondence we have sent to you. If you receive something from us and are unsure as to what it means, ask us. We will be more than happy to explain.</p>

**Maximise your income**

Consider if there is anything that you can do to increase your household income, for example, overtime at work or a part time job, do you qualify for a lower tax code or tax rebate (contact the Inland Revenue (HM Revenue & Customs)) or are you eligible for tax credits (contact your local benefits office). You could also consider selling any assets (a second car for example); however ensure that you have received professional advice and considered any future consequences before doing this. It is important that you take every possible measure to increase your household income. If you own a business and someone owes you money, speak to them to request payment as soon as possible. If they are unable to pay it all upfront, consider accepting the payment in instalments.

**Prioritise your debts**

Make a list of all your debts and decide which are most important to you. Failure to pay priority debts can result in very serious consequences, such as losing your home or business, imprisonment or loss of essential goods and services. See below table for further guidance.

Debt	Action which could be taken against you
Mortgage arrears	Repossession of your home
Second mortgage/Secured loan arrears	Repossession of your home
Court fines	Imprisonment
Council tax/Community charge	Deductions from salary/benefits
Gas/Electricity/Telephone	Supply cut-off
Water charge (England & Wales/Northern Ireland)	Court action
Hire purchase or conditional sale	Repossession of the goods or a court order to hand the goods back.
Major suppliers	Key supplies stopped/Bankruptcy/Court action
Maintenance	Deductions from salary, arrest and/or imprisonment
TV licence	Court fine or imprisonment
Business rent arrears	Repossession of business premises
VAT/Income tax (for the self-employed)	Bankruptcy or imprisonment

Make use of the detailed budget sheet/detailed business budget sheet on the following pages to help you find out where all your money goes.

It is important to remember that a budget is not to stop you spending money altogether, but to help you spend your money wisely given your current circumstances. Working out a budget will also help establish how much money is coming into your household or business, how much money is going out, and how much remains.

Net monthly income

Within this section use the amount you actually receive per month (after deductions).

Whilst completing this section, think about ways in which you could possibly increase your income, for example overtime or a second job.

Monthly living costs

Think carefully and sensibly about this section. Only include essentials and necessities.

Remember to include any additional expenses, which might be due to a special diet or any special equipment that is required.

Helpful notes for completing the detailed budget sheet/detailed business budget sheet:

- Travelling can include petrol to work and shopping, bus/train fares, vehicle tax (vehicle excise duty), vehicle insurance, vehicle MOT costs and servicing.
- Prescriptions could include dental treatment, glasses, eye tests as well as prescriptions for medicine.
- To convert weekly figures to monthly – weekly figure x 52 (weeks) divided by 12 (months).
- To convert monthly figures to weekly – monthly figure x 12 (months) divided by 52 (weeks).
- Roughly work out how much income tax and VAT you will need to pay and set this aside in order that you will be able to pay the demands for these when they are received.
- For the self employed, use your accounts and bank statements to work out how much money you have taken for sales over the last 3 months. Try not to include money for goods that you have sold but have not yet been paid for.
- If you use a vehicle solely for your business, all the costs can be put in the detailed business budget sheet, for example road tax, insurance etc. However, if you use your vehicle for both business and social purposes, you will have to divide the costs between your business budget and your household budget.

## Detailed budget sheet

INCOME (A)	£ Monthly	OUTGOINGS (B)	£ Monthly	£ Total amount owed
		<b>Priority debts</b>		
Net income (main job)		Mortgage		
Net income (partner)		Second mortgage/Secured loan		
Part time jobs		Buildings insurance		
Job seekers allowance		Council tax		
Child benefit/Tax credit		Water rates		
Working tax credit		Gas/Oil/Solid fuel		
Pension/Work pension		Electricity		
Adult child contribution		Magistrate court fines		
Maintenance received		County court judgements		
Income support/Other benefit		Ground rent/Service charges		
Sick pay/Maternity pay		Other		
Payment protection insurance claims		<b>Unsecured</b>		
Investment income		ISA		
Other		Overdraft		
		Loans		
		Car finance		
		Credit cards		
		Store cards		
		Mail order		
		Hire purchase		
		Other		
		<b>Household</b>		
		Endowment/Life policy		
		Child support/Maintenance		
		Contents insurance		
		Pet insurance		
		Private medical/Dental insurance		
		Any other insurance		
		Food/Housekeeping		
		School meals/Work		
		Clothing/Footwear		
		Fares/Car fuel		
		Telephone		
		Prescriptions/Dentist/Optician		
		Nursery/Childminding		
		Cigarettes/Tobacco		
		Eating out/Alcohol		
		Travelling		
		Car insurance/Road tax		
		Other		
<b>TOTAL</b>		<b>TOTAL</b>		

<b>Monthly Total (A)</b>	£	<b>Minus</b>	<b>Monthly Total (B)</b>	£	<b>Surplus/Deficit of £</b>
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At this point determine which outgoings are priority debts (see page 8). Use the space below for workings.

Where you are able to provide the total balance outstanding please do so in the 'Total amount owed' column.

## Detailed business budget sheet

INCOME (A)	£ Monthly	OUTGOINGS (B)	£ Monthly	£ Total amount owed
Sales over last 3 months		Rent for business premises		
		Stock		
		Business rates		
		Employee wages/PAYE/NI		
		Personal national insurance		
		VAT		
		Estimated income tax		
		Buildings & Contents insurance		
		Electricity		
		Telephone		
		Water rates		
		Gas		
		Public liability insurance		
		Business vehicle		
		Road tax		
		Vehicle insurance		
		Accountants fees		
		Private pension contributions		
		Stationery		
		Postage		
		Cleaning of premises		
		Other		
<b>TOTAL</b>		<b>TOTAL</b>		

<b>Monthly Total (A)</b>	£	<b>Minus</b>	<b>Monthly Total (B)</b>	£	<b>Surplus/Deficit of £</b>
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At this point determine which outgoings are priority debts (see page 8). Use the space below for workings.

Where you are able to provide the total balance outstanding please do so in the 'Total amount owed' column.

## What steps can I take to clear my arrears?

<b>Start making repayments towards your arrears as soon as possible</b>	Once your mortgage is in arrears you may incur additional charges. The quicker that you can make payments towards your arrears the better. This may mean that in the short term money will be tight, however you will benefit in the long run as it is likely that fewer charges will be added to your account..
<b>Try to make extra payments</b>	If you can afford to make additional payments then do so. This will reduce the amount of arrears owed within a shorter timescale.
<b>Add the arrears to the mortgage (capitalisation)</b>	Ask us to consider capitalising your arrears. We will consider this on a case by case basis. We may not be willing to agree to this if you have previously failed to keep to a payment arrangement in the past.  Capitalising your arrears means clearing them by adding them to the total capital balance of your mortgage (some lenders may refer to this as the total outstanding balance). It is important to note however that this will increase your monthly payment for the remaining term of your mortgage. If you currently have an interest only mortgage you should seek professional financial advice about how the increased capital balance will be repaid before considering this option.
<b>Change to interest only</b>	Ask us to consider changing to interest only. Changing to interest only would reduce your monthly payment. However, we will consider this on a case by case basis.  It is important to note that whilst you have an interest only mortgage, no actual payments would be made to towards reducing the outstanding amount owed on your mortgage. The payments made through this period would only go towards covering the interest owed.
<b>Extend the term of your mortgage</b>	If you have a repayment mortgage we may be able to extend the term. This would reduce your monthly payments however it would also increase the length of time which you would be repaying your mortgage overall. This option will not be available in all circumstances; a key consideration will be how the mortgage will be repaid during the extended term..
<b>Are you eligible for reduced payments?</b>	Contact us and we will assess your case to ascertain whether you are eligible for reduced payments or not. It is important to note that the additional amounts owed from having a reduced payment will have to be repaid before the end of the mortgage term. It should also be noted that this is merely a temporary solution.  Wave Lending do not currently offer payment holidays.
<b>Cash in or sell an existing policy</b>	If you currently have an interest only mortgage and have an existing endowment policy, ISA, pension, TESSA, PEP or shares you may have enough funds available in your policy to cover the repayment of your arrears. Contact an independent financial advisor to determine whether this is a suitable choice for you or not.

## Sale of property or business

If you think that your current situation is unlikely to change in the long term and you cannot afford to pay your mortgage you could consider selling your home or business to repay all the money owed.

Before doing this think about where you will live and where you will work. Contact your local council to find out whether they can help with housing and your local jobcentre for careers advice.

You may also qualify for a mortgage to rent scheme. Contact your local advice agencies for further information on this type of scheme.

**Please explore all possible avenues before you give up your home.**

## Inform your creditors - sample letter wording

This is an example of an initial letter to send to your creditors, and a good way to inform them of your financial difficulties.

Arrears department	Your name
Creditors name	Your address
Creditors address	Date

Dear Sir/Madam

Reference: (account number)

I am unable to make normal payments because <insert full details of the cause of your problems here; give information on the background and what has happened to get you into this position and be prepared to provide paperwork to confirm your current situation>.

I am preparing a detailed household budget to determine the best way to deal with the situation. I will send you a copy of this soon, together with my proposal for future payments. In the meantime please stop charging any penalty interest or late payment fees on my account.

Yours faithfully

## Payment arrangement proposal - sample letter wording

This is an example of a payment offer letter, to be sent once you have completed your budget and drawn up a proposal.

Arrears department	Your name
Creditors name	Your address
Creditors address	Date

Dear Sir/Madam

Reference: (account number)

I am experiencing financial difficulties because <insert full details of the cause of your problems here; give information on the background and what has happened to get you into this position and be prepared to provide paperwork to confirm your current situation>.

Please find enclosed a copy of my household budget. With this in mind I propose to pay £\_\_\_\_ per month towards my outstanding payments. Please confirm that you will accept this proposal for the time being. Please also confirm that you will stop charging any penalty interest or late payment fees on my account.

Yours faithfully

## Payment arrangement proposal (business) – sample letter wording

Arrears department

Your name

Creditors name

Your address

Creditors address

Date

Dear Sir/Madam

Reference: (account number)

Like many small businesses I am/we are experiencing trading difficulties, but feel that with the co-operation of creditors the business may be able to continue trading. I enclose details of the total debts outstanding. Also enclosed is my/our business and household budget sheet, which shows income from all sources and total household outgoings.

As you can see, I/we have £\_\_\_\_\_ left for outstanding debts.

The offers made to creditors have been worked out on a pro-rata basis and I/we are making every effort to increase my/our income and will keep you informed as soon as my/our financial circumstances improve.

I/we ask that you give serious and sympathetic consideration to this proposal and look forward to hearing from you.

Please also confirm that you will stop charging any penalty interest or late payment fees on my account.

Yours faithfully

## Glossary of terms

- **Administration order** – a court order made to appoint an administrator to manage a company's affairs. A court can make an administration order when the company is, or is likely to become unable to pay its debts
- **Arrears** – a shortfall (equal to two or more regular payments) in the total payments made OR remaining in breach for more than a month of an agreed arrangement
- **Bank base rate (BBR)** – the base rate of the Bank of England as determined from time to time by the Bank's Monetary Policy Committee. Changes to this rate can affect the cost of borrowing
- **Bankruptcy** – the legal process in which a person declares their inability to pay debts. The proceeds of all available assets are distributed to creditors. Bankruptcy stays on the borrower's credit history for up to 10 years
- **Buy-to-Let mortgage** – a mortgage for when a property is bought as an investment and rented out to a tenant who pays the borrower a rental income
- **Buildings insurance** – insurance against the cost of repairing your property
- **Capitalising** – adding arrears to the balance of your mortgage in order to bring your account back up to date. The monthly payment would increase as a result of this. It is also important to note that the interest would also increase due to this and you would be liable to pay this additional amount
- **Capital gains tax** – a tax on profit made from the disposal of assets – for example, shares, unit trusts and property (other than peoples' homes)
- **Creditor** – someone who is owed money
- **Credit reference agency** – an organisation that collects information from a variety of sources on the borrowing habits of adults in the UK. This information includes details of credit agreements, payment records, etc and is supplied to lenders who use it to calculate the risk of granting credit. Everyone is allowed to see their own record
- **Debt counsellor** – offers education to consumers (you) in matters relating to credit, how to avoid getting into debt and how to deal with arrears
- **Discounted rate mortgage** – a mortgage where you receive a discount off the standard variable rate/bank base rate for an agreed initial period
- **Drawings** – amounts taken from the business for personal use. Amounts drawn may be an advance of the profits
- **Early repayment charge (ERC)** – a charge made by the mortgage lender against the customer in the event that the mortgage is repaid before the end of the selected term of the product, usually the initial period of the mortgage
- **Endowment policy** – a life policy which pays out a sum of money at the end of the term or earlier in the event of the insured person's death
- **Equity** – the difference between the value of the property and the amount of loans secured against it
- **Fixed rate mortgage** – a type of mortgage where you pay a fixed rate of interest over an agreed initial period of time
- **Income tax** – a tax on income. Everyone who is resident in the UK for tax purposes has a personal allowance, which is the amount of taxable income you are allowed to earn or receive each year tax free. Income tax is only due on taxable income that is above your tax free allowance
- **Independent financial advisor (IFA)** – professionals who offer unbiased advice on financial matters and recommend suitable financial products from the whole of the market
- **Initial rate** – the introductory rate at the beginning of the contract which lasts for a set period of time
- **Insolvency** – inability to pay debts when due
- **Interest only mortgage** – a mortgage contract in which only the interest accumulated on the loan is repaid by the monthly mortgage payment. None of the capital is repaid via this method; therefore it is important to note that the full amount of the loan will remain outstanding at the end of the term
- **Introductory rate** – a temporarily low interest rate used as an incentive. After the introductory period the interest rate converts to a standard rate
- **Investment trust** – a company quoted on the stock exchange which invests in other companies' shares
- **ISA (individual savings account)** – a tax free savings account for either cash only or stocks and shares, or both. Each individual may hold one of each, subject to investment limits
- **Liability order** – issued by a court on the complaint of the council for non-payment of business rates

- **Limited (Ltd) company** – a company that is organised to give its owners limited liability
- **Liquidation** – when a business or firm is terminated or bankrupt, its assets are sold and the proceeds pay creditors. Any leftover funds are distributed to shareholders
- **Mortgage** – a loan which is secured against your property (your home is at risk if you do not keep up repayments)
- **Mortgage payment protection/Payment protection insurance (PPI)** - a policy which protects your monthly mortgage payment should you become unemployed or are unable to work due to sickness, accident or disability
- **Mortgage to rent scheme** – helps people who are in danger of having their homes repossessed to stay in their home as tenants of a social landlord. The property is sold to a landlord and then rented back to the occupants
- **Mortgage shortfall debt/Shortfall sale** – the outstanding amount following the sale of the mortgaged property
- **National insurance (NI)** – payments made to the government out of earnings, which entitle you to a state pension and other benefits
- **Negative equity** – where the market value of your house is less than the outstanding mortgage
- **Net profit** – the income of a self-employed person or company after running costs and taxes have been deducted
- **Partnership** – an association of two or more people who agree to share in the profits and losses of a business venture
- **Payment arrangement** – a temporary agreement set up by the lender to collect missed payments over a specified period of time. It is important to note that if you fail to stick to your arrangement the lender may commence repossession proceedings
- **Payment holiday** – gives you a break from loan repayments for a specified amount of time (as agreed by the lender). It is important to note that the missed payments granted will have to be repaid before the end of the mortgage term
- **Pension** – a way to accumulate savings for retirement
- **PEP (personal equity plan)** – an investment in shares, unit trusts or investment trusts where the income and gains are free of income tax and capital gains tax, as long as the investments remain in the PEP
- **Public liability insurance** – insurance against damages awarded to members of the public because of an injury or damage to their property
- **Repayment mortgage** – a regulated mortgage contract with which the full mortgage (interest and capital) is repaid within the term
- **Repossession** – the term used when a mortgage lender takes the property from its owners to pay back the funds borrowed to purchase the property. Repossession would lead to eviction from your home
- **Revert rate** – this is the rate charged following the expiry of an introductory rate/initial rate
- **Secured loan** – a loan which is secured against your property (your home is at risk if you do not keep up repayments)
- **Self-assessment** – a system used by some people to report their income and profits to HM Revenue & Customs. It involves completing a paper or online form called a self-assessment tax return
- **Shares** – an investment in and part ownership of a company conferring the right to part of the company's profits
- **Sole trader** – where an individual runs a business without the use of a company structure or partners and bears alone full responsibility for the actions of the business
- **Standard variable rate (SVR)** – the interest rate at which a lender sets their standard mortgages
- **Teaser/Incentive rates** – a lower interest rate granted for a certain period of time at the beginning of a mortgage. Usually called the discount, fixed or initial rate
- **Term** – the length of your mortgage
- **TESSA (tax exempt special savings account)** – special savings accounts created to encourage people to start saving by allowing them to take all interest tax free provided they were held for 5 years. No new TESSAs could be opened after 05 April 1999 (when they were replaced by ISAs)
- **Unit trusts** – a fund formed to manage investments collectively on behalf of a number of investors and run by a financial services company and a fund manager
- **VAT (value added tax)** – a tax which applies to most business transactions involving the transfer of goods or services. Once the business turnover reaches a certain level, you legally have to pay VAT to HM Revenue & Customs

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**YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE**

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