BRENT CARERS CENTRE

To improve the lives of the carers of Brent

Debt and Money Concerns

About Brent Carers

We are an independant charity with over 4,000 carers currently registered with us. We provide information, advice and support to carers across Brent.

We are the voice for carers in the Borough speaking on their behalf about the issues that are important to them.

We aim to raise awareness of the rights and needs of carers in Brent - working in partnership with other local organisations to make sure that carers receive the support they require. Our services include:

- Advice and advocacy to support carers on issues such as benefits and dealing with social services.
- An information pack and regular newsletter to keep carers fully informed on what is happening.
- Financial assistance to help carers take a break.
- Carers support groups.
- Social activity groups.
- Massage and relaxation.
- Emergency Planning.

A Helping Hand for people supporting their disabled, frail or ill relatives and friends in Brent.

- Respite cover for carers to have a life of their own.
- Personal budgets.
- Liason with local health and social care to develop new ways of working.
- Support planning

Debt

If you have a debt problem, Brent Carers can help you understand which options are available to you and will recommend the debt solution that is right for your situation.

This could mean working with a specialist agency to help:

- Reduce monthly repayments to a realistic and affordable level
- Stopping creditors taking enforcement action against you
- Protecting important assets such as your home

If you are struggling to keep up with credit card, loan or debt consolidation repayments, have arrears or are facing legal action from lenders as a result of being unable to repay your unsecured or secured debts, this booklet might be able to suggest options for you.

Debt Solutions

There are many companies advertising lots of different debt solutions, such as debt management plans, IVAs, bankruptcy, loan consolidation…the list goes on and on.

But the question is, what would work for you and how can you be sure that the person you're talking to is thinking about your best interests, not their profits?

More often than not, if you go to a specialist debt management company for help, you'll be offered a debt management plan, even if it takes you 20 years to pay off your debts. Bad debt advice can often lead to an already difficult situation spiraling out of control.

Even if you think you've found a debt solution that will work for you, do you know how long it will last, will it affect your employment, will it affect your credit rating, is it legally binding on all your creditors, does it prevent your creditors from taking further action against you, will your home be at risk and will you have to pay a fee?

The most important thing to remember is that there is no single 'right answer' to debt - there is only the best solution for your circumstances. Whether you owe £1,000 or £50,000, whether you own your home or rent, and whether you're employed or out of work right now, all of these things affect which solution is best for you.

Bankruptcy

Before the introduction of Individual Voluntary Arrangements (IVAs) and Debt Relief Orders (DROs), Bankruptcy was often the only option available to those with serious debt problems.

In Bankruptcy, you will typically be discharged from your unsecured debt (apart from debts owed to the Student Loans Company) in twelve months and can start afresh, although it is possible that you'll be asked to pay a proportion of your disposable income each month (known as an Income Payments Agreement, when entered into voluntarily, or an Income Payments Order, when obtained from a court by the Official Receiver or Trustee) for a period of up to three years.

Bankruptcy also has a number of serious legal and professional implications, which will need to be considered carefully before any decision is made – for example, you cannot enlist in the armed forces as an undischarged Bankrupt. That's why it's so important that you seek impartial debt advice.

Petitioning for your own Bankruptcy will cost between £525 and £700, depending on your financial circumstances and which court you're presenting your petition to. This includes a court fee, currently set at £175 (you may not be required to pay this if, for example, you are on Income Support) and a Bankruptcy deposit of £525. If there is any beneficial interest (equity) available in your home then the Official Receiver will look to release it by selling the property. You will also find credit difficult to come by in the future.

In extreme cases, where reckless or dishonest behaviour can be established, a Bankruptcy Restriction order (BRO) can be made which extends the imposition of bankruptcy on individuals for a period of between 2 - 15 years.

You can sometimes be forced into bankruptcy if your debts are over £750 and you have frequently missed payments, or if you have missed IVA payments (if you are in an IVA and can't make a payment contact your Insolvency Practitioner straight away. Their job is to advise your creditors of any change in your circumstances). Some people choose to declare bankruptcy themselves but you need to explore all other options very carefully first.

IVA

The Individual Voluntary Arrangement (IVA) was introduced by the government in 1986 as an alternative to bankruptcy.

It is a legally binding agreement, typically lasting for five years, between you and the people you owe money to. A lot of information has been written about IVAs and it's important to recognise that they are not suitable for everyone. Like other UK debt advice charities we will only suggest the option of an IVA if it is right for your circumstances. We will also tell you up front what happens when an IVA fails so you know exactly what taking on an IVA means. We describe our approach to IVAs as "straight talking".

Whilst an IVA will reduce the amount that you pay back to your creditors, it is unlikely to be as much as 90%, which is a figure you may sometimes see quoted. What actually happens is that an IVA advisor helps you and your creditors to reach an agreement about how much money you can reasonably afford to pay back each month, after your living costs have been taken into account. How much debt is written off depends on your circumstances.

An IVA can, however, be a very effective solution for some people. In reality, an IVA will write off between 50% and 60% of an average debt of just under £60,000. Such a typical IVA would mean a reduction in the money owed to between £25,000 and £30,000.

Interest and charges on any debts included in the IVA will also be stopped, you won't have to sell your home as part of the agreement (although you might be asked to release some of the equity in your home at the end of the IVA - only if you can afford to) and your creditors cannot take any further enforcement action against you, such as petitioning for your bankruptcy.

However, once you have started an IVA, you need to keep making the payments you have agreed to for the full five year term or your IVA could be unsuccessful. If there's a good reason why you've been unable to continue making your payments (if your circumstances change, for example if you lose your job) then your Insolvency Practitioner (IP) can go back to your creditors and try to renegotiate your monthly payments (this is called a 'variation').

Whilst over 90% of IVA variations are approved by creditors, there is a chance that your creditors will not accept the new terms. If this happens or if you consistently miss payments without contacting your IP then your IVA will fail and you may be left with Bankruptcy as the only realistic option available to you. For this reason we will only suggest an IVA if it is suited to your financial circumstances.

Whilst your creditors will agree to your Insolvency Practitioner receiving a fee from your monthly payments for managing the IVA, it's important to keep in mind that

if your IVA fails, any fees paid up to that point will not be recoverable.

It's also important to bear in mind that if you benefit from a significant windfall during your IVA (such as winning the lottery, receiving PPI compensation or seeing the equity in your house rise) and are able to pay off your debts in full as a result, then your creditors will expect you to meet the IVA fees in addition to your original debt.

These rules apply to all charities and commercial organisations alike, although it's important to recognise that there are firms that charge part of their fee upfront. By using a firm that charges fees before your creditors have agreed to your IVA proposal, you are risking losing the money you have already paid.

Debt Management

A Debt Management Plan (DMP) is an informal agreement between you and the people you owe money to. This means that unlike IVAs, DROs or Bankruptcy, they are not legally enforceable.

In a DMP, you may be able to negotiate lower repayments over a longer period but it's important to recognise that your creditors are not legally obliged to agree to your proposal, freeze interest or suspend any pending legal action and in some circumstances, you may even end up owing more over time as interest accumulates. That's why it's important to get impartial advice on whether Debt Management is appropriate for your situation first.

You can negotiate with creditors yourself, seek assistance from a debt charity such as Debt Advice Foundation or contact a commercial debt organisation. There are two main types of DMP:

Fee charging - which is where you pay a management fee, typically between 10% to 15% of your monthly payment. Companies that charge fees argue that they provide a superior service, which justifies the additional cost.

Non-fee charging - which is where the full amount of your monthly payment goes towards paying off your debts. Because there is no monthly management fee to pay, your debts will be paid back sooner than if you used a fee charging company.

Debt Relief Order

Debt Relief Orders, which came in to force on 6th April 2009, have many of the same advantages as bankruptcy.

It usually lasts for a year (during which time your creditors can't take action against you) and at the end of that period, you'll be free of all the debts listed in the order.

The main differences are that you must owe less than £15,000 and have a low disposable income (less than £50 per month after paying all your essential household expenditure). Your non-vehicle assets (including savings) can't exceed £300 and your car value can't be in excess of £1,000.

There are restrictions on the type of debts that can be included in the order. Court fines, child maintenance and student loans will not be allowed.

Debt Relief Orders are administered by the Official Receiver through the Insolvency Service. To apply for a DRO, you'll need to contact an authorised adviser who checks whether you meet the conditions and then applies for the order on your behalf. The order will cost you £90, which can be paid in installments over six months and you won't have to attend court.

Debt Consolidation

Some people get into financial difficulty simply because they have too many credit commitments to keep track of each month or struggle to keep up repayments on short-term, high interest debts such as credit and store cards.

Debt consolidation is the process whereby a single, larger loan is taken out to pay off multiple smaller debts. This can either be through secured borrowing against an asset, such as a property, or through further unsecured borrowing (which tends to be more expensive given that the lender has no security). The rationale behind consolidating debts is to secure a lower rate of interest, so that the borrower has only one, lower monthly repayment to make.

However, if you are considering consolidating your debts, you need to make sure that you are comfortable, not only with the monthly repayments, but also with the repayment term (which will typically be longer than your existing credit commitments are scheduled to run for) and the total amount that you'll be paying back (which will be more than the amount you currently owe). Generally, consolidation loans should only be considered by people with good credit histories and a relatively high proportion of high interest debt (such as store and credit cards).

Debt consolidation is rarely the solution to a serious debt problem as in practice, the borrower is simply increasing the total amount that they'll be required to pay back. If you do consolidate then it's important not to give in to temptation and start building up new debts while you're paying off your old ones. Cut up your credit cards!

What other help is available?

This section will highlight specific help related to different areas of your life. For more generalist advice you can also contact voluntary organisations like the Citizens Advice Bureau or Age UK.

Credit Unions

What are Credit Unions?

Credit unions are small non-profit financial organisations set up by members with something in common to benefit their community.

That common factor may be living in the same town, working in the same industry (eg, the Police Credit Union) or belonging to a particular trade union.

Sadly under-publicised, roughly 500 credit unions cover the UK offering savings and loans to their members. Most now offer current accounts, and a few even offer mortgages. Almost a million Brits are members.

Who are they for?

They're there to provide a financial community, where its members mutually benefit as there's no profit for third party shareholders.

This can mean helping those who can't get access to ordinary bank products; a lifeline in less well-off communities for folks grappling with their finances. Plus, they can be a welcome alternative to payday loans or doorstep lending.

Yet, they're not just for those struggling financially. They also appeal to those who want to bank ethically and benefit their community. Some larger credit unions, such as the police union or the big Glasgow credit union, offer products that can beat mainstream finance.

Their primary functions are savings and borrowing, although other services that may be available include current accounts (similar to a Basic Bank Account), cash ISAs, mortgages or sometimes funeral plans. For more on their role see the credit union trade body ABCUL.

Who can join a Union?
They're all specific, so you need to check if there's one that suits you in your area.

From Jan 2012 onwards, the joining rules relaxed a little, but generally, to be part of a credit union, you need to share a 'common bond' with other members, such as:

- Live or work in the same area
- Work for the same employer as other members
- Belong to the same church, trade union or other association.

How do I find my nearest?
There are a few ways to find a credit union near you and check out precisely what your local credit union offers:
You can search by postcode, employment type, or other organisations that you think may have a union, online at http://www.findyourcreditunion.co.uk

Over the phone: If you'd prefer, you can call ABCUL on 0800 015 3060.

Equity release
If you're a homeowner aged 55 or over, you could consider using equity release to unlock money from your home while you still live there.

Equity release could allow you to release a cash lump sum for any purpose e.g. debt consolidation, home improvements, or to supplement your income.

How does equity release work?
Equity release can be used to provide a tax-free cash lump sum, or to establish access to a flexible borrowing reserve. How much you can release varies between providers but usually depends on your age, health, the value of your home and the type of plan you choose.

What are the types of equity release?
There are three types of equity release: interest only lifetime mortgages, lifetime mortgages and home reversion plans.

Interest only lifetime mortgages let you borrow against the value of your home while retaining ownership. Interest can be paid monthly and the original borrowing is repaid when your home is sold.

Lifetime mortgages let you borrow against the value of your home while retaining ownership. Interest is added to the mortgage and repaid when your home is sold. Flexible lifetime mortgages allow you to access funds as required and you only pay interest on what you actually borrow.

Home reversion plans let you sell all or part of your home at a discount in exchange for a cash lump sum and rent-free lifetime tenancy.

What are the setup fees?
A survey fee is paid at the start of the process, the amount will depend on the value of your home.

An application fee is paid to the equity release provider when your application completes. This is typically £695. You will be required to obtain independent legal advice from a solicitor and this will usually cost between £400 and £500.

Most advisors will also charge an advice fee that can vary from £595 to £2,000.

Would I still own my home?
If you have a home reversion plan the deeds, and therefore the ownership, transfers to the home reversion provider. You would maintain an interest in any share of the property not sold to the provider.

If you have a lifetime mortgage or an interest only lifetime mortgage you retain ownership of your home.

Will my benefits be affected?
Depending on the amount borrowed and purpose of the release your benefits maybe affected.

Your advisor will complete a full benefits assessment before making a formal recommendation. We will discuss the impact any equity release plan may have on any means-tested benefits you receive now or are likely to receive in the future.

Will I still be able to leave an inheritance?
The amount of inheritance available will be the difference between the proceeds from the sale of the house and the amount outstanding on the plan when it's redeemed.

We can't predict the future value of your property so we can't predict the amount that could be available as an inheritance. Property prices could be higher or lower than they are today when the property is eventually sold.

If protecting an inheritance is a priority, some plans will allow you to add a protected equity guarantee.

Taking control of your finances.

Keep on top of your debt by reducing your spending and making the most of your money. If you're struggling to manage your day to day money, we've got lots of practical money advice tips to help you take control.

Careful budgeting and being more disciplined in the way that you deal with your money will bring you long-term benefits. Creating a plan that allows you to keep track of where your money's going every month (and how much you can afford to pay your creditors) is essential for a debt-free future.

Reduce your spending

If you're already cutting back on your spending, you're doing the right thing. But could you do more? Here are some ideas on how you can save money.

Shopping

- If you plan your shopping and work to a budget, you're less likely to make impulse buys or spend more than you want to. Use a shopping list and stick to it.
- You should never cut back on essential food items - but are there cheaper brands or supermarket own-label brands that offer better value?
- Consider switching to a cheaper supermarket.
- Look out for special offers, keep coupons and remember to use them.
- There might be reduced grocery items available at the end of the supermarket day. Could you take advantage of that?

Gas and electricity

- Are you getting the best deal on your gas or electricity? You could try utility switching to lower your current bills.
- If you stay with your current provider, there are other ways you could save money. Most companies offer a discount for

paying by direct debit. Or if you have gas and electricity from the same supplier, you could get a dual-fuel discount. Contact your supplier to see if that's available to you.

- Maybe you can reduce your energy consumption. There are many ways you can do this, such as using loft and cavity wall insulation. There might be free offers available. Visit Energy Saving Trust or call them on 0300 123 1234.

Water

If you're a low water user, it might be cheaper to have a water meter fitted. There are also water saving devices that can be used in the home. Contact your water company to find out more.

Telephone, satellite and internet

These bills can really add up. So it's worth reviewing the package that you're on to make sure that it offers the best value available. Check with your current provider, shop around or use comparison sites. Here are a few ideas for cutting costs:

- Change to a combined phone, TV and broadband package. Bundling all three together usually results in a better deal.
- Think carefully about what you really need. If you can live without those extra TV channels, for example, you can make substantial savings.
- Cancel your mobile phone contract and start using a pay-as-you-go phone. With a pay-as-you-go phone you can control how much you spend more easily.

Housing

One of your biggest monthly bills is likely to be your mortgage or rent. Moving home is probably a last resort, but if you think it's possible, consider downsizing or moving to a cheaper property.

Increasing your income

When times are difficult, finding ways to boost your income is not an easy task. But if you're able to work, don't give up. Keep looking for opportunities that could improve your situation. If you're already in work, could you increase your hours or take on a second job?

Here are a few other things to consider:

- Are you claiming all the benefits that you're entitled to? If you're not sure, try our benefits checker.
- Could you rent a room to a lodger?
- Maybe you could get a friend to move in and share the bills?
- Do you have unwanted items you could sell?

Are there any other useful resources available?

There are a number of money advice tools that can help you keep on top of your finances.

A good place to start is the Money Advice Service HealthCheck. (*www.moneyadviceservice.org.uk/en/tools/health-check*) It will ask a few simple questions and create an action plan to help you get the most from your money.

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